

旭辉永升服务集团有限公司
CIFI Ever Sunshine Services Group Limited

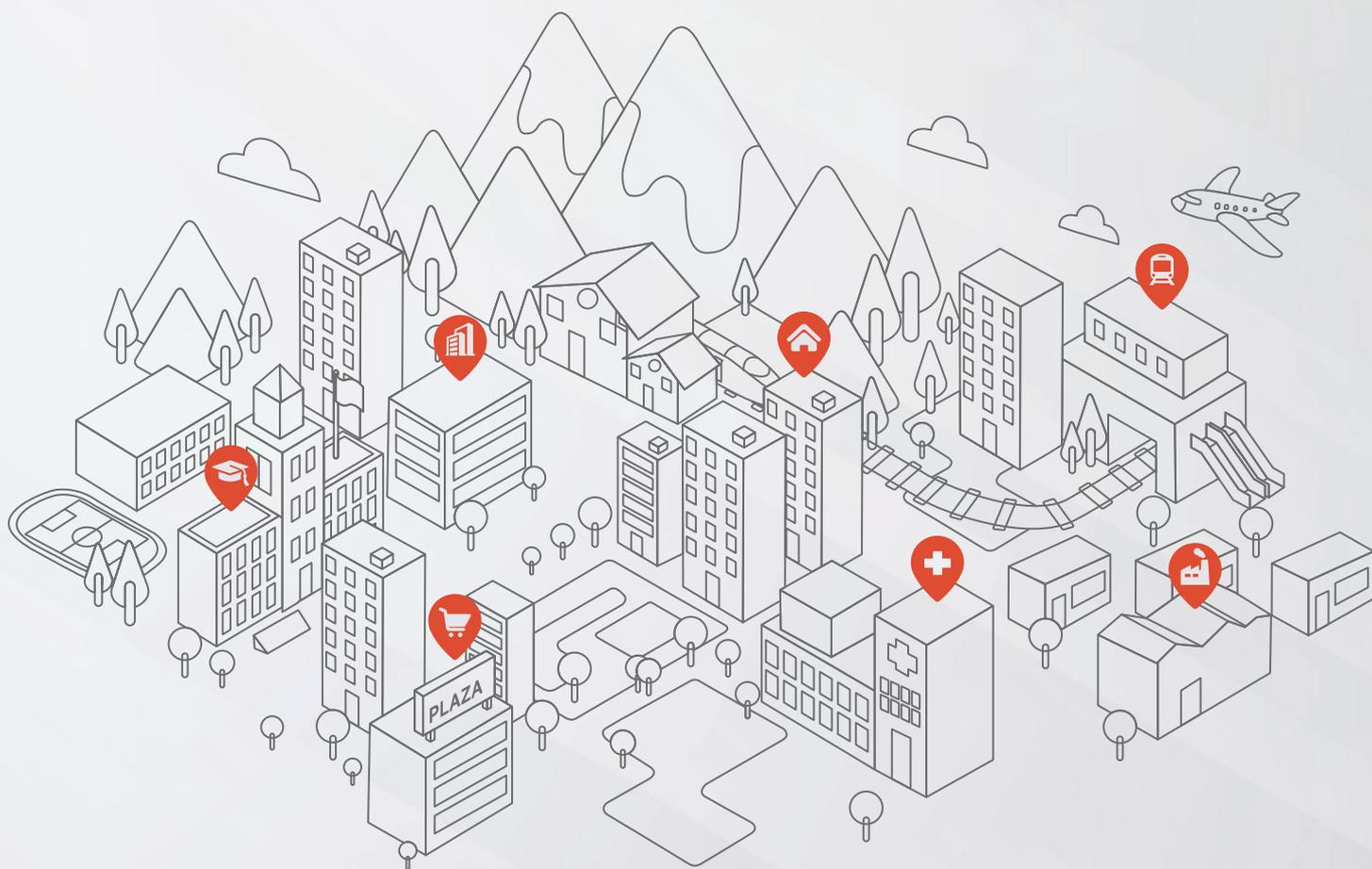
(Incorporated in the Cayman Islands with limited liability)
Stock code : 01995

 旭辉永升服务
CIFI ES - SERVICE

用心構築美好生活

BUILDING BETTER LIVES

Grow into a customer -
preferred smart city service brand



2023 INTERIM REPORT

CIFI ES - SERVICE

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIN Zhong (*Chairman*)

Mr. ZHOU Hongbin

Mr. ZHOU Di

Non-executive Director

Mr. LIN Feng

Independent Non-executive Directors

Mr. MA Yongyi

Mr. YU Tiecheng

Mr. CHEUNG Wai Chung

COMPANY SECRETARY

Ms. CHAN Yin Wah

AUTHORISED REPRESENTATIVES

Mr. LIN Zhong

Ms. CHAN Yin Wah

STRATEGY COMMITTEE

Mr. LIN Zhong (*Chairman*)

Mr. LIN Feng

Mr. ZHOU Hongbin

AUDIT COMMITTEE

Mr. CHEUNG Wai Chung (*Chairman*)

Mr. LIN Feng

Mr. MA Yongyi

REMUNERATION COMMITTEE

Mr. YU Tiecheng (*Chairman*)

Mr. LIN Zhong

Mr. MA Yongyi

NOMINATION COMMITTEE

Mr. LIN Zhong (*Chairman*)

Mr. YU Tiecheng

Mr. MA Yongyi

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

6F, Building 5, Henderson CIFI Center
Lane 1088, Shenhong Road
Minhang District, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKS

China Construction Bank Shanghai Putuo Branch
8th Floor
95 Changshou Road
Putuo District, Shanghai, PRC

China Construction Bank Shanghai Nujiang Road Branch
Room 101
1006 Jinshajiang Road
Putuo District, Shanghai, PRC

Ningbo Bank Shanghai Huangpu Branch
37 Huanghe Road
Huangpu District
Shanghai, PRC

China Construction Bank Suzhou Gaoxin District Branch
95 Shishan Road
Gaoxin District
Suzhou, Jiangsu Province, PRC

AUDITOR

Prism Hong Kong and Shanghai Limited
Units 1903 -1905, 19/F, 8 Observatory Road
Tsim Sha Tsui
Hong Kong

LEGAL ADVISER

Sidley Austin

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

01995

WEBSITE

www.cifies.com

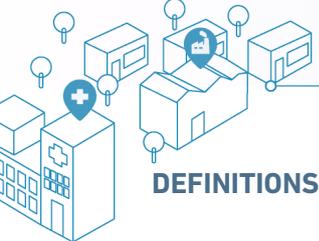


AWARDS AND HONORS



In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

Articles of Association	the articles of association of the Company (as amended from time to time)
Audit Committee	the audit committee of the Company
associate(s)	has the meaning ascribed thereto under the Listing Rules
Best Legend	Best Legend Development (PTC) Limited (formerly known as Best Legend Development Limited), a private trust company limited by shares incorporated in the BVI on 20 April 2018 and wholly owned by Mr. Lin Feng as a special purpose vehicle to hold Shares as the trustee of the Best Legend Trust
Best Legend Trust	a trust company established on 19 October 2018, with Best Legend being appointed as the trustee, for the purpose of a share award scheme adopted by Best Legend
Board or Board of Directors	the board of directors of the Company
Board Committees	collectively the Strategy Committee, the Remuneration Committee, the Nomination Committee, and the Audit Committee, and the "Board Committee" means any of them
BU	Business unit
BVI	the British Virgin Islands
CG Code	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
China or PRC	the People's Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
CIFI Group	CIFI Holdings and its subsidiaries



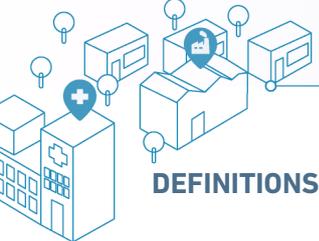
DEFINITIONS

CIFI Holdings	CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司) (stock code: 00884), an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the Main Board
Company, Ever Sunshine, we or us	CIFI Ever Sunshine Services Group Limited (旭輝永升服務集團有限公司) (formerly known as Ever Sunshine Lifestyle Services Group Limited (永升生活服務集團有限公司)), a company incorporated in the Cayman Islands as an exempted company with limited liability on 16 April 2018 and the Shares of which are listed on the Main Board
Controlling Shareholder(s)	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei, Elite Force Development, CIFI Holdings, Xu Sheng, Spectron and Best Legend
COVID-19	Coronavirus Disease 2019 epidemic
Deed of Non-Competition	the deed of non-competition dated 26 November 2018 given by our Ultimate Controlling Shareholders in favor of the Company (for itself and as trustee for each of the subsidiaries)
Director(s)	director(s) of the Company
Elite Force Development	Elite Force Development Limited, a limited liability company incorporated in the BVI on 4 April 2018, one of our Controlling Shareholders and is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei
FVTPL	fair value through profit and loss
GFA	gross floor area
Group	the Company and its subsidiaries
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hong Kong dollars, HKD or HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Independent Third Party(ies)	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates



IPO	the initial public offering of the Company
Listing	the listing of the Shares on the Main Board
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
Main Board	the Stock Exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
Meizhong Environment	Hunan Meizhong Biophysical Environment Technology Co., Ltd.* (湖南美中環境生態科技有限公司), a limited liability company established in the PRC and an indirect non-wholly-owned subsidiary of the Company
Memorandum	the memorandum of association of the Company (as amended from time to time)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Nomination Committee	the nomination committee of the Company
Over-allotment Option	the option granted by the Company, pursuant to which the Company may be required to allot and issue up to an aggregate of 57,000,000 additional new Shares to, among other things, cover the over-allocations (if any) in the placing of Shares to professional, institutional and other investors (the portion of which has not been exercised has lapsed on 6 January 2019)
Prospectus	the prospectus of the Company dated 4 December 2018
Remuneration Committee	the remuneration committee of the Company
Renminbi or RMB	the lawful currency of the PRC
Reporting Period	the period from 1 January 2023 to 30 June 2023
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time





DEFINITIONS

Shareholder(s)	holder(s) of the Share(s)
Share(s)	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company, which are traded in Hong Kong dollars and listed on the Main Board
Spectron	Spectron Enterprises Limited, a limited liability company incorporated in the BVI on 18 September 2014 and one of our Controlling Shareholders
sq.m.	square metres
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy Committee	the strategy committee of the Company
substantial shareholder	has the meaning as ascribed thereto under the Listing Rules
Ultimate Controlling Shareholders	Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei
Xu Sheng	Xu Sheng Limited, a limited liability company incorporated in the BVI on 9 May 2011, a wholly-owned subsidiary of CIFI Holdings and one of our Controlling Shareholders
Yongsheng Property	Shanghai Yongsheng Property Management Co., Ltd.* (上海永升物業管理有限公司) (formerly known as Shanghai Yongsheng Property Management Company Limited (上海永升物業管理股份有限公司)), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

* *For identification purposes only*



Dear Shareholders,

Thank you for your continuous support for the evolution and development of Ever Sunshine.

On behalf of the Board, I am pleased to present the interim report of the Group for the six months ended 30 June 2023, summarizing the Group's achievements and shortcomings during the Reporting Period, while sharing the future plans and developments.

In the first half of 2023, as compared to the corresponding period in 2022, the Group's revenue increased by 0.7% to RMB3,183.7 million. In terms of revenue structure, revenue from property management services increased by 15.8% to RMB2,190.1 million, revenue from community value-added services decreased by 24.8% to RMB410.0 million, revenue from value-added services to non-property owners decreased by 31.2% to RMB371.7 million, revenue from city services increased by 13.0% to RMB208.5 million, and the overall revenue structure of the four businesses was approximately 68.8%, 12.9%, 11.7%, and 6.5%.

During the Reporting Period, gross profit decreased by 20.9% to RMB643.3 million, achieving a profit attributable to owners of the Company of RMB240.4 million, representing a year-on-year decrease of 36.3%, and net cash flow from operating activities amounted to RMB100.1 million, representing a weaker performance than the corresponding period in last year.

During the Reporting Period, the Group's contracted GFA increased from 291.4 million sq.m. as at 30 June 2022 to 304.3 million sq.m. as at 30 June 2023, representing an increase of 4.4%, while at the same time, GFA under management decreased from 207.9 million sq.m. as at 30 June 2022 to 205.6 million sq.m. as at 30 June 2023, representing a slight decrease of 1.1%.

In the first half of 2023, the global economy was on the road to recovery, while the process was full of ups and downs and changes. Against this volatile backdrop, the pace of recovery in the real estate market may not have met our initial expectations, which does pose certain challenges to the business of Ever Sunshine. However, we are not discouraged by this and we are deeply convinced that the property management sector still holds unlimited opportunities and potential. Despite the pressures of the external environment, our team remains solid as a rock, our values are clear and our way forward is also clear. It is these strengths that will help us to flexibly cope with to changes, and keep our leading position in the competition. Regardless of the vagaries of the outside world, we will steadily move forward with courage, and we will continue to strive to achieve even greater success.

