A-LIVING SMART CITY SERVICES CO., LTD. *
雅生活智慧城市服務股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3319)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL SUMMARY

	For the six months ended 30 June		
	2022	2021	**Change**
Revenue *(RMB million)*	**7,619.9**	6,247.2	22.0%
Gross profit *(RMB million)*	**2,052.6**	1,873.9	9.5%
Gross profit margin	***26.9%***	*30.0%*	*-3.1 percentage points*
Net profit *(RMB million)*	**1,149.5**	1,281.0	-10.3%
Net profit margin	***15.1%***	*20.5%*	*-5.4 percentage points*
Profit attributable to shareholders of the Company *(RMB million)*	**1,057.9**	1,142.3	-7.4%
Basic earnings per share *(RMB)*	**0.75**	0.85	-11.8%
Cash and cash equivalents *(RMB million)*	**3,996.9**#	4,390.5*	-9.0%

As at 30 June 2022

* As at 31 December 2021

- During the Period, the Group recorded a revenue of RMB7,619.9 million, representing an increase of 22.0% as compared with the corresponding period of last year. During the Period, the revenue attributable to the four major business lines of the Group was as follows: (i) the revenue from property management services increased by 23.3% to RMB4,904.1 million as compared with the corresponding period of last year; (ii) the revenue from property owners value-added services increased by 34.3% to RMB1,084.1 million as compared with the corresponding period of last year; (iii) the revenue from city services increased by 302.4% to RMB641.7 million as compared with the corresponding period of last year; and (iv) the revenue from extended value-added services decreased by 24.0% to RMB990.0 million as compared with the corresponding period of last year.

- During the Period, the Group recorded (i) a gross profit of RMB2,052.6 million, representing an increase of 9.5% as compared with the corresponding period of last year, and a gross profit margin of 26.9%, representing a year-on-year decrease of 3.1 percentage points; (ii) a core gross profit margin of 28.3% after excluding the effect of the amortisation of intangible assets due to the merger and acquisition; (iii) a profit attributable to shareholders of the Company (the "**Shareholders**") of RMB1,057.9 million, representing a decrease of 7.4% as compared with the corresponding period of last year; (iv) a net profit margin of 15.1%, representing a year-on-year decrease of 5.4 percentage points; (v) a net profit margin of 16.1% after excluding the effect of the amortisation of intangible assets due to the merger and acquisition, as well as the depreciation of appraised appreciation of fixed assets; and (vi) basic earnings per share of RMB0.75.

CHAIRMAN'S STATEMENT

Dear Shareholders,

We are pleased to present the unaudited consolidated results of A-Living Smart City Services Co., Ltd. ("**A-Living**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022 (the "**Period**").

In the first half of 2022, the severe situation of COVID-19 pandemic in many parts of China, coupled with the complicated international political and economic situation, posed challenges to the short-term development of various industries. As the backbone of the primary-level pandemic prevention and control, property management enterprises played an important role in preventing and controlling the disease with perseverance at the frontline, safeguarding cities and communities. The development of real estate market has entered into the era of existing inventory. The property development and sales recovers slowly and the growth in the housing supply is still limited under the current macroeconomic control policies. Thus, the property management market has become more competitive. Some real estate enterprises were exposed to liquidity risk, and the adverse effect has spilled over to property management companies related to such property development enterprises. The situation has put the property management enterprises' capabilities for independent business development and brand building to the test.

In the past few years, the property management industry has been scaling up rapidly and has experienced market consolidation and concentration. Due to the adjustment in the real estate market, the valuation of property management enterprises declined significantly, and the pace of acquisition and industry integration slightly slowed down. Under the new situation, property management enterprises have gradually shifted their focus back to the fundamentals of service quality by enhancing their service capabilities. To cope with the slowdown in the expansion of the residential property market, high-quality property management enterprises were actively extending the scope of their business and accelerating the expansion of their business presence in the market for the management services to a wider variety of properties. Therefore, the industry is seeking opportunities for providing city services and non-residential property management services, exploring and innovating value-added services to property owners. The industry is also improving the management efficiency per square meter to reduce cost and raise efficiency by means of efficient management of centralized resources and by adopting technologies.

Despite the extremely challenging macroeconomic and market environment, during the Period, the Group enhanced its core competence such as service quality and consolidated its market-oriented strategic positioning and proactively assumed social responsibilities. The Group also focused on enhancing its organic growth capabilities and its non-cyclical business segments to achieve high-quality and sustainable development. During the Period, the Group's overall strength was widely recognized. Its industry ranking improved to a new high as it ranked third among the "2022 Top 100 Property Management Companies in China".

