旭辉永升服务
CIFI ES - SERVICE

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1995)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

SUMMARY

1. Revenue for the six months ended 30 June 2023 was approximately RMB3,183.7 million, representing an increase of approximately 0.7% from approximately RMB3,162.9 million for the corresponding period in 2022.

2. The gross profit of the Group for the six months ended 30 June 2023 was approximately RMB643.3 million, representing a decrease of approximately 20.9% from approximately RMB812.9 million for the corresponding period in 2022.

3. Profit for the first half of 2023 was approximately RMB293.2 million, representing a decrease of approximately 33.0%, as compared with that of approximately RMB437.4 million for the corresponding period in 2022. Meanwhile, profit attributable to owners of the Company for the first half of 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.

4. The Board has resolved to pay an interim dividend of HK$0.045 per Share for the six months ended 30 June 2023 (for the six months ended 30 June 2022: HK$0.074).

The board (the "**Board**") of directors (the "**Directors**") of CIFI Ever Sunshine Services Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the "**Group**", "**we**", "**our**" or "**us**") for the six months ended 30 June 2023 (the "**Period**"), together with comparative figures for the corresponding period in 2022. These unaudited condensed consolidated results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		For the six months ended 30 June	
	Notes	**2023**	2022
		RMB'000	*RMB'000*
		(Unaudited)	*(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		**50,582**	74,860
Administrative expenses		**(197,510)**	(218,072)
Selling expenses		**(46,332)**	(48,453)
Expected credit loss on financial assets		**(63,327)**	(52,175)
Finance costs		**(3,440)**	(1,911)
Other expenses		**(4,482)**	(1,862)
Profit before taxation	4	**378,744**	565,272
Income tax expense	5	**(85,514)**	(127,891)
Profit and total comprehensive income for the period		**293,230**	437,381

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2023

	Note	**For the six months ended 30 June**	
		2023	2022
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
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	7	**0.14**	0.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	**30 June 2023**	31 December 2022
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**131,971**	129,708
Investment properties		**568,706**	556,684
Intangible assets		**338,635**	354,196
Goodwill		**1,488,171**	1,454,656
Deferred tax assets		**89,396**	68,134
Prepayments and other receivables		**132,469**	204,456
Financial assets at fair value through profit or loss ("**FVTPL**")		**360,372**	384,440
Deferred contract costs		**13,954**	10,893
		3,123,674	3,163,167
Current assets			
Inventories		**3,903**	2,985
Deferred contract costs		**6,208**	11,561
Trade and bills receivables	8	**2,200,318**	1,771,724
Prepayments and other receivables		**1,405,445**	1,514,438
Financial assets at FVTPL		**5,947**	15,590
Restricted cash		**16,359**	29,288
Cash and cash equivalents		**1,750,105**	1,534,374
		5,388,285	4,879,960

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2023

	Note	**30 June 2023** *RMB'000* *(Unaudited)*	31 December 2022 *RMB'000* *(Audited)*
Current liabilities			
Trade and bills payables	9	**1,144,835**	1,002,163
Accruals and other payables		**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
		3,247,295	3,043,734
Net current assets		**2,140,990**	1,836,226
Total assets less current liabilities		**5,264,664**	4,999,393
Non-current liabilities			
Borrowings		**36,124**	48,057
Lease liabilities		**9,751**	14,943
Other long-term payables		**10,504**	13,174
Deferred tax liabilities		**91,965**	90,565
		148,344	166,739
Net assets		**5,116,320**	4,832,654
EQUITY			
Share capital		**15,480**	15,480
Reserves		**4,820,902**	4,580,467
Equity attributable to owners of the Company		**4,836,382**	4,595,947
Non-controlling interests		**279,938**	236,707
Total equity		**5,116,320**	4,832,654

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

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

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

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	Six month ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(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

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(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 tax:		
Credited to profit or loss for the period	**(21,673)**	(18,501)
	85,514	127,891

6. DIVIDENDS

Subsequent to the end of the current interim period, the board of the Company have determined that 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.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to the equity owners of the Company	**240,435**	377,375

	Six months ended 30 June	
	2023	2022
	'000	*'000*
	(Unaudited)	*(Unaudited)*
<u>Number of shares</u>		
Weighted average number of ordinary shares	**1,749,220**	1,752,079

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.