As we reflect on our business and financial performance over the past six months, we need not avoid facing some difficulties on the road to development. Against the backdrop of industry recovery, we have resolutely focused on improving service quality and poured more effort into enhancing customer experience, and these painstaking efforts are gradually showing their value. At the same time, however, we must also honestly admit that problems once masked by rapid growth are gradually surfacing, and new challenges are emerging as we continue to explore innovative business.



CHAIRMAN'S STATEMENT

Against this backdrop, we are determined to focus more on our mission of enhancing service quality and continuously strengthening our customer service efforts in the future. We will continue to innovate our service offerings at all costs in order to satisfy the property owners' desire for excellent service. We deeply understand that it is only through continuous effort and constant innovation that we will be able to better cope with the changes and challenges of the industry and provide our customers with a higher quality and more satisfying service experience. This is a mission that should not be underestimated, and we will rise to the challenge and move firmly in the direction of success.

We take a positive attitude on the prospect of the property management industry. The property management industry still maintains its superior cash flow characteristics, and its unique qualities such as its asset-light attributes remain unchanged. We firmly believe that in this highly competitive market environment, Ever Sunshine will be able to maintain its leading position in a robust manner, by focusing on providing excellent service quality and continuously meeting customer needs.

Looking ahead, Ever Sunshine will adhere to the strategy of "Platform + Ecosystem" and pay special attention to the development of community value-added services. We will make every effort to build diversified service capabilities, continuously optimize existing service offerings, and increase investment in technology research and development to continuously improve service efficiency and quality. At the same time, we will also promote the transformation of property management services from the public sector to the household level to meet continuously expanding customer demand. We are fully confident in the future development of the Company in the home living services sector and firmly believe that it will become an important support point for the continuous growth of Ever Sunshine. Through this series of proactive efforts, we will provide our customers with a more comprehensive and personalized service experience, and create a new chapter in the sustainable development of the Company.

At the same time, in order to cope with the increasingly complex and volatile business environment, the Company will focus on two important goals: enhancing our resilience to risks and strengthening our corporate governance system. Firstly, we will continue to strengthen our internal processes and resource management to enhance our stability and resilience in unstable market conditions and to ensure the continuous robust development of our business. Secondly, we will deeply improve our corporate governance structure to ensure that our decision-making is transparent, compliant and rigorous, thereby enhancing the management effectiveness and operational stability of the Company. We firmly believe that through these two key initiatives, we will be able to better adapt to market changes, safeguard the rights and interests of the stakeholders and realize our goal of sustainable and healthy development.

Amidst the fluctuations and challenges of the market, Ever Sunshine is firmly moving forward. We are full of confidence in the Company's development prospect and believe that by continuing to focus on service quality, strengthening customer service and continuous innovation, Ever Sunshine will continue to make new breakthroughs and achievements.

Finally, I would like to express my sincere gratitude to the directors, shareholders and all employees for their hard work and support. Ever Sunshine will continue to work hard in a pragmatic manner, striving for the long-term and robust development of the Company.



BUSINESS REVIEW

Overview

We are a reputable and fast-growing comprehensive property management service provider in China. In May 2023, we were honourably elected as one of the “2023 Top 100 Property Management Companies in China (2023中國物業服務百強企業)” and maintained our leading position as a TOP 10 company in the industry’s overall strength ranking. As of 30 June 2023, we provided property management services, value-added services and city services in 114 cities in Mainland China, with a total contracted GFA of approximately 304.3 million sq.m., among which, we had a total GFA under management of approximately 205.6 million sq.m., serving more than 1 million households.

Our business covers a board spectrum of properties, including residential properties and non-residential properties, covering office buildings, shopping malls, school campus, hospitals, scenic spots, government-owned buildings, expressway stations, rail transit, and ferry terminals, etc. In addition, we also provide city services and other high-quality tailored services.

Adhering to the concept of “Building Better Lives”, our core value is to let customer “be Trouble-Free, Worry-Free, and Discontent-Free (讓用戶省心、放心、開心)”. We promote diversified development through technological innovation and adhere to the development strategy of “Platform + Ecosystem”. Our mission is to provide comprehensive, caring and professional property management services to our customers and to grow into a customer-preferred smart city service brand.

Our Business Model

We operate four major business lines, namely (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, and (iv) city services, which form a comprehensive service portfolio offering to our customers and cover the entire value chain of the property management industry.

- **Property management services:** We provide a variety of property management services to property developers, property owners and residents, which primarily include cleaning, security, gardening and repair and maintenance services. We manage a portfolio of residential and non-residential properties. Our non-residential properties include office buildings, shopping malls, schools, hospitals, scenic spots, government-owned buildings, expressway service stations, rail transit and ferry terminals.
- **Community value-added services:** We provide community value-added services to both property owners and residents with the aim of improving their living experiences, maintaining and enhancing their asset values. These services mainly cover (i) home-living services; (ii) parking unit management and leasing services; (iii) property agency services; and (iv) common area value-added services.



MANAGEMENT DISCUSSION AND ANALYSIS

- Value-added services to non-property owners: We provide a comprehensive range of value-added services to non-property owners, who primarily include property developers and, to a lesser extent, non-property developers who require certain additional tailored services in respect of their non-residential properties and property management services providers who outsource certain value-added services to us. Our value-added services to non-property owners mainly include (i) sales assistance services; (ii) additional tailored services; (iii) housing repair services; (iv) pre-delivery inspection services; and (v) preliminary planning and design consultancy services, which cover on-site inspection services for each unit to provide sufficient recommendations from the end-user's perspective.
- City services: We can provide a wide range of city services. Such services mainly include (i) city environmental sanitation; (ii) waste sorting and treatment; (iii) installation of block facilities; (iv) landscaping project; (v) old communities renovation; and (vi) smart block construction.

Property Management Services

Continuous High Quality Development

We uphold our strategy of deepening city and insist on quality expansion as one of our strategic goals. For the Reporting Period, we achieved high quality development in contracted GFA and GFA under management through multi-wheel drivers.

As at 30 June 2023, our contracted GFA amounted to approximately 304.3 million sq.m. and the number of contracted projects was 1,568, representing an increase of approximately 4.4% and 6.6%, respectively as compared with 30 June 2022. As at 30 June 2023, our GFA under management amounted to approximately 205.6 million sq.m. and the number of projects under management was 1,184, representing a slight decrease of 1.1% and an increase of 6.4%, respectively as compared with 30 June 2022.

The table below sets out the changes in our contracted GFA and GFA under management for the six months ended 30 June 2023 and 2022, respectively:

	For the six months ended 30 June			
	2023		2022	
	Contracted GFA (sq.m. '000)	GFA under management (sq.m. '000)	Contracted GFA (sq.m. '000)	GFA under management (sq.m. '000)
As at the beginning of the Reporting Period	303,435	209,954	270,767	171,037
Additions ⁽¹⁾	22,114	16,940	23,198	39,420
Terminations ⁽²⁾	(21,297)	(21,277)	(2,523)	(2,523)
As at the end of the Reporting Period	304,252	205,617	291,442	207,934

Notes:

- (1) With respect to our residential and non-residential projects under management, additions primarily included preliminary management contracts for new properties developed by real estate developers, property management service contracts pursuant to which we replaced the previous property management service providers, and property management contracts acquired through acquisitions of subsidiaries.
- (2) These terminations included our voluntary non-renewals of certain property management services contracts as we reallocated our resources to more profitable engagements in order to optimize our property management portfolio.

Our Geographic Footprint

Since the Group's inception up to 30 June 2023, we have expanded our geographic footprint from Shanghai to 114 cities in China, aiming at deep regional penetration in pursuit of effective scale expansion.

The table below sets forth a breakdown, by geographic location, of our total GFA under management as at the dates indicated and the revenue generated from property management services for the six months ended 30 June 2023 and 2022, respectively:

	As at 30 June or for the six months ended 30 June					
	2023			2022		
	GFA sq.m. '000	Revenue RMB'000	%	GFA sq.m. '000	Revenue RMB'000	%
Eastern region ⁽¹⁾	116,795	1,251,053	57.1	113,728	1,096,369	58.0
Northern region ⁽²⁾	21,327	263,217	12.0	28,023	230,288	12.2
Central Southern region ⁽³⁾	37,504	302,010	13.8	35,865	258,888	13.7
Western region ⁽⁴⁾	24,746	277,892	12.7	24,569	225,983	11.9
Northeastern region ⁽⁵⁾	5,245	95,921	4.4	5,749	80,225	4.2
Total	205,617	2,190,093	100.0	207,934	1,891,753	100.0

Notes:

- (1) Cities in the eastern region in which we have property management projects include Shanghai, Suzhou, Jiaxing, Hangzhou, Nanjing, Wuxi, Xiamen, Zhoushan, Zhangzhou, Rizhao, Liaocheng, Yangzhou, Lianyungang, Xuancheng, Jinhua, Chuzhou, Huzhou, Quanzhou, Zhenjiang, Zibo, Zunyi, Huaian, Wuhu, Huainan, Yantai, Shaoxing, Weihai, Suqian, Taizhou, Fuzhou, Yancheng, Weifang, Heze, Jining, Wenzhou, Taizhou, Fuyang, Dezhou, Xuzhou, Linyi, Nantong, Changzhou, Jinan, Dongying, Anqing, Ningbo, Binzhou, Qingdao, and Hefei.
- (2) Cities in the northern region in which we have property management projects include Beijing, Tianjin, Shijiazhuang, Taiyuan, Cangzhou, Tangshan, Langfang and Handan.
- (3) Cities in the central southern region in which we have property management projects include Shenzhen, Foshan, Wuhan, Zhengzhou, Changsha, Nanyang, Jiangmen, Putian, Dali Bai Autonomous Prefecture, Guangzhou, Nanchang, Huanggang, Zhoukou, Huizhou, Guilin, Nanning, Yichang, Shaoyang, Zhuzhou, Xiangtan, Zhongshan, Shangqiu, Xuchang, Dongguan, Qiandongnan Miaodong Autonomous Prefecture, Xiangxi Tujia-Miao Autonomous Prefecture, Nujiang Lisu Autonomous Prefecture, Yueyang, Changde, Hengyang, Liuzhou, Qianduanbuyi Miaoyu Autonomous Prefecture and Luoyang.



MANAGEMENT DISCUSSION AND ANALYSIS

- (4) Cities in the western region in which we have property management projects include Xi'an, Chengdu, Chongqing, Baoji, Anshun, Weinan, Luliang, Tianshui, Urumqi, Xiangyang, Haidong, Xining, Zaozhuang, Yinchuan, Hohhot, Baiyin, Guiyang, Liupanshui, Kunming and Bijie.
- (5) Cities in the northeastern region in which we have property management projects include Changchun, Harbin, Shenyang and Dalian.

Pursuit of Continuous Expansion of an Effective Scale

Handling of Business Transactions with CIFI Group in accordance with market-oriented principle

As a long-term service partner of CIFI Holdings (Group) Co. Ltd. ("CIFI Holdings") (Stock Code: 00884) and its subsidiaries ("CIFI Group"), we have been building a stable market-oriented collaborative partnership with CIFI Group. Looking back at the first half of 2023, the market environment of the real estate industry remained challenging and recovery has been weak. These challenges have also had a continued negative impact on the property management services industry. We still adhered to the "dependence but not reliance" development principle with CIFI Group, which enabled us to respond to the crisis relatively effectively and keep the impact on our property management services business within a manageable range. We have continued to improve and adjust our strategies to ensure that our cooperation with CIFI Group continues to develop steadily. In this challenging environment, we will cooperate closely together to meet the opportunities and challenges that the future brings.

Continued Refinement of Independent Third-party Market Development Capabilities

As one of the key drivers of the Company's expansion, we have always endeavoured to diversify into third-party markets. By expanding our resources to various independent markets, we continue to increase our market share. At the same time, we continue to improve our ability to build teams to achieve better empowerment results. This proactive strategy has enabled us to remain competitive in an ever-changing environment and has brought about sustained scale growth for the Company. The main targets of our market expansion include regional property developers, property owners' committees, local governments, and commercial and corporate clients. To acquire management rights for property developers' first-hand projects, we participated in the tender bidding of their new development projects. In the first half of 2023, we acquired premium first-hand projects such as Suzhou Shanlan Jingting (蘇州山嵐璟庭), Changzhou Binjiang Haoyuan (常州濱江豪園) and Jingzhou Yinguan Mingcheng (荊州銀冠名城). To acquire management rights for second-hand projects, we joined in the tender bidding offered by the property owners' committees to replace the previous property management service provider. In the first half of 2023, we acquired premium second-hand projects, such as the Future Block of Jinsha Yayuan in Shanghai (上海金沙雅苑未來街區), Dafa Triumphant Gate in Wenzhou (溫州大發凱旋門), and the first part of Gaoxin Tinglin in Suzhou (蘇州高新亭林一部), through public bidding. We also participated in government procurement, including tenders for public construction projects such as sports stadiums, rail transit, transportation hub points and office buildings. In the first half of 2023, we acquired premium public construction projects such as Ningde Hospital of Traditional Chinese Medicine (寧德市中醫院), Xi'an Metro Line 3 (西安市地鐵3號線) and Dalian Airport (大連機場). In addition, we established a "Commercial Division" within the Company with the aim of developing a more professional and refined approach to commercial and corporate services in the long term. In the first half of 2023, we acquired projects for corporate headquarters and office parks such as Luoyang Dongda Science and Technology Industrial Park (洛陽東大科技產業園), Yufu Building (渝富大廈) and Anshan Tanggangzi Hot Spring Tourism Resort (鞍山湯崗子溫泉旅遊度假區).