Business Review

In the first half of 2022, against the backdrop of an extremely challenging macroeconomic and market environment, the Group adopted a flexible business expansion strategy by leveraging its presence across the whole value chain of the property service industry. It accelerated the market expansion to existing residential projects and non-residential properties services while broadening the source of property projects. The Group continued to be a top-ranked property service provider in third-party expansion in terms of gross floor area, demonstrating robustness in sustaining growth. During the Period, the Group successfully secured a number of high-quality non-residential projects, and provided services to the venue of Beijing Winter Olympic Games and other major international events. This fully demonstrated the Group's capability to serve all types of properties and the brand influence of its status as a leader in the industry. The Group proactively responded to the cyclical fluctuations in the real estate industry and flexibly adjusted its business strategies, and the proportion of non-cyclical business segments continued to increase.

During the Period, the revenue of the Group was RMB7,619.9 million, representing an increase of 22.0% as compared with the corresponding period of last year. Gross profit was RMB2,052.6 million, representing a year-on-year increase of 9.5%, and gross profit margin was 26.9%. Net profit was RMB1,149.5 million, representing a year-on-year decrease of 10.3%, and net profit margin was 15.1%. Profit attributable to the Shareholders amounted to RMB1,057.9 million, representing a year-on-year decrease of 7.4%. The basic earnings per share were RMB0.75. The revenue and net profit from the Group's property management services, property owners value-added services and city services for the Period rose by 34.1% and 13.8% year on year.

As at 30 June 2022, the gross floor area (the "**GFA**") under management and contracted GFA of the Group were 528.6 million square meter ("**sq.m.**") and 706.5 million sq.m., respectively. The third-party projects increased rapidly through the Group's market expansion, merger and acquisition (M&A), with the contracted GFA (including those contributed by the acquired companies) reaching 558.5 million sq.m., and the newly contracted GFA exceeding 43.2 million sq.m., representing an increase of 8.4% compared with that as at 31 December 2021, accounting for 79.1% of the total contracted GFA. The third-party projects were the main source of the growth in the scale of the Group business.

Despite the increasingly fierce market competition, the contracted GFA from third-party expansion increased by more than 35.6 million sq.m. during the Period and the corresponding newly increased annualized contract value was over RMB1.2 billion as the Group leveraged its extensive experience in managing various types of properties and its well-developed system for market expansion. The steadily improving quality of the projects was also a testament to the Group's outstanding performance in market expansion. Affected by the cyclical impact of real estate development, the supply of new residential projects on the market was rather limited. By flexibly adjusting its expansion model, the Group focused on the existing non-residential and residential projects which were less affected by the cycle of the property development sector. Meanwhile, the Group adopted the strategy of "city classification" and increased the intensity of the existing projects in cities targeted for further business development in accordance with the Group's established strategies to cultivate and increase the loyalty of its long-term business partners and the enterprise clients. During the Period, the Group focused on the "product branding strategy" and strengthened the resource sharing among its member companies. Leveraging the advantages of its nationwide business presence, the Group successfully won the tenders for the provision of property management services for various business portfolios such as public buildings and commercial properties, as well as the provision of corporate services. In particular, the Group won several bid sections to serve China Mobile's properties in Guangdong Province, with a total contract value of over RMB100 million, and secured a number of high-end commercial property and office building management projects such as those for Greenland Huxiang Center (綠地湖湘中心), Shanghai Greenland Bund Center Commercial Phase II (上海綠地外灘中心商業二期), and Shanghai International Group Co., Ltd. Bund International Building (上海國際集團有限公司外灘國際大廈). In terms of the business portfolios of government office building, public venues, transportation hubs, campuses in which the Group has advantages, the Group successively won a number of projects for municipal cultural landmarks such as Guangzhou Art Museum (廣州美術館) and Shenzhen Bao An District Cultural Center (深圳寶安區文化中心), government office projects such as Changzhou Municipal Administrative Center (常州市行政中心) and Shenyang Border Control and Inspection Station (瀋陽出入境邊防檢查站) as well as a number of campus services and transit projects, such as Qingdao University of Technology (青島理工大學), Changzhou Metro Line 1 (常州軌道交通1號線), and Anhui Anqing West Railway Station (安徽省安慶西站). In terms of the existing residential market, through acquisition and cooperation, the Group consolidated a mega-sized community project in Beijing and strengthened its business presence in first-tier cities. Through market expansion, it obtained more than 25 property management projects for existing residential properties in such places as Shanghai, Guangdong Province, Shandong Province and Fujian Province.

Property owners' expectations and requirements for service standards and convenient living services are constantly increasing. Regarding quality as the lifeblood of its development, the Group firmly believes that only excellent service quality can enable the industry player to maintain its advantages amid the increasingly fierce market competition. During the Period, the Group carried out various forms of quality inspection, rectification and return visits, during which the feedback and suggestions from property owners on the Group were sincerely listened to, with a view to improving management efficiency and service experience to property owners. In shouldering its corporate social responsibility, the Group sent thousands of service employees to station at the front line of projects bearing in mind the corporate mission of "lifelong caring" amid the severe COVID-19 outbreaks in Shanghai, Shenzhen, Northeastern China and other places as part of its efforts to shoulder the responsibility of safeguarding the life and health of property owners, effectively solving daily needs of residents in the communities. In addition, leveraging its experience in serving public venues, the Group provided property services and related logistics support for major international and national events and activities such as the Beijing Winter Olympic Games. The Group's 100-person service team was stationed at the Chongli Taizicheng Ice and Snow Town (崇禮太子城冰雪小鎮), a supporting venue for the Beijing Winter Olympic Games, to contribute the event with high-quality services, demonstrating the level of China's property management enterprises.