8. TRADE AND BILLS RECEIVABLES

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

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 RMB'000 (Unaudited)	31 December 2022 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
	2,200,318	1,771,724

9. TRADE AND BILLS PAYABLES

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

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	*(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	**1,444**	185
	1,144,835	1,002,163

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a reputable and fast-growing comprehensive property management service provider in the People's Republic of China ("**China**" or the "**PRC**"). 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 gross floor area ("**GFA**") of approximately 304.3 million square metres ("**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.

- 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 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	**GFA under management**	Contracted GFA	GFA under management
	(sq.m. '000)	***(sq.m. '000)***	*(sq.m. '000)*	*(sq.m. '000)*
As at the beginning of the 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 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	**Revenue**		GFA	Revenue	
	sq.m. '000	***RMB'000***	***%***	*sq.m. '000*	*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.

(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 Triumphal 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, Hunan Meizhong Biophysical Environment Technology Co., Ltd.* (湖南美中環境生態科技有限公司) ("**Meizhong Environmen**t") 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		GFA	
	sq.m. '000	***%***	*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).

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	**Revenue**		GFA	Revenue	
	sq.m. '000	***RMB'000***	*%*	*sq.m. '000*	*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	**Revenue**		GFA	Revenue	
	sq.m. '000	***RMB'000***	***%***	*sq.m. '000*	*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 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 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.

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 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 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.

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 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 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 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 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 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 Period. Such decrease was mainly due to the downturn of the real estate industry in the PRC.

During the 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 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 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 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.

During the 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 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 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 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 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 Period.

Administrative and selling expenses

During the 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 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 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 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 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, biding 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 Period.

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 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 Period.

Cash flows

During the 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 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 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 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 cause 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.

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:

	Net Proceeds						
	Percentage of Net Proceeds	**Allocation of Net Proceeds** *(HK$ million)*	**Unutilised (as at 1 January 2023)** *(HK$ million)*	**Utilised during the Period** *(HK$ million)*	**Utilised (up to 30 June 2023)** *(HK$ million)*	**Unutilised (as at 30 June 2023)** *(HK$ million)*	**Expected timeline for the unutilised Net Proceeds**
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" (悅生活) 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
	100%	683.0	91.5	29.5	621.0	62.0	

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**").

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						
	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)*	**Expected timeline for the unutilised net proceeds**
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**
	100%	**1,564.5**	**78.2**	**–**	**1,486.3**	**78.2**	

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						
	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)*	Expected timeline for the unutilised net proceeds
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
	100%	1,304.0	796.5	–	507.5	796.5	

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 (the "**Shareholders**") 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles of good corporate governance and complied with the code provisions as set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the Period.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Lin Feng, 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 Board has not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. The Audit Committee has also reviewed the unaudited interim results for the six months ended 30 June 2023. In addition, the Company's auditor, Prism Hong Kong and Shanghai Limited, has reviewed the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2023. There are proper arrangements for employees to raise concerns, in confidence, about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the Period.

EVENTS AFTER THE 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 announcement that may have a material impact on the Group's operating and financial performance that needs to be disclosed.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2023, containing all the information required under the Listing Rules, will be dispatched to the Shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.cifies.com in due course. This announcement can also be accessed on these websites.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and Shareholders for their continuous support to the Group. I would also like to extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the Period.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Friday, 31 March 2023. As disclosed in the announcement of the Company dated 26 September 2023 in relation to, among other things, fulfilment of resumption guidance, the Company has made an application to the Stock Exchange for the resumption of trading in the ordinary shares of the Company with effect from 9:00 a.m. on 27 September 2023.

WARNING

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. When in doubt, Shareholders and other investors of the Company are advised to seek professional advice from their own professional or financial advisers.

By order of the Board
CIFI Ever Sunshine Services Group Limited
LIN Zhong
Chairman

Hong Kong, 26 September 2023

As at the date of this announcement, the executive Directors are Mr. LIN Zhong, Mr. ZHOU Hongbin and Mr. ZHOU Di; the non-executive Director is Mr. LIN Feng; and the independent non-executive Directors are Mr. MA Yongyi, Mr. YU Tiecheng and Mr. CHEUNG Wai Chung.

* *For identification purposes only*