Strategic Mergers and Acquisitions

Strategic mergers and acquisitions have been a crucial part of our development process. In terms of mergers and acquisitions, the Group adheres to the principle of “Selects the target carefully before investment; conducts effective management after investment (投前精選標的,投後完善管理)”. Through strategic mergers and acquisitions, we increased our market share in existing markets, expanded our regional business scales, and made up the weaknesses among sectors quickly to enhance our multi-sector services capabilities.

Since the listing of the Company’s ordinary shares (the “Share(s)”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), we adhered to the prudent principle for mergers and acquisitions and acquired companies such as Zhengzhou Jinyi Property Service Co., Ltd.* (鄭州錦藝物業服務有限公司) for residential properties, Qingdao Yayuan Property Management Co., Ltd.* (青島雅園物業管理有限公司) and Shanghai Macalline Property Management Services Co., Ltd.* (上海美凱龍物業管理服務有限公司) for commercial and office space, Jiangsu Xiangjiang Property Development Co., Ltd.* (江蘇香江物業發展有限公司) for public facilities, Shandong XinJian Property Development Co., Ltd.* (山東鑫建物業發展有限公司) for logistics park, Meizhong Environment for city sanitation and Huaxi Xin’an (Beijing) Property Management Co., Ltd.* (華熙鑫安(北京)物業管理有限公司) for mixed-use complex, and all have achieved positive post-investment integration results. During the first half of 2023, we completed the acquisition of Beijing Hangteng Property Management Co., Ltd.* (北京航騰物業管理有限責任公司) (“Beijing Hangteng”). Since 2022, we reduced the number of mergers and acquisitions due to the continued disturbance in the external environment and the Company’s stringent internal risk management requirements.

The table below sets forth the breakdown, by types of property developers, of our total GFA under management as at the dates indicated:

	As at 30 June			
	2023		2022	
	GFA sq.m. '000	%	GFA sq.m. '000	%
CIFI Group ⁽¹⁾	47,063	22.9	35,759	17.2
Third-party property developers ⁽²⁾	158,554	77.1	172,175	82.8
Total	205,617	100.0	207,934	100.0

(1) Included properties solely developed by CIFI Group and properties jointly developed by CIFI Group and other property developers (CIFI Group held a controlling interest in such properties).

(2) Referred to properties solely developed by third-party property developers independent from CIFI Group, as well as properties jointly developed by CIFI Group and other property developers (CIFI Group did not hold a controlling interest in such properties).





MANAGEMENT DISCUSSION AND ANALYSIS

Transforming into a Comprehensive Property Management Service Provider

We manage a wide range of properties, including residential and non-residential properties. We have accumulated tremendous experience in managing non-residential properties, including office buildings, shopping malls, industrial parks, hospitals and schools etc.. Meanwhile, with the further opening up of the non-residential market, we were offered with more opportunities to participate in the tender bidding in such market and expand market share. We seized the emerging market opportunities and entered the sub-sectors in the non-residential market, including headquarters buildings for large enterprises, expressway services stations, subway rail transit, tourist scenic spots and industrial exhibition centers. We treat the acquired projects as a stepping stone to set up benchmarks and continue to achieve penetrative development in local markets, thereby achieving the increase in the concentration in local market. Despite the fact that revenue generated from residential property projects has contributed and will continue to contribute the largest proportion of our property management revenue, we strive to diversify our service portfolio to get more development of refinement and specialization in the non-residential properties. As at 30 June 2023, non-residential properties accounted for approximately 32.4% in our GFA under management.

The table below sets forth a breakdown, by different types of properties as they were developed, of our total GFA under management as at the dates indicated and revenue from property management services generated therefrom for the six months ended 30 June 2023 and 2022, respectively:

	As at 30 June or for the six months ended 30 June					
	2023			2022		
	GFA sq.m. '000	Revenue RMB'000	%	GFA sq.m. '000	Revenue RMB'000	%
Residential properties	138,984	1,250,898	57.1	129,778	986,138	52.1
Non-residential properties	66,633	939,195	42.9	78,156	905,615	47.9
Total	205,617	2,190,093	100.0	207,934	1,891,753	100.0

Lump Sum Basis and Commission Basis

We generally price our services by taking into account, among others, factors such as the characteristics and locations of the residential communities, our budget, targeted profit margins, property owner and resident profiles and the scope and quality of our services. We charge property management fees primarily on a lump sum basis, with a small portion of which charged on a commission basis.

The following table sets forth a breakdown, by revenue model, of our total GFA under management as at the dates indicated and revenue from property management services for the six months ended 30 June 2023 and 2022, respectively:

	As at 30 June or for the six months ended 30 June					
	2023			2022		
	GFA sq.m. '000	Revenue RMB'000	%	GFA sq.m. '000	Revenue RMB'000	%
Lump sum basis	203,107	2,187,885	99.9	207,276	1,891,290	100.0
Commission basis	2,510	2,208	0.1	658	463	—
Total	205,617	2,190,093	100.0	207,934	1,891,753	100.0

Community Value-Added Services

During the Reporting Period, a variety of community value-added services struggled to advance amidst the challenges of a weaker-than-expected macroeconomic recovery and a soft property market in the PRC. During the Reporting Period, revenue from community value-added services was approximately RMB410.0 million, representing a decrease of approximately 24.8% as compared with approximately RMB545.2 million for the corresponding period in 2022.

Promoting rapid development of community value-added services and establishing a value-added service development system is one of the Group's key strategic development directions. We adhered to the concept of "something must be done and some must not be done (有所為、有所不為)" and developed value-added service products suitable for property owners, based on the needs of community property owner so as to boost the revenue generated from community value-added services.

With the expansion of our service scope, we have more mature experience in community value-added services and continue to optimize and upgrade our talent team. We have continued to deepen our research on community scenarios and service target groups, and have been advancing in a number of dimensions, including demand identification, product and service design, channel and supplier selection, and marketing plan development. Although we were still facing various challenges in the first half of 2023, community value-added services continued to strive to advance. The Group will continue to follow the strategy of driving up the proportion of revenue from community value-added services, and will continue to improve the quality of our services to achieve more sustainable development.

We insist on adopting the "Platform + Ecosystem" strategy, by applying the business unit ("BU") approach to our growing specialized business. Using the expanding communities as the basis of our platform, we aim to achieve the goal of continuous development and specialization of each professional BU on the platform. During the first half of 2023, on the basis of the successful development of such BU as community maintenance and repairing, home decoration, and property agency services, we further promoted the development of our home service business. While increasing our strategic focus, we are also reinventing our products and business model. In the future, we will continue to promote value-added businesses that are in line with our business development strategy so that they can gradually become independent business units.





MANAGEMENT DISCUSSION AND ANALYSIS

Currently, our community value-added services cover four major areas, namely home-living services, parking unit management and leasing services, property agency services, and common area value-added services. The following table sets forth the breakdown of revenue from our community value-added services for the six months ended 30 June 2023 and 2022, respectively:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Home-living services ⁽¹⁾	217,190	53.0	325,423	59.7
Parking unit management and leasing services ⁽²⁾	70,182	17.0	61,843	11.3
Property agency services ⁽³⁾	69,526	17.0	102,667	18.9
Common area value-added service ⁽⁴⁾	53,123	13.0	55,273	10.1
Total	410,021	100.0	545,206	100.0

Notes:

- (1) This primarily included house delivery-stage renovation services such as house decoration, partial house renovation, turnkey furnishing etc.; mature community services such as on-site maintenance, housekeeping and cleaning, home management, secondary renovation, community group purchasing etc.; and special services such as facilities and equipment repair, maintenance and renovation for communities.
- (2) This primarily included fees received from leasing and management of parking units.
- (3) This primarily included agency sales and agency leasing of apartments and parking unit.
- (4) This primarily included service income received from leasing and management of common areas.

Value-Added Services to Non-Property Owners

We provide value-added services to non-property owners, which comprise sales assistance services that primarily include display units management services (the scope of services mainly covers security, cleaning, greening, reception etiquette, and other services for display units), additional tailored services, preliminary planning and design consultancy services, housing repair services, and pre-delivery inspection services. We extend the professional services of property management to the front end of real estate development. Most of these non-property owners are property developers.

During the Reporting Period, revenue from value-added services to non-property owners decreased by approximately 31.2% to approximately RMB371.7 million as compared with RMB540.5 million for the corresponding period in 2022, mainly due to the weakened real estate market in China. Under the guidance of the "Vertical Industry Chain Expansion Strategy", we have enhanced professionalism level and service capacity. Along with providing services to CIFI Group, more third-party property developers have commissioned us to provide value-added services. Revenue from value-added services to non-property owners accounted for 11.7% of the Group's total revenue during the Reporting Period.

The table below sets forth a breakdown of our revenue generated from our value-added services provided to non-property owners for the six months ended 30 June 2023 and 2022, respectively:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Sales assistance services	120,158	32.3	175,371	32.4
Additional tailored services	134,831	36.3	240,735	44.5
Preliminary planning and design consultancy services	31,520	8.5	41,621	7.7
Housing repair services	62,033	16.7	61,344	11.4
Pre-delivery inspection services	23,152	6.2	21,403	4.0
Total	371,694	100.0	540,474	100.0

City Services

With the continuous development of social governance and the socialisation of logistic services for the authorities, the Company has gradually expanded from the traditional residential property sector to the non-residential sector and extended to the city services operation level in accordance with the market demand and the development direction of the "big property services (大物業)" strategy. Since 2020, we have gained experiences in urbanization services through strategic cooperation with regional urban investment platforms such as Shanghai Lingang New City Investment & Construction Co., Ltd.* (上海臨港新城投資建設有限公司) and Wuxi Huishan State-owned Investment Holding Group Co., Ltd.* (無錫市惠山國有投資控股集團有限公司). Meanwhile, we have further built up our professional capabilities in city services through the acquisition and integration of Meizhong Environment in 2021.

At the initial stage of our Listing, we launched the Company's mission "Building Better Lives". Subsequently, in 2020, we first announced the Company's vision to "Grow into A Customer-preferred Smart City Service Brand". After continuous exploration and research, we have positioned the Company's city services in three directions:

- (i) city municipal services butler: focusing on environmental sanitation and greening, as well as old community renovation services;
- (ii) city asset management assistant: dedicated to the effective management of city idle space and area resource; and
- (iii) city future development partner: participating in the construction of smart cities and becoming an important player in city development.

We are a property management company covering the business of city services, constantly striving to realize the Company's mission and vision to provide premium smart city services to our customers.





MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

In the first half of 2023, we made positive progress as we endeavoured to overcome challenges in the face of a complex and volatile economic environment. As a property management company, we have always put employee safety first and actively cooperated with the local government in neighbourhood management work to provide property owners with a safe and convenient living environment. Despite the less-than-expected economic recovery, we closely monitored market trends, flexibly adjusted our strategies and continued to improve our service quality. The management will continue to lead the team to fast-track the company's goals and provide excellent property services to our customers, adhering to the philosophy of "Building Better Lives".

Step-up Increase in our Business Size and Market Share

We plan to increase the number of managed properties and floor area, and further optimize our professional marketing team to strategically assess and participate in biddings to acquire more property management business and enhance our service quality. We will increase our business footprint and project density in strategic regions with higher population density and consumption capacity, focusing on 100 cities.

Leveraging on the Group's strong brand, we have also established strategic alliances with property developers and urban construction investment companies to provide property management services for their projects, further penetrate into strategic regions. Moreover, we will focus on managing more non-residential properties, such as hospitals, exhibition centres and industrial parks, to seize the opportunity of service socialization and diversify our portfolio of properties under management.

With the continuous improvement of the Group's capabilities and opportunities arising in the industry, we will also gradually expand the scope of our business and actively layout opportunities in areas such as city services.

Continuous Endeavour to Diversify our Services

We plan to further diversify our value-added services to non-property owners by enhancing our capabilities in preliminary planning and design consultancy services, project quality monitoring services, pre-delivery inspection services, sales assistance services and housing repair services.

While providing value-added services to property developers, we will enhance full industry chain coverage for property development, sales and management so as to achieve vertical industry extension, and acquire more opportunities to gain property management projects.

Meanwhile, we also plan to provide consultancy services to local property management companies to expand our business scope and enhance our brand awareness.

We will continue to diversify our service offerings to meet the ever-changing needs of our customers and expand our business scope to provide more comprehensive and premium property management solutions.





Community value-added services have always been our strategic focus “to make the platform bigger and stronger, and to make the ecosystem better and more thorough (做大做強平台、做優做透生態)”. We will continue to implement the BU system and operate the specialized business after validation of business logic in an independent manner with more focus, professionalism and talent. We hope to increase our market penetration rate and reach out to the common needs of property owners in a better and broader way.

Continuing to Bring in Talents and Upgrade Organization

We continue to bring in quality young talents to the Group through our “Endless Dynamic (永動力)” campus recruitment programme. With the expansion of our management scale and the upgrading of our service offerings, we are committed to nurturing a team of passionate and talented people who are closely linked to the development of the Company. For senior management, we uphold the strategy of “vacating cage to change bird (騰籠換鳥)”, aiming to build an excellent senior management team with vision and consensus. At the same time, we provide middle-level management with sufficient room for growth and professional training in various businesses. We create a multi-talented and multi-capable organization through layers of screening to stimulate the team’s vitality and creativity.

We will continue to strengthen our talent introduction and organizational upgrading efforts to continuously inject new vitality and momentum into the Company’s development. We believe that by continuously optimizing our talent pool, we will be better able to cope with challenges, seize opportunities and achieve long-term prosperity for the Company.

Further Investment in Technologies and Intelligent Operations

We will further invest in technology and smart operations to enhance our quality and operational efficiency. Back in 2019, we established Linjiu Intelligent Technology Co., Ltd.* (霖久智慧科技有限公司), which is committed to digital construction, in order to improve service quality management and enable technology drive the property revolution.

In our future plans, we will invest further in the upgrade of our internal management system. We will optimize our enterprise resource planning (ERP) information system, office automation system, financial system, human resources system and contract management system, etc. We will also build a big data information sharing platform, comprising management tools such as customer relationship management (CRM) cloud, property management cloud, bill management cloud and parking cloud, to achieve the interconnection of information among property owners, our employees, and business partners. At the same time, we plan to establish a centralized command center to achieve remote control of our operation, conduct data analysis, reduce intermediate logistics and improve management accuracy and efficiency.

We will continue to press forward with the progress towards standardization, centralization, digitalization and automation to ensure the consistent delivery of quality services with minimal human errors and to exercise effective control on operational costs. Through the innovation and application of technology, we will bring smarter and more efficient property management services to our customers and achieve overall progress in the property industry.



FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue amounted to approximately RMB3,183.7 million, representing an increase of approximately 0.7% from approximately RMB3,162.9 million for the corresponding period in 2022.

Revenue of the Group by business line was as follows:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Property management services	2,190,093	68.8	1,891,753	59.8
Community value-added services	410,021	12.9	545,206	17.3
Value-added services to non-property owners	371,694	11.7	540,474	17.1
City services	208,543	6.5	184,471	5.8
Others	3,343	0.1	970	—
Total revenue	3,183,694	100.0	3,162,874	100.0

The property management services business is still our largest source of income. During the Reporting Period, the revenue from property management services was approximately RMB2,190.1 million, accounting for approximately 68.8% of the Group's total revenue. This increase in revenue from property management services was primarily driven by our steady cooperation with CIFI Group, our continuous efforts to expand third-party customer base, and our acquisition of other property management service providers.

The following table sets out the Group's revenue derived from property management services by type of property developer during the Reporting Period:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
CIFI Group ⁽¹⁾	589,695	26.9	514,738	27.2
Third-party property developers ⁽²⁾	1,600,398	73.1	1,377,015	72.8
Total revenue	2,190,093	100.0	1,891,753	100.0

(1) Includes properties solely developed by CIFI Group and properties that CIFI Group jointly developed with other property developers in which CIFI Group held a controlling interest.

(2) Refers to properties solely developed by third-party property developers independent from CIFI Group, as well as properties jointly developed by CIFI Group and other property developers in which CIFI Group did not hold a controlling interest.



The revenue from community value-added services decreased from approximately RMB545.2 million for the six months ended 30 June 2022 to approximately RMB410.0 million for the Reporting Period, representing a decrease of approximately 24.8%, which was mainly due to the decrease of revenue from home-living services and property agency services, which were affected by the overall economic situation and weakened property market in China during the Reporting Period.

The revenue from value-added services to non-property owners decreased by approximately 31.2% from approximately RMB540.5 million for the six months ended 30 June 2022 to approximately RMB371.7 million for the Reporting Period. Such decrease was mainly due to the downturn of the real estate industry in the PRC.

During the Reporting Period, the revenue generated from city services was approximately RMB208.5 million, representing an increase of approximately 13.0% from approximately RMB184.5 million for the six months ended 30 June 2022.

Cost of services

Cost of services increased by approximately 8.1% from approximately RMB2,350.0 million for the six months ended 30 June 2022 to approximately RMB2,540.4 million for the Reporting Period, primarily due to the increase of various kinds of costs as a result of the scale-up of our business. We will continuously invest in intelligent operation and conduct effective cost control measures to improve our operation efficiency.

Gross profit

As a result of the above principal factors, the Group's gross profit decreased by approximately 20.9% from approximately RMB812.9 million for the six months ended 30 June 2022 to approximately RMB643.3 million for the Reporting Period.

Gross profit margin of the Group by business line was as follows:

	For the six months ended	
	30 June	
	2023	2022
Property management services	18.7%	23.5%
Community value-added services	43.4%	42.6%
Value-added services to non-property owners	10.3%	22.5%
City services	7.8%	7.2%
Overall	20.2%	25.7%

During the Reporting Period, the gross profit margin of the Group was 20.2%, representing a decrease of 5.5 percentage point as compared with that of 25.7% for the corresponding period in 2022, which was primarily due to the decrease in gross profit margin of our property management services and value-added services to non-property owners, as well as the decrease of revenue from community value-added services which has a relatively higher gross profit margin.





MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the gross profit margin of property management services was 18.7%, representing a decrease as compared with that of 23.5% for the corresponding period in 2022. The decrease was primarily due to the recovery in cost of property management services after the pandemic is over.

During the Reporting Period, the gross profit margin of community value-added services was 43.4%, representing an increase as compared to that of 42.6% for the corresponding period in 2022, which was mainly due to the decrease in the proportion of revenue from home-living services which has a relatively lower gross profit margin.

During the Reporting Period, the gross profit margin of value-added services to non-property owners was 10.3%, representing a decrease as compared to that of 22.5% for the corresponding period in 2022, which was mainly due to the weak condition of China's property development market.

During the Reporting Period, the gross profit margin of city services was 7.8%, which remained stable as compared with that of 7.2% for the corresponding period in 2022.

Other income and other gains and losses

During the Reporting Period, the Group's other income and other gains and losses amounted to approximately RMB50.6 million, representing a decrease of approximately 32.4% from approximately RMB74.9 million for the corresponding period in 2022, primarily due to the loss from fair value changes of financial assets at FVTPL suffered during the Reporting Period.

Administrative and selling expenses

During the Reporting Period, the Group's total administrative and selling expenses amounted to approximately RMB243.8 million, representing a decrease of approximately 8.5% from approximately RMB266.5 million for the corresponding period in 2022, which was mainly due to the decrease of personnel costs.

Other expenses

During the Reporting Period, the Group recorded other expenses of approximately RMB4.5 million, representing an increase from approximately RMB1.9 million for the corresponding period in 2022. Such increase was mainly due to the increase in provisions for contingent liability.

Profit before income tax expense

During the Reporting Period, the profit before income tax expense was approximately RMB378.7 million, representing a decrease of approximately 33.0%, as compared with that of approximately RMB565.3 million for the six months ended 30 June 2022.

Income tax expense

During the Reporting Period, the Group's income tax expense was approximately RMB85.5 million, representing 22.6% of the profit before income tax expense, compared with that of approximately RMB127.9 million, representing 22.6% of the profit before income tax expense for the six months ended 30 June 2022.



Profit attributable to owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2023 was approximately RMB240.4 million, representing a decrease of approximately 36.3%, as compared with that of approximately RMB377.4 million for the corresponding period in 2022.

Property, plant and equipment

Property, plant and equipment of the Group mainly consisted of buildings, leasehold improvements, computer equipment, transportation equipment, as well as other fixed assets. As at 30 June 2023, the Group's property, plant and equipment amounted to approximately RMB132.0 million, representing an increase from that of approximately RMB129.7 million as at 31 December 2022.

Investment properties

Our investment properties mainly comprised buildings, parking spaces and storage rooms at the properties we owned. As at 30 June 2023, the Group's investment properties amounted to approximately RMB568.7 million, representing an increase from approximately RMB556.7 million as at 31 December 2022, which was mainly caused by the changes in fair value.

Intangible assets

The Group's intangible assets mainly comprised property management contracts and customer relationship attributable to acquired companies, and information technology systems. As at 30 June 2023, the Group's intangible assets amounted to approximately RMB338.6 million, representing a decrease from approximately RMB354.2 million as at 31 December 2022, which was mainly caused by the amortization of intangible assets during the Reporting Period.

Goodwill

As at 30 June 2023, the Group's goodwill amounted to approximately RMB1,488.2 million, representing an increase from approximately RMB1,454.7 million as at 31 December 2022. This increase in goodwill was mainly a result of the acquisition of Beijing Hangteng in 2023.

Trade and bill receivables

As at 30 June 2023, trade and bills receivables of the Group amounted to approximately RMB2,200.3 million, representing an increase from approximately RMB1,771.7 million as at 31 December 2022. Such increase was mainly due to the slow down of recovery of receivables because of the downward market situation.

Prepayments and other receivables

Our prepayments and other receivables mainly consisted of payments made on behalf of our residents such as payments for the utility bills and public facility maintenance fund, as well as security deposits with local authorities for providing property management services per local law requirements, bidding deposits in relation to the public biddings, deposits to secure the sales collection of car parks, storage units and retail shops, and prepayments to vendors. As at 30 June 2023, our prepayments and other receivables amounted to approximately RMB1,537.9 million, representing a decrease from approximately RMB1,718.9 million as at 31 December 2022, which was mainly due to the decrease of deposits for exclusive sales representative agreement during the Reporting Period.





MANAGEMENT DISCUSSION AND ANALYSIS

Cash and cash equivalents

As at 30 June 2023, the Group's cash and cash equivalents were approximately RMB1,750.1 million, representing an increase from approximately RMB1,534.4 million as at 31 December 2022.

Trade and bills payables

As at 30 June 2023, trade and bills payables of the Group amounted to approximately RMB1,144.8 million, representing an increase from approximately RMB1,002.2 million as at 31 December 2022, which was mainly a result of the expansion of our business during the Reporting Period.

Accruals and other payables

As at 30 June 2023, our accruals and other payables were approximately RMB1,118.6 million, representing a decrease from approximately RMB1,228.1 million as at 31 December 2022.

Contract liabilities

Contract liabilities of the Group were property management fees paid by customers in advance for the services which had not yet been provided and not been recognized as revenue. As at 30 June 2023, our contract liabilities amounted to approximately RMB843.1 million, representing an increase from approximately RMB669.2 million as at 31 December 2022, primarily due to the increase in our customer base during the Reporting Period.

Cash flows

During the Reporting Period, net cash inflow from operating activities of the Group amounted to approximately RMB100.1 million, representing a decrease from that of approximately RMB134.4 million for the corresponding period in 2022, which was mainly due to the decrease of our operating profit.

During the six months ended 30 June 2023, net cash inflow from investing activities amounted to RMB144.1 million, while there was net cash outflow from investing activities amounted to approximately RMB17.9 million for the corresponding period in 2022. The net cash inflow for the Reporting Period was mainly caused by the refund of prepayment.

Net cash outflow from financing activities amounted to approximately RMB28.6 million for the six months ended 30 June 2023, representing a decrease from that of approximately RMB248.0 million for the corresponding period in 2022. The lower cash outflow from financing activities was mainly due to the decrease in dividends payment during the Reporting Period.

Gearing ratio and the basis of calculation

As at 30 June 2023, the gearing ratio of the Group was 1.36% (31 December 2022: 1.58%). The gearing ratio is equal to the sum of long-term and short-term interest-bearing borrowings divided by total equity.



Capital structure

As at 30 June 2023, the Group's cash and bank balances were held in Renminbi, Hong Kong dollar and US dollar, and the Group's borrowings were denominated in Renminbi with approximately RMB69.8 million at fixed interest.

As at 30 June 2023, equity attributable to owners of the Company amounted to approximately RMB4,836.4 million, compared to approximately RMB4,595.9 million as at 31 December 2022.

Financial position of the Group remained stable. As at 30 June 2023, the Group's net current assets was approximately RMB2,141.0 million, compared to approximately RMB1,836.2 million as at 31 December 2022.

Liquidity and financial resources

During the Reporting Period, the Group's principal use of cash was working capital, which was mainly funded from cash flow from operations. In the foreseeable future, we expect cash flow from operations will continue to be our principal source of liquidity and we may use a portion of the proceeds from the initial public offering of the Company (the "IPO") and our other fundraising activities conducted to finance some of our capital expenditures.

As at 30 June 2023, the Group's borrowings amounted to RMB69.8 million (31 December 2022: RMB76.2 million). Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans as at 30 June 2023.

Pledging of assets

As at 30 June 2023, the Group had pledged property, plant and equipment with carrying amounts of approximately RMB20.7 million (31 December 2022: approximately RMB26.8 million) and investment property with carrying amounts of approximately RMB200.7 million (31 December 2022: RMB193.3 million), respectively, to secure the balance of borrowings of approximately RMB55.7 million.

Contingent liabilities

As at 30 June 2023, the Group had no material contingent liabilities which have not been properly accrued for. The Group is involved in certain legal claims that have arisen during our usual and ordinary course of business. Having considered relevant legal advice and made best estimation in respect of the liability, the Group expects that the claims will not incur any material adverse effect on our business, financial condition or operating results.

Interest rate risk

As the Group has no significant interest-bearing assets and liabilities other than bank deposits and borrowings, the Group's exposure to the interest rate risk is limited to the market risk for changes in interest rates which relates primarily to bank balances that bear floating interest rates. Our management monitors the interest rate risk and take prudent measures to reduce the interest rate risk.





MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange risk

The principal activities of the Group are conducted in China, and a majority of the Group's income and expenses are denominated in Renminbi. Certain bank balances are denominated in Hong Kong dollar and US dollar. Currently, the Group has not entered into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

Employment and remuneration policy

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to staff is fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessment is paid to the employees to reward their contribution. In compliance with the applicable statutory requirements in China and existing requirements of the local government, the Group has participated in different social welfare plans for the employees.

As at 30 June 2023, the Group had 28,969 employees (31 December 2022: 26,685 employees).

Use of proceeds raised from IPO

On 17 December 2018, the Shares were successfully listed on the Stock Exchange. Our IPO was well received by investors in both the international offering and the Hong Kong public offering. The Company raised net proceeds of (i) approximately HK\$619.8 million from the IPO, and (ii) approximately HK\$63.2 million from partial exercise of an over-allotment option on 4 January 2019 (collectively, the "Net Proceeds").

As stated in the prospectus of the Company dated 4 December 2018, we intended to use (i) approximately 55%, or approximately HK\$375.6 million for strategic acquisition and investment; (ii) approximately 26%, or approximately HK\$177.6 million for building up a smart community and using the most updated internet and information technologies which would improve service quality for our customers; (iii) approximately 9%, or approximately HK\$61.5 million for the development of a one-stop service community platform and our "Joy Life" online service platform; and (iv) approximately 10%, or approximately HK\$68.3 million as for our general corporate purposes and working capital.

Further, as stated in the announcement of the Company dated 18 June 2019, the Board resolved to change the proposed use of the Net Proceeds. The unutilised Net Proceeds originally allocated for (i) acquiring property management services providers that provide community products and services complementary to our own, and (ii) for investing in property management industry funds jointly with business parties will be used for acquiring or investment in quality property management service providers that operate on a regional scale. For further details of the change in the proposed use of the Net Proceeds, please refer to the announcement of the Company dated 18 June 2019.

As at 30 June 2023, our planned use and actual use of the Net Proceeds was as follows:

	Percentage of Net Proceeds	Allocation of Net Proceeds (HK\$ million)	Net Proceeds				Expected timeline for the unutilised Net Proceeds
			Unutilised (as at 1 January 2023) (HK\$ million)	Utilised during the six months ended 30 June 2023 (HK\$ million)	Utilised (up to 30 June 2023) (HK\$ million)	Unutilised (as at 30 June 2023) (HK\$ million)	
To pursue strategic acquisition and investment opportunities	55%	375.6	—	—	375.6	—	N/A
To leverage the most updated internet and information technologies and build a smart community	26%	177.6	39.8	29.1	166.9	10.7	By 31 December 2023
To develop a one-stop service community platform and our "Joy Life" (悦生活) online service platform	9%	61.5	51.7	0.4	10.2	51.3	By 31 December 2025
For general corporate purposes and working capital	10%	68.3	—	—	68.3	—	N/A
	<u>100%</u>	<u>683.0</u>	<u>91.5</u>	<u>29.5</u>	<u>621.0</u>	<u>62.0</u>	

The remaining Net Proceeds which had not been utilized were deposited with licensed financial institution in Hong Kong and mainland China. The Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline for the unutilised Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

2020 Placing and 2020 Subscription

On 4 June 2020, the Company, Elite Force Development and three placing agents entered into a placing and subscription agreement (the "2020 Placing and Subscription Agreement"), pursuant to which, (a) Elite Force Development has agreed to appoint these placing agents, and these placing agents have agreed to act as agents of Elite Force Development on a several basis to procure purchasers, on a best effort basis, to purchase a total of 134,000,000 existing Shares at the placing price of HK\$11.78 per Share (the "2020 Placing Price") (the "2020 Placing"); and (b) Elite Force Development has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Elite Force Development, a total of 134,000,000 new Shares at the subscription price of HK\$11.78 per Share (being the same as the 2020 Placing Price) (the "2020 Subscription").





MANAGEMENT DISCUSSION AND ANALYSIS

The 2020 Placing Price was HK\$11.78 per Share and represented (i) a discount of approximately 6.95% to the closing price of HK\$12.66 per Share as quoted on the Stock Exchange on 3 June 2020, being the last trading day prior to the signing of the 2020 Placing and Subscription Agreement (the "2020 Last Trading Date"); (ii) a discount of approximately 3.63% to the average closing price of HK\$12.22 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the 2020 Last Trading Day; and (iii) a discount of approximately 0.61% to the average closing price of HK\$11.85 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the 2020 Last Trading Day.

Completion of the 2020 Placing and the 2020 Subscription took place on 8 June 2020 and 16 June 2020, respectively. A total of 134,000,000 existing Shares have been successfully placed at the 2020 Placing Price of HK\$11.78 per Share to no less than six (6) independent placees, and a total of 134,000,000 new Shares (equal to the number of the existing Shares successfully placed under the 2020 Placing) were subscribed by Elite Force Development at the subscription price of HK\$11.78 per Share.

The Company received net proceeds from the 2020 Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK\$1,564,476,000 and intended to use the net proceeds from the 2020 Subscription for possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. Details of the planned use and actual use of net proceeds from the 2020 Subscription was as follows:

	Net proceeds from the 2020 Subscription						Expected timeline for the unutilised net proceeds
	Percentage of net proceeds	Allocation of net proceeds (HK\$ million)	Utilised during the		Unutilised		
				Unutilised (as at 1 January 2023) (HK\$ million)	Utilised six months ended 30 June 2023 (HK\$ million)	Utilised (up to 30 June 2023) (HK\$ million)	Unutilised (as at 30 June 2023) (HK\$ million)
Strategic acquisition and investment opportunities	80%	1,251.6	—	—	1,251.6	—	N/A
Information technology related development	5%	78.2	78.2	—	—	78.2	By 31 December 2025
Working capital and general corporate purposes	15%	234.7	—	—	234.7	—	N/A
	<u>100%</u>	<u>1,564.5</u>	<u>78.2</u>	<u>—</u>	<u>1,486.3</u>	<u>78.2</u>	



2021 Placing and 2021 Subscription

On 23 October 2021, the Company, Elite Force Development and two placing agents entered into a placing and subscription agreement (the “2021 Placing and Subscription Agreement”), pursuant to which, (a) Elite Force Development has agreed to appoint these placing agents, and these placing agents have agreed to act as agents of Elite Force Development on a several (but not joint nor joint and several) basis to procure purchasers, on a best effort basis, to purchase a total of 83,520,000 existing Shares at the placing price of HK\$15.76 per share (the “2021 Placing Price”) (the “2021 Placing”); and (b) Elite Force Development has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Elite Force Development, a total of 83,520,000 new Shares at the subscription price of HK\$15.76 per share (being the same as the 2021 Placing Price) (the “2021 Subscription”).

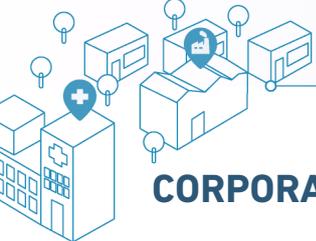
The 2021 Placing Price was HK\$15.76 per Share and represented (i) a discount of approximately 8.80% to the closing price of HK\$17.28 per Share as quoted on the Stock Exchange on 22 October 2021, being the last trading day prior to the signing of the 2021 Placing and Subscription Agreement (the “2021 Last Trading Date”); (ii) a discount of approximately 4.67% to the average closing price of HK\$16.53 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the 2021 Last Trading Day; and (iii) a discount of approximately 2.60% to the average closing price of HK\$16.18 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the 2021 Last Trading Day.

Completion of the 2021 Placing and the 2021 Subscription took place on 27 October 2021 and 1 November 2021, respectively. A total of 83,520,000 existing Shares have been successfully placed at the 2021 Placing Price of HK\$15.76 per Share to no less than six (6) independent placees, and a total of 83,520,000 new Shares (equal to the number of the existing Shares successfully placed under the 2021 Placing) were subscribed by Elite Force Development at the subscription price of HK\$15.76 per Share.

The Company received net proceeds from the 2021 Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK\$1,304,000,000 and intended to use the net proceeds from the 2021 Subscription for possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. Details of the planned use and actual use of net proceeds from the 2021 Subscription was as follows:

	Net proceeds from the 2021 Subscription						Expected timeline for the unutilised net proceeds
	Percentage of net proceeds	Allocation of net proceeds (HK\$ million)	Unutilised (as at 1 January 2023) (HK\$ million)	Utilised during the six months ended 30 June 2023 (HK\$ million)	Utilised (up to 30 June 2023) (HK\$ million)	Unutilised (as at 30 June 2023) (HK\$ million)	
Strategic acquisition and investment opportunities	65%	847.6	796.5	—	51.1	796.5	By 31 December 2025
Working capital and general corporate purposes	35%	456.4	—	—	456.4	—	N/A
	<u>100%</u>	<u>1,304.0</u>	<u>796.5</u>	<u>—</u>	<u>507.5</u>	<u>796.5</u>	





CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. During the Reporting Period, the Company has complied with the code provisions as set out in Part 2 of the CG Code. The Company will continue to review and enhance its corporate governance practices, and identify and formalize appropriate measures and policies, to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company. Having made specific enquiries of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period.

The Board has also adopted the Model Code to regulate all dealings by relevant employees, including any employee of the Company or director or employee of a subsidiary or holding company, who, because of his office or employment in the Company or a subsidiary, are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of Part 2 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Reporting Period after making reasonable enquiry.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK\$0.045 per Share for the six months ended 30 June 2023. The interim dividend is expected to be paid on 5 December 2023 to the Shareholders of the Company whose names appear on the register of members of the Company after the close of business on 28 November 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 November 2023 to 28 November 2023, both days inclusive, during which period no transfer of the Shares will be effected, for the purpose of ascertaining Shareholders' entitlement to the interim dividend. In order to establish entitlements to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 23 November 2023.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 30 June 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:





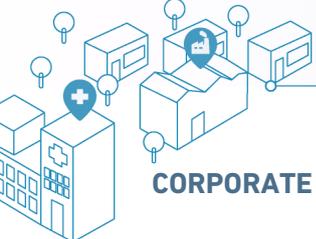
Interest in Shares or Underlying Shares of our Company

Name of Director	Nature of Interest	Number of ordinary shares interested ⁽¹⁾	Approximate percentage in the Company's issued share capital
Mr. Lin Zhong ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation, and co-founder of a discretionary trust	819,326,250 (L)	46.84%
Mr. Lin Feng ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation, and co-founder of a discretionary trust	819,326,250 (L)	46.84%
Mr. Zhou Hongbin	Beneficial owner	44,695,750 (L)	2.55%
Mr. Zhou Di	Beneficial owner	118,000 (L)	0.01%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force Development entrusted Spectron to exercise voting rights of shares directly held by Elite Force Development since 30 June 2020, while Elite Force Development continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018 and the announcements of the Company dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force Development.
- (3) Spectron is indirectly wholly owned by CIFI Holdings. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Spectron.
- (4) Best Legend is wholly owned by Mr. Lin Feng, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Best Legend.
- (5) Rosy Fortune Investments Limited ("**Rosy Fortune**") is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust (Singapore) Limited ("**Standard Chartered Trust**") as the trustee of the Lin's Family Trust via SCTS Capital Pte. Ltd. ("**SCTS Capital**"). The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Rosy Fortune.





CORPORATE GOVERNANCE AND OTHER INFORMATION

Interest in Shares or Underlying Shares of Associated Corporation

Name of Director	Associated Corporation	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding interest
Mr. LIN Zhong ⁽¹⁾⁽²⁾	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust, beneficial owner and interest of his spouse	4,111,527,727	39.48%
Mr. LIN Feng ⁽²⁾⁽³⁾⁽⁴⁾	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust, interest in a controlled corporation and beneficial owner	2,996,025,569	28.77%
Mr. Zhou Hongbin	CIFI Holdings	Beneficial owner	630,000	0.01%
Mr. Zhou Di	CIFI Holdings	Beneficial owner	80,000	0.001%
Mr. LIN Zhong ⁽⁵⁾	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Feng ⁽⁵⁾	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Zhong ⁽⁶⁾	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Feng ⁽⁶⁾	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Zhong ⁽⁷⁾	Elite Force Development	Beneficial owner	100	100%
Mr. LIN Feng ⁽⁷⁾	Elite Force Development	Beneficial owner	100	100%
Mr. LIN Zhong ⁽⁸⁾	Best Legend	Beneficial owner	1	100%
Mr. LIN Feng ⁽⁸⁾	Best Legend	Beneficial owner	1	100%

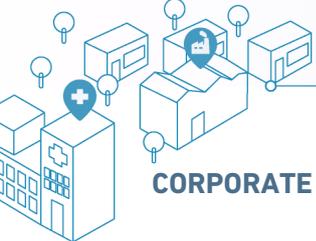
Notes:

- (1) 1,363,754,301 shares of CIFI Holdings are held by Ding Chang Limited (“**Ding Chang**”). The entire issued share capital of Ding Chang is wholly owned by Eternally Success International Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun Success Trust via SCTS Capital. The Sun Success Trust is a discretionary trust set up by Mr. Lin Zhong as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun Success Trust include certain family members of Mr. Lin Zhong. Mr. Lin Zhong as founder of the Sun Success Trust is taken to be interested in the 1,363,754,301 shares of CIFI Holdings held by Ding Chang pursuant to Part XV of the SFO.



- (2) 2,737,372,105 shares of CIFI Holdings are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the 2,737,372,105 shares of CIFI Holdings held by Rosy Fortune pursuant to Part XV of the SFO.
- (3) 239,487,089 shares of CIFI Holdings are held by Rain-Mountain Limited ("**Rain-Mountain**"). The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the 239,487,089 shares of CIFI Holdings held by Rain-Mountain pursuant to Part XV of the SFO.
- (4) 11,882,715 shares of CIFI Holdings are held by Towin Resources Limited. Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the shares of CIFI Holdings held by Towin Resources Limited.
- (5) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares of Xu Sheng held by CIFI Holdings.
- (6) Spectron is wholly owned by Xu Sheng, which is a wholly-owned subsidiary of CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares of Spectron held by CIFI Holdings.
- (7) The entire issued share capital of Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei has entered into an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Elite Force Development pursuant to Part XV of the SFO.
- (8) The entire issued share capital of Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Best Legend pursuant to Part XV of the SFO.





CORPORATE GOVERNANCE AND OTHER INFORMATION

Interest in Debentures of Associated Corporation

Name of Director	Associated Corporation	Capacity/nature of interest	Principal amount of relevant debentures held	Approximate percentage of aggregate principal amount of the relevant debenture issued
Mr. LIN Zhong ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	CIFH Holdings	Co-founder of a discretionary trust	US\$1 million	0.18%
		Co-founder of a discretionary trust	US\$1 million	0.24%
		Co-founder of a discretionary trust	US\$1 million	0.67%
Mr. LIN Feng ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	CIFH Holdings	Founder of a discretionary trust, and interest in a controlled corporation	US\$16 million	5.33%
		Co-founder of a discretionary trust	US\$1 million	0.18%
		Co-founder of a discretionary trust	US\$1 million	0.24%
		Co-founder of a discretionary trust	US\$1 million	0.67%

Notes:

- (1) The 6% senior notes (securities stock code: 40120) due 2025 with the aggregate principal amount of US\$567 million were issued by CIFH Holdings in January 2020, which are listed on the Stock Exchange (the "6% Senior Notes"). For details of the 6% Senior Notes, please refer to the announcements of CIFH Holdings dated 8 January 2020 and 10 January 2020 respectively.
- (2) The 4.375% senior notes due 2027 with the aggregate principal amount of US\$419 million were issued by CIFH Holdings in January 2021, which are listed on the Stock Exchange (the "4.375% Senior Notes").
- (3) The 4.8% senior notes due 2028 with the aggregate principal amount of US\$150 million were issued by CIFH Holdings in May 2021, which are listed on the Stock Exchange (the "4.8% Senior Notes").
- (4) The principal amounts of US\$1 million of each of the 6% Senior Notes, 4.375% Senior Notes and 4.8% Senior Notes are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the principal amount of such senior notes held by Rosy Fortune pursuant to Part XV of the SFO.



- (5) The senior perpetual capital securities (securities stock code: 05261) were issued by CIFI Holdings in August 2017 with the aggregate principal amount of US\$300 million at a distribution rate of 5.375% per annum (the "5.375% Perpetual Securities"), which are listed on the Stock Exchange.
- (6) Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the principal amount of US\$15 million of 5.375% Perpetual Securities held by Towin Resources Limited.
- (7) The principal amount of US\$1 million of 5.375% Perpetual Securities are held by Rain-Mountain. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the principal amount of 5.375% Perpetual Securities held by Rain-Mountain pursuant to Part XV of the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2023, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as our Directors are aware, as at 30 June 2023, the following persons (other than the Directors or chief executive) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of ordinary shares interested ⁽¹⁾	Approximate percentage in the Company's issued share capital
Mr. LIN Wei ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Interest in a controlled corporation, and co-founder of a discretionary trust	819,326,250 (L)	46.84%
Elite Force Development ⁽²⁾	Beneficial owner	273,180,000 (L)	15.62%
Spectron	Beneficial owner	406,820,000 (L)	23.26%
Xu Sheng ⁽³⁾	Interest in a controlled corporation	406,820,000 (L)	23.26%
CIFI Holdings ⁽⁴⁾	Interest in a controlled corporation	406,820,000 (L)	23.26%
Best Legend ⁽⁵⁾	Beneficial owner	137,826,250 (L)	7.88%





CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force Development entrusted Spectron to exercise voting rights of shares directly held by Elite Force Development since 30 June 2020, while Elite Force Development continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018 and the announcements dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force Development.
- (3) Spectron is wholly owned by Xu Sheng. By virtue of the SFO, Xu Sheng is deemed to be interested in Shares held by Spectron.
- (4) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, CIFI Holdings is deemed to be interested in Shares held by Xu Sheng.
- (5) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Best Legend.
- (6) Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Rosy Fortune.
- (7) Mr. Lin Zhong (an executive Director) is the sole director of Elite Force Development and an executive director of CIFI Holdings, and Mr. Lin Feng (a non-executive Director) is the sole director of Best Legend and an executive director of CIFI Holdings.

Save as disclosed herein, as at 30 June 2023, our Directors are not aware of any persons (other than the Directors or chief executive) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, Mr. Lin Zhong and Mr. Lin Feng, being an executive Director and the non-executive Director, respectively, were substantial shareholders of and held directorship in CIFI Holdings. In 2021, CIFI Group commenced operation of its own property management business in some projects, which was considered to be competing business for the Group. Therefore, Mr. Lin Zhong and Mr. Lin Feng were considered to have interests in competing business for the Group which were required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

Save as disclosed above, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2023, the Group did not hold any significant investment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2023, the Group did not have any immediate plans for material investments and capital assets.

AUDIT COMMITTEE

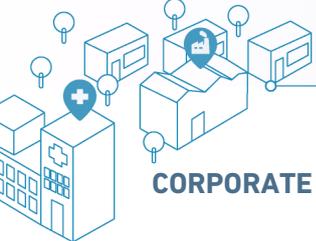
The Audit Committee consists of one non-executive Director, namely Mr. Lin Feng and two independent non-executive Directors, namely Mr. Ma Yongyi and Mr. Cheung Wai Chung. Mr. Cheung Wai Chung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors.

The Audit Committee has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the six months ended 30 June 2023. In addition, the Company's auditor Prism Hong Kong and Shanghai Limited has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the announcements of the Company dated 26 September 2023 in relation to, among others, the key findings of the independent review, fulfillment of resumption guidance and resumption of trading, no other event has taken place subsequent to 30 June 2023 and up to the date of this interim report that may have a material impact on the Group's operating and financial performance that needs to be disclosed.



CORPORATE GOVERNANCE AND OTHER INFORMATION

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the six months ended 30 June 2023.

INFORMATION REQUIRED TO BE DISCLOSED PURSUANT TO RULE 13.51B OF THE LISTING RULES

As at the date of this interim report, the Directors confirmed that no information was required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the public float as required under the Listing Rules throughout the period from 1 January 2023 to 30 June 2023, and up to the date of this interim report.

By order of the Board

LIN Zhong

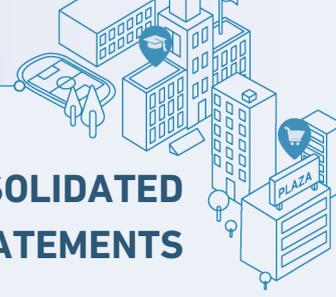
Chairman

Hong Kong, 26 September 2023





REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF
CIFI EVER SUNSHINE SERVICES GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of CIFI Ever Sunshine Services Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Prism Hong Kong and Shanghai Limited

Certified Public Accountants

Lee Kwok Lun

Practising Certificate Number: P06294

Hong Kong

26 September 2023





CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six month ended 30 June	
		2023	2022
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	3	3,183,694	3,162,874
Cost of services		(2,540,441)	(2,349,989)
Gross profit		643,253	812,885
Other income and other gains and losses	4	50,582	74,860
Administrative expenses		(197,510)	(218,072)
Selling expenses		(46,332)	(48,453)
Expected credit loss on financial assets	14	(63,327)	(52,175)
Finance costs		(3,440)	(1,911)
Other expenses		(4,482)	(1,862)
Profit before taxation	5	378,744	565,272
Income tax expense	6	(85,514)	(127,891)
Profit and total comprehensive income for the period		293,230	437,381
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		240,435	377,375
Non-controlling interests		52,795	60,006
		293,230	437,381
Earnings per share (RMB)			
Basic earnings per share	8	0.14	0.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023



	Notes	30 June	31 December
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	9	131,971	129,708
Investment properties	10	568,706	556,684
Intangible assets		338,635	354,196
Goodwill		1,488,171	1,454,656
Deferred tax assets	17	89,396	68,134
Prepayments and other receivables	13	132,469	204,456
Financial assets at fair value through profit or loss ("FVTPL")	11	360,372	384,440
Deferred contract costs		13,954	10,893
		<u>3,123,674</u>	<u>3,163,167</u>
Current assets			
Inventories		3,903	2,985
Deferred contract costs		6,208	11,561
Trade and bills receivables	12	2,200,318	1,771,724
Prepayments and other receivables	13	1,405,445	1,514,438
Financial assets at FVTPL	11	5,947	15,590
Restricted cash		16,359	29,288
Cash and cash equivalents		1,750,105	1,534,374
		<u>5,388,285</u>	<u>4,879,960</u>
Current liabilities			
Trade and bills payables	15	1,144,835	1,002,163
Accruals and other payables	16	1,118,584	1,228,129
Borrowings		33,652	28,106
Contract liabilities		843,116	669,185
Lease liabilities		10,358	11,219
Provision for taxation		96,750	104,932
		<u>3,247,295</u>	<u>3,043,734</u>
Net current assets		<u>2,140,990</u>	<u>1,836,226</u>
Total assets less current liabilities		<u>5,264,664</u>	<u>4,999,393</u>





CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	30 June	31 December
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current liabilities			
Borrowings		36,124	48,057
Lease liabilities		9,751	14,943
Other long-term payables	16	10,504	13,174
Deferred tax liabilities	17	91,965	90,565
		<u>148,344</u>	<u>166,739</u>
Net assets		<u>5,116,320</u>	<u>4,832,654</u>
Capital and reserves			
Share capital	18	15,480	15,480
Reserves		<u>4,820,902</u>	<u>4,580,467</u>
Equity attributable to owners of the Company		<u>4,836,382</u>	<u>4,595,947</u>
Non-controlling interests		<u>279,938</u>	<u>236,707</u>
Total equity		<u>5,116,320</u>	<u>4,832,654</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Reserves						Equity attributable to			Total Equity
	Share capital	Treasury shares	Share premium	Capital reserve	Other reserve	Statutory reserve	Retained earnings	owners of the Company	Non-controlling interests	
	RMB'000 Note 18	RMB'000	RMB'000 note (a)	RMB'000	RMB'000 note (b)	RMB'000 note (c)	RMB'000	RMB'000	RMB'000	
At 31 December 2021 and 1 January 2022 (Audited)	15,519	(5,714)	3,131,888	26,799	(137,802)	129,715	1,283,408	4,443,813	247,925	4,691,738
Profit and total comprehensive income for the period	—	—	—	—	—	—	377,375	377,375	60,006	437,381
Transfer to statutory reserve	—	—	—	—	—	42,316	(42,316)	—	—	—
Repurchase and cancellation of shares (Note d)	(11)	(4,075)	(13,235)	—	—	—	—	(17,321)	—	(17,321)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	1,080	1,080
Dividends recognised as distribution (Note 7)	—	—	(185,047)	—	—	—	—	(185,047)	—	(185,047)
Dividends recognised as distribution to non-controlling shareholders	—	—	—	—	—	—	—	—	(50,081)	(50,081)
At 30 June 2022 (Unaudited)	<u>15,508</u>	<u>(9,789)</u>	<u>2,933,606</u>	<u>26,799</u>	<u>(137,802)</u>	<u>172,031</u>	<u>1,618,467</u>	<u>4,618,820</u>	<u>258,930</u>	<u>4,877,750</u>
At 31 December 2022 and 1 January 2023 (Audited)	15,480	—	2,798,236	26,799	(137,802)	177,552	1,715,682	4,595,947	236,707	4,832,654
Profit and total comprehensive income for the period	—	—	—	—	—	—	240,435	240,435	52,795	293,230
Transfer to statutory reserve	—	—	—	—	—	28,987	(28,987)	—	—	—
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	730	730
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(13,028)	(13,028)
Acquisition of a subsidiary (Note 19)	—	—	—	—	—	—	—	—	2,734	2,734
At 30 June 2023 (Unaudited)	<u>15,480</u>	<u>—</u>	<u>2,798,236</u>	<u>26,799</u>	<u>(137,802)</u>	<u>206,539</u>	<u>1,927,130</u>	<u>4,836,382</u>	<u>279,938</u>	<u>5,116,320</u>





CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

Notes:

- (a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's share issued.
- (b) Other reserve represents (i) the difference between the nominal amount of the share capital of Shanghai Yongsheng Property Management Co. Ltd. and nominal amount of the share capital issued by the Company pursuant to a group reorganisation completed on 6 July 2018; and (ii) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received from changes in the Group's ownership interests in subsidiaries that do not result in change in control over those subsidiaries.
- (c) Statutory reserve represents the amount transferred from net profit for the year of the subsidiaries established in the People's Republic of China (the "PRC") (based on the subsidiaries PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserve reaches 50% of the registered capital of the subsidiaries. The statutory reserve cannot be reduced except either in setting off the accumulated losses or increasing capital.
- (d) During the six months ended 30 June 2023, no ordinary share was repurchased and cancelled.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



	Six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Cash flows from operating activities		
Profit before taxation	378,744	565,272
Adjustments for:		
Depreciation of property, plant and equipment	15,092	18,999
Amortisation of intangible assets	26,519	26,325
Expected credit loss of trade and bills receivables	64,153	42,657
(Reversal) allowance of expected credit loss of deposits and other receivables	(826)	9,518
Bank interest income	(4,244)	(15,593)
Dividend income from financial assets at FVTPL	(5,597)	—
Interest on other payable	931	819
Interest on borrowings	2,032	671
Interest on lease liabilities	477	421
(Gain) loss from fair value changes of investment properties	(17,620)	195
Loss on disposal of property, plant and equipment	70	164
Gain on disposal of investment properties	(19)	—
Loss (gain) from fair value changes of financial assets at FVTPL	33,711	(45,125)
Exchange (gain) loss, net	(157)	9,363
Operating profit before working capital changes	493,266	613,686
(Increase) decrease in inventories	(918)	94
Decrease (increase) in deferred contract costs	2,292	(8,173)
Increase in trade and bills receivables	(474,394)	(514,254)
Decrease (increase) in prepayments and other receivables	6,919	(97,992)
Increase in financial assets at FVTPL	—	(19,251)
Decrease in restricted cash	12,929	1,506
Increase in trade and bills payables	127,951	286,977
(Decrease) increase in accruals and other payables	(126,176)	41,668
Increase (decrease) in contract liabilities	173,931	(5,433)
Cash generated from operations	215,800	298,828
Income tax paid	(115,718)	(164,393)
<i>Net cash generated from operating activities</i>	<u>100,082</u>	<u>134,435</u>





CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Cash flows from investing activities		
Prepayment of property, plant and equipment	—	(253)
Purchases of intangible assets	(3,777)	(3,916)
Purchases of property, plant and equipment	(17,633)	(13,150)
Purchases of investment properties	—	(18)
Acquisition of subsidiaries, net of cash acquired	(55,729)	(67,808)
Deposit paid for potential acquisition of subsidiaries	—	(200,000)
Refund of deposit paid for potential acquisition of subsidiaries	58,124	200,000
Refund of prepayment of purchases of financial assets at FVTPL	122,470	—
Proceed from disposal of property, plant and equipment	2,427	1,706
Proceed from disposal of investment properties	5,617	3,799
Bank interest income received	4,244	16,592
Dividend income from financial assets at FVTPL	5,597	—
Purchase of financial assets at FVTPL	—	(2,750,480)
Proceed from disposal of financial assets at FVTPL	22,773	2,795,605
<i>Net cash generated from (used in) investing activities</i>	<u>144,113</u>	<u>(17,923)</u>
Cash flows from financing activities		
Capital contribution from non-controlling shareholders	730	1,080
Repayment of borrowings	(41,841)	(7,132)
Payments on repurchase of shares	—	(17,321)
New borrowings raised	35,454	23,556
Interest on borrowings paid	(2,032)	(671)
Interest on lease liabilities paid	(477)	(421)
Payment of lease liabilities	(7,427)	(7,214)
Dividends paid	—	(239,924)
Dividend paid to non-controlling shareholders	(13,028)	—
<i>Net cash used in financing activities</i>	<u>(28,621)</u>	<u>(248,047)</u>
Net increase (decrease) in cash and cash equivalents	215,574	(131,535)
Effect of exchange rate changes on cash and cash equivalents	157	740
Cash and cash equivalents at beginning of the period	<u>1,534,374</u>	<u>3,985,046</u>
Cash and cash equivalents at end of the period	<u><u>1,750,105</u></u>	<u><u>3,854,251</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements should be read in conjunction with the 2022 annual financial statements. The accounting policies and methods of computation used in the preparation of those condensed consolidated financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2022.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not applied the new HKFRSs that have been issued but not yet effective. The application of these new HKFRSs will not have material impact on the condensed consolidated financial statement of the Group.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3. REVENUE AND SEGMENT INFORMATION

Revenue represents income from property management services, community value-added services, value-added services to non-property owners and city services. Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The principal operating entities of the Group are domiciled in the PRC. Accordingly, the Group's revenue was derived in the PRC for the six months ended 30 June 2023 and 2022.

An analysis of the Group's revenue by category was as follows:

	Six month ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue from contracts with customers:		
– Property management services	2,190,093	1,891,753
– Community value-added services	410,021	545,206
– Value-added services to non-property owners	371,694	540,474
– City services	208,543	184,471
	<u>3,180,351</u>	<u>3,161,904</u>
Others	3,343	970
Total	<u><u>3,183,694</u></u>	<u><u>3,162,874</u></u>

	Six month ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Timing of revenue recognition		
A point in time	110,541	181,637
Over time	3,069,810	2,980,267
	<u><u>3,180,351</u></u>	<u><u>3,161,904</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six month ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Other income		
– Bank interest income	4,244	15,593
– Government grants (note)	29,208	26,731
	<u>33,452</u>	<u>42,324</u>
Other gains and losses, net		
– Net foreign exchange gain (loss)	157	(9,363)
– Loss on disposal of property, plant and equipment	(70)	(164)
– Gain on disposal of investment properties	19	—
– Gain (loss) from fair value changes of investment properties	17,620	(195)
– (Loss) gain from fair value changes of financial assets at FVTPL	(33,711)	39,836
– Income from overdue fine	25,959	—
– Dividend income from financial assets at FVTPL	5,597	—
– Others	1,559	2,422
	<u>17,130</u>	<u>32,536</u>
	<u>50,582</u>	<u>74,860</u>

Note: Government grants represented unconditional cash payments granted by government authorities.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	Six month ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Depreciation of property, plant and equipment	15,092	18,999
Amortisation of intangible assets	26,519	26,325
Expense relating to short-term leases		
Rented premises	6,332	8,411
Expense relating to leases of low-value assets		
Plant and machinery	526	268
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	958,024	866,869
Bonus	84,389	70,375
Retirement scheme contribution	160,010	152,983

6. INCOME TAX EXPENSE

	Six month ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
PRC Enterprise Income Tax:		
Current tax	106,752	146,651
Under (Over)-provision in respect of prior period	435	(259)
	107,187	146,392
Deferred taxation		
Credited to profit or loss for the period	(21,673)	(18,501)
	85,514	127,891

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



7. DIVIDENDS

Subsequent to the end of the current interim period, an interim dividend of HK\$0.045 per share in respect of the six months ended 30 June 2023 and a final dividend of HK\$0.0492 in respect of the year ended 31 December 2022 (an interim dividend in respect of six months ended 30 June 2022: HK\$0.074 per share), had been proposed by the board of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on:

	Six month ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Earnings		
Profit attributable to the equity owners of the Company	<u>240,435</u>	<u>377,375</u>
	'000 (Unaudited)	'000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue	<u>1,749,220</u>	<u>1,752,079</u>

No diluted earnings per share is presented as the company had no potential ordinary shares outstanding for the six months ended 30 June 2023 and 2022.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid RMB17,633,000 (six months ended 30 June 2022: RMB13,150,000) for acquisition of property, plant and equipment.

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 2 to 3 years (six months ended 30 June 2022: from 3 to 5 years). On lease commencement, the Group recognised right-of-use assets of RMB1,374,000 (six months ended 30 June 2022: RMB 1,995,000) and lease liabilities of RMB1,374,000 (six months ended 30 June 2022: RMB1,995,000).

At 30 June 2023, the Group has pledged owned properties with carrying amounts of RMB2,577,000 (31 December 2022: RMB2,635,000) and equipment with carrying amounts of RMB18,124,000 (31 December 2022: RMB24,151,000), respectively, to secure borrowings granted to the Group.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

10. INVESTMENT PROPERTIES

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
At 1 January	556,684	58,970
Acquisition of subsidiaries	—	389,515
Additions	—	115,032
Disposals	(5,617)	(8,058)
Changes in fair value	17,639	1,225
As at period/year ended	<u>568,706</u>	<u>556,684</u>

The fair value of the Group's investment properties as at 30 June 2023 and 31 December 2022 have been arrived at on the basis of valuation carried out on the respective dates by independent valuers Savills Valuation and Professional Services Limited and Beijing Gaoli International Land and Real Estate Assets Appraisal Co., Ltd. who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Listed securities held for trading:		
– Equity securities listed in Hong Kong	5,947	15,590
Unlisted equity funds (note)	<u>360,372</u>	<u>384,440</u>
	366,319	400,030
Less: Financial assets at FVTPL presented as non-current assets	<u>(360,372)</u>	<u>(384,440)</u>
Financial assets at FVTPL presented as current assets	<u>5,947</u>	<u>15,590</u>

Note: The Group invested in several close-ended funds. Unlisted equity funds are classified as non-current assets as the management does not expect to dispose of these financial assets within twelve months from the reporting period.

The fair value of these funds was determined based on net asset value of unlisted equity funds, further details were disclosed in Note 21.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



12. TRADE AND BILLS RECEIVABLES

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade receivables		
– Related parties	1,013,359	787,426
– Third parties	1,479,191	1,212,605
	<u>2,492,550</u>	<u>2,000,031</u>
Bills receivables	1,830	1,602
	<u>2,494,380</u>	<u>2,001,633</u>
Allowance for credit losses	(294,062)	(229,909)
	<u><u>2,200,318</u></u>	<u><u>1,771,724</u></u>

The ageing analysis of the trade and bills receivables net of loss allowance and presented based on invoice date is as follows:

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within 1 year	1,872,517	1,524,357
1 to 2 years	211,223	164,039
2 to 3 years	82,301	62,037
3 to 4 years	29,285	18,065
4 to 5 years	4,992	3,226
	<u><u>2,200,318</u></u>	<u><u>1,771,724</u></u>





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Deposits for exclusive sales representative agreements (note)		
– Related parties	853,758	950,197
– Third parties	296,190	315,422
Other deposits and other receivables		
– Related parties	—	11,043
– Third parties	285,355	216,976
	<u>1,435,303</u>	<u>1,493,638</u>
Less: allowance for credit losses of deposits and other receivables	<u>(53,430)</u>	<u>(54,256)</u>
	1,381,873	1,439,382
Deposit paid for potential acquisition of a subsidiary	—	58,124
Prepayments	156,041	98,918
Prepayment of purchase of financial assets at FVTPL	—	122,470
	<u>1,537,914</u>	<u>1,718,894</u>
Less: Prepayments of property, plant and equipment	(224)	(400)
Deposit paid for potential acquisition of a subsidiary	—	(58,124)
Deposits for exclusive sales representative agreements	<u>(132,245)</u>	<u>(145,932)</u>
	<u>(132,469)</u>	<u>(204,456)</u>
Prepayments and other receivables presented as current assets	<u><u>1,405,445</u></u>	<u><u>1,514,438</u></u>

Note: Deposits for exclusive sales representative agreements represent refundable deposits to secure the sales collection of car parks, storage units and retail shops from the buyers. The deposits will be refunded when the car parks, storage units and retail shops are sold out.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



14. EXPECTED CREDIT LOSS ON FINANCIAL ASSETS

	Six month ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Expected credit loss recognised (reversal) in respect of		
– Trade and bills receivables	64,153	42,657
– Prepayments and other receivables	(826)	9,518
	<u>63,327</u>	<u>52,175</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

15. TRADE AND BILLS PAYABLES

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade payables		
– Related parties	66,438	63,709
– Third parties	<u>1,051,036</u>	<u>925,685</u>
	1,117,474	989,394
Bills payables	<u>27,361</u>	<u>12,769</u>
	<u>1,144,835</u>	<u>1,002,163</u>

The ageing analysis of trade and bills payables base on invoice date, is as follows:

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within 1 year	990,961	862,077
1 to 2 years	106,672	110,885
2 to 3 years	26,077	25,677
3 to 4 years	19,681	3,339
4 to 5 years	<u>1,444</u>	<u>185</u>
	<u>1,144,835</u>	<u>1,002,163</u>





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

16. ACCRUALS AND OTHER PAYABLES

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Accruals and other payables		
– Related parties (note a)	1,820	221,515
– Third parties	740,624	596,506
	742,444	818,021
Amount due to a director (note a)	84	84
Provision for legal dispute (note b)	2,681	2,195
Dividends payable to non-controlling shareholders of subsidiaries	2,207	7,147
Consideration payables for acquisition of subsidiaries (note c)	15,896	21,626
Salaries payables	239,331	263,197
Other tax payables	126,445	129,033
	1,129,088	1,241,303
Less: Amount shown under non-current liabilities	(10,504)	(13,174)
Accruals and other payables presented as current liabilities	1,118,584	1,228,129

Notes:

- (a) The balance is unsecured, interest-free and repayable on demand.
- (b) The Group is currently involved in a number of legal disputes. The amount provided represents the directors' best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action.
- (c) The amount represents the consideration payables for acquisition of subsidiaries. Included amount of RMB10,504,000 (2022: RMB13,174,000) are due 12 months after the reporting period and therefore presented as non-current liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



17. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements for the six months ended 30 June 2023 and 2022 are as follows:

Deferred tax assets

	Expected credit loss on trade and bills receivables	Expected credit loss other receivables	Provision for legal dispute	Loss from fair value changes on financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021 and 1 January 2022 (Audited)	31,797	5,679	720	—	38,196
Acquisition of a subsidiary (Note 19)	3,654	—	—	—	3,654
Credited to profit or loss for the period	10,782	2,100	57	—	12,939
At 30 June 2022 (Unaudited)	46,233	7,779	777	—	54,789
At 31 December 2022 and 1 January 2023 (Audited)	65,211	13,926	549	—	79,686
Credited (charged) to profit or loss for the period	15,512	(217)	(50)	6,017	21,262
At 30 June 2023 (Unaudited)	80,723	13,709	499	6,017	100,948

Deferred tax liabilities

	Withholding tax of Undistributed profits	Fair value adjustment of management contracts & customers relationship	Fair value adjustment of revalued property, plant and equipment	Fair value adjustment for investment properties	Lease	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021 and 1 January 2022 (Audited)	(11,926)	(81,227)	(1,635)	(12,181)	(39)	(107,008)
Acquisition of a subsidiary (Note 19)	—	(5,355)	(144)	—	—	(5,499)
Credited (charged) to profit or loss for the period	—	5,002	105	595	(140)	5,562
At 30 June 2022 (Unaudited)	(11,926)	(81,580)	(1,674)	(11,586)	(179)	(106,945)
At 31 December 2022 and 1 January 2023 (Audited)	(11,926)	(77,080)	(1,559)	(11,435)	(117)	(102,117)
Acquisition of a subsidiary (Note 19)	—	(1,747)	(64)	—	—	(1,811)
Credited (charged) to profit or loss for the period	—	4,826	116	(4,409)	(122)	411
At 30 June 2023 (Unaudited)	(11,926)	(74,001)	(1,507)	(15,844)	(239)	(103,517)





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (continued)

For the purpose of presentation in the condensed consolidated financial statements, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Deferred tax assets	89,396	68,134
Deferred tax liabilities	<u>(91,965)</u>	<u>(90,565)</u>
	<u>(2,569)</u>	<u>(22,431)</u>

18. SHARE CAPITAL

	30 June 2023		31 December 2022	
	Number	Amount	Number	Amount
	'000	RMB'000	'000	RMB'000
Authorised:				
As at 1 January and 30 June/31 December	<u>4,000,000</u>	<u>35,462</u>	<u>4,000,000</u>	<u>35,462</u>

	30 June 2023		31 December 2022	
	Number	Amount	Number	Amount
	'000	RMB'000	'000	RMB'000
Issued and fully paid:				
As at 1 January	1,749,220	15,480	1,753,920	15,519
Cancellation of repurchased shares	<u>—</u>	<u>—</u>	<u>(4,700)</u>	<u>(39)</u>
At 30 June/31 December	<u>1,749,220</u>	<u>15,480</u>	<u>1,749,220</u>	<u>15,480</u>

During the six months ended 30 June 2023, no share was repurchased and cancelled (During the year ended 31 December 2022: the Company had repurchased its own ordinary shares in aggregate of 4,142,000 shares and cancelled 4,700,000 shares).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



19. ACQUISITION OF SUBSIDIARIES

Acquisitions of business

In January 2023, the Group completed the acquisition of 90% equity interest in Beijing Hangteng Property Management Co., Ltd ("Beijing Hangteng"). Beijing Hangteng principally engaged in property management business.

The acquisition was made with the aims to expand the Group existing scale of operation and enlarge the Group's market presence and has been accounted for as acquisition of businesses using acquisition method.

Consideration transferred

	Beijing Hangteng
	RMB'000
Cash consideration paid	58,124

Assets acquired and liabilities recognised at the date of acquisition

	Beijing Hangteng
	RMB'000
Property, plant and equipment	845
Intangible assets - property management contracts and customers relationship	7,180
Financial assets at FVTPL	22,773
Trade receivables	18,352
Prepayment and other receivables	5,708
Cash and cash equivalents	2,395
Trade payables	(14,721)
Accruals and other payables	(13,030)
Provision for taxation	(349)
Deferred tax liabilities	(1,811)
Net identifiable assets	27,342

The trade receivables and other receivables acquired with a fair value of RMB18,352,000 as at the date of acquisition had gross contractual amounts of RMB18,352,000.

The fair value of intangible assets acquired in business combination is estimated by an independent valuer through application of income approach. This approach estimated the future economic benefits and cost attributed to property management contracts and the customer relationship of the acquiree.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisitions of business (continued)

Goodwill arising on the acquisition

	Beijing Hangteng
	RMB'000
Consideration transferred	58,124
Add: Non-controlling interests	2,734
Less: Fair value of net identifiable assets acquired	<u>(27,342)</u>
Goodwill arising on the acquisition	<u>33,516</u>

Goodwill arose on the acquisition of Beijing Hangteng because the expected future development of acquiree's business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net cash outflows arising on the acquisition

	Beijing Hangteng
	RMB'000
Cash consideration paid	58,124
Less: Cash and cash equivalents	<u>(2,395)</u>
	<u>55,729</u>

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB2,050,000 attributable to the additional business generated by Beijing Hangteng. Revenue for the year includes RMB35,003,000 generated from Beijing Hangteng. Had the acquisition of Beijing Hangteng been completed on 1 January 2023, revenue and profit for the year of the Group would be approximately the same as the amounts presented on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

Had the acquisition of Beijing Hangteng been completed on 1 January 2023, revenue for the interim period of the Group from continuing operations would have been RMB3,191,917,000, and the profit for the interim period from continuing operations would have been RMB315,587,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.



19. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the six months ended 30 June 2022

Acquisitions of business

In January 2022, the Group completed the acquisition of 100% equity interests in Zhengzhou Jinyi Property Service Co., Ltd. ("Zhengzhou Jinyi"). Zhengzhou Jinyi and its subsidiaries were principally engaged in the property management and community value-added services.

This acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence and has been accounted for as acquisition of businesses using the acquisition method.

Consideration transferred

	Zhengzhou Jinyi
	RMB'000
Cash consideration paid	118,783
Offsetting amount due from selling shareholder by Zhengzhou Jinyi	26,217
Total	<u>145,000</u>

Pursuant to the sale and purchase agreement, the Group would be compensated if (i) the respective revenue targets had not been met or (ii) the respective property management contracts had not been entered and effective prior to the specified dates set out in the agreement. The management believed that the fair value of the above guarantee was insignificant on the acquisition date and as at 30 June 2022.

Acquisition-related costs amounting to RMB460,000 had been excluded from the consideration transferred and had been recognised as an expense within the "administrative expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the six months ended 30 June 2022 (continued)

Acquisitions of business (continued)

Assets acquired and liabilities recognised at the date of acquisition

	Zhengzhou Jinyi
	RMB'000
Property, plant and equipment	1,115
Intangible assets - property management contracts and customers relationship	21,420
Deferred tax assets	3,654
Inventories	4
Trade receivables	9,657
Prepayments and other receivables	3,666
Amount due from selling shareholder	26,217
Bank balances, deposits and cash	50,975
Trade payables	(27,918)
Accruals and other payables	(23,677)
Contract liabilities	(21,463)
Provision for taxation	(4,100)
Deferred tax liabilities	(5,499)
Net identifiable assets	<u>34,051</u>

The trade receivables and other receivables acquired with a fair value of RMB13,323,000 as at the date of acquisition had gross contractual amounts of RMB27,941,000. The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to RMB14,618,000.

The fair value of intangible assets acquired in business combination is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquiree.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



19. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the six months ended 30 June 2022 (continued)

Acquisitions of business (continued)

Goodwill arising on the acquisition

	Zhengzhou Jinyi
	RMB'000
Consideration transferred	145,000
Less: Fair value of net identifiable assets acquired	<u>(34,051)</u>
Goodwill arising on the acquisition	<u>110,949</u>

Goodwill arose on the acquisition of Zhengzhou Jinyi because the expected future development of acquiree's business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition was expected to be deductible for tax purposes.

Net cash outflows arising on the acquisition

	Zhengzhou Jinyi
	RMB'000
Cash consideration paid	118,783
Less: Bank balances, deposits and cash	<u>(50,975)</u>
	<u>67,808</u>

Impact of acquisition on the results of the Group

Included in the profit for the interim period is RMB18,077,000 attributable to the additional business generated by Zhengzhou Jinyi. Revenue for the interim period includes RMB71,586,000 generated from Zhengzhou Jinyi.

Had the acquisition of Zhengzhou Jinyi been completed on 1 January 2022, revenue for the interim period of the Group from continuing operations would had been RMB3,162,874,000, and the profit for the interim period from continuing operations would had been RMB437,381,000. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on 1 January 2022, nor intended to be a projection of future results.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

20. MATERIAL RELATED PARTIES TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

(a) Related parties transactions

	Six month ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Property management services		
Fellow subsidiaries (note i)	21,175	46,688
Associates and joint ventures of the ultimate holding company (note ii)	6,850	10,690
Subsidiaries of Red Star Macalline Group Corporation Ltd. ("Red Star Macalline") (note iii)	310,982	277,610
Total	339,007	334,988
Community value-added services		
Fellow subsidiaries (note i)	51,981	100,052
Associates and joint ventures of the ultimate holding company (note ii)	7,895	6,448
Total	59,876	106,500
Value-added services to non-property owners		
Fellow subsidiaries (note i)	168,912	312,865
Associates and joint ventures of the ultimate holding company (note ii)	87,637	122,402
	256,549	435,267
Purchase of services		
Fellow subsidiaries (note i)	5,780	932
Subsidiaries of Red Star Macalline (note iii)	63,889	35,363
Total	69,669	36,295

Notes:

- (i) Represented the subsidiaries of CIFI Holdings (Group) Co. Ltd.
- (ii) Represented associates and joint ventures of CIFI Holdings (Group) Co. Ltd.
- (iii) Represented the subsidiaries of Red Star Macalline, Red Star Macalline is a non-controlling shareholder having a significant influence over Shanghai Macalline Property Management Services Co., Ltd, which is a subsidiary of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



20. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

(a) Related parties balances

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade and bills receivables		
Fellow subsidiaries	539,082	368,414
Associates and joint ventures of the ultimate holding company	224,299	223,228
Subsidiaries of Red Star Macalline	249,978	195,784
Total	<u>1,013,359</u>	<u>787,426</u>
Deposits and other receivables		
Fellow subsidiaries	825,165	893,949
Associates and joint ventures of the ultimate holding company	28,593	67,291
Total	<u>853,758</u>	<u>961,240</u>
Prepayments		
Fellow subsidiaries	107	—
Total	<u>107</u>	<u>—</u>
Trade payables		
Fellow subsidiaries	—	4,148
Associates and joint ventures of the ultimate holding company	2,122	1,918
Subsidiaries of Red Star Macalline	64,316	57,643
Total	<u>66,438</u>	<u>63,709</u>
Other payables		
Fellow subsidiaries	330	200,395
Associates and joint ventures of the ultimate holding company	1,490	21,120
Total	<u>1,820</u>	<u>221,515</u>
Contract liabilities		
Fellow subsidiaries	68,068	49,097
Associates and joint ventures of the ultimate holding company	12,322	5,461
Subsidiaries of Red Star Macalline	913	9
Total	<u>81,303</u>	<u>54,567</u>





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instrument	Fair values as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2023	31 December 2022		
Equity instruments classified as financial assets at FVTPL - listed equity securities in Hong Kong	RMB5,947,000	RMB15,590,000	Level 1	Quoted bid prices in an active market
Unlisted equity securities funds classified as financial assets at FVTPL	RMB360,372,000	RMB384,440,000	Level 3	Fund net asset value

There were no transfers between Level 1 and 2 during the period.

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated financial statements approximate their fair values.