In the era where the property management industry is an industry based on existing projects, value-added services to property owners for increasing the value per square meter of GFA under management is an important driver for the development of the industry. In the first half of the year, the Group further developed its model of "property services + living services" by continuously raising the levels of professionalism and market-oriented approach to services in different service scenarios for communities and families. Although some business expansion and development were temporarily affected by the pandemic, the Group further rationalized the business lines of value-added services and provided more flexible and convenient services based on the needs of property owners and the upgrading and transformation of community living services. The value-added services to property owners maintained steady growth overall. During the Period, the Group continued to build up its featured value-added living services such as community housekeeping and childcare. The business of such services recovered rapidly as the pandemic was contained. The volume of the long-term orders for housekeeping services increased significantly year on year, and the featured housekeeper services were widely recognized by the market. In March, the Report on the Work of the Government clarified that the expenditures of care services for infants and young children under three years old should be included in the items eligible for special additional deductions from individual income tax so as to vigorously support healthy development of the childcare industry. While broadening the channel for cooperation and further refining its business model, the Group strived to build independent brands of value-added services which are increasingly market-oriented in their development.

In terms of the enhancement of its business operation and technology, the Group continued to upgrade and transform its platforms for smart operation and smart management with a focus on improving the efficiency of operation and management. It also implemented integrated, standardized and smart management systems for various functions such as financial management, operation management, market expansion, quality management and value-added services to property owners. After construction for half a year, the Group's organizational workflow sharing platform, which had been jointly built by the Group and DingTalk, began the first stage of its operation, thus enabling efficient and collaborative cross-organizational office work, and effectively improving the Group's collaborative efficiency in operation and management as well as digital operation capabilities. In addition, the Group integrated a number of data systems and upgraded the A-Steward (雅管家) platform to focus on customer needs and experience, and continued to expand its platform operation capabilities to facilitate the Group's data asset management, the monetization of existing businesses and value appreciation, as well as downstream data empowerment.

With its leading management scale, diversified business portfolio and outstanding brand influence, the Group is recognized by a number of industry awards and market rankings. The Group scaled new heights in the industry as it ranked third in the "2022 Top 100 Property Management Companies in China" for the first time.

Prospect and Strategy

With the aid of capital, the property management industry experienced a period of rapid growth in scale and fast consolidation and concentration of the market. Under the new environment and situation, the industry has gradually shifted their focus back to the fundamentals of service, where industry position is determined by quality and reputation, and barriers and advantages are formed with market-oriented capabilities and differentiated products.

Looking ahead, the Group will adhere to long-termism in executing its development strategy, balancing short-term growth in performance and long-term value, while working together with the society, property owners, employees and business partners to achieve sustainable development. The Group will work hard and continue to focus on its four major performance indicators of "Service Quality, Operational Efficiency, Cash Collection and Scale Expansion". Further refining its service quality and standards, the Group will raise the level of its market-oriented practices. It will also optimize its service products, focus on the quality of business growth and accelerate cash collection to maintain a healthy financial status and create a high-quality development model with A-Living characteristics.

Market expansion capability is one of the core competitiveness of the Group. Through years of market-oriented development and in-depth development of service brands, the Group possesses leading market expansion capabilities and a nationwide network for business expansion. In the second half of the year, the Group will press ahead with the business expansion strategy of "city classification" and "product branding" with a focus on key target cities by increasing the intensity of its property management projects in strategically important cities and the cities for further market development so as to grasp opportunities for market expansion, as well as to increase the market share in the first tier and the second tier cities, making up for the delayed plan caused by the pandemic. In addition, leveraging its professional capabilities of servicing various business portfolios, the Group will further enhance its product branding to raise the level of the brands' professionalism, influence and competitiveness. Facing the sluggish growth in the supply of new property projects on the real estate market, the Group will flexibly adjust its business expansion tactics, focus on the mid-to-high end existing properties and non-residential properties, and ensure steady progress towards the target for growth in the scale of business. Looking ahead, the Group will monitor closely the changes in the market environment with a focus on "widening the variety of business portfolio horizontally and extending the scope of services vertically", strengthen and improve the capabilities to provide "diverse, full-lifecycle services for all types of properties" with a view to surmounting the ups and downs of the property sector's cycle and thus achieving sustainable growth in the management scale and maintaining the advantage of the economies of scale. In addition, the Group will further integrate its public service and city service capabilities, improve the products, mechanisms and channels of its city services, balance risk control and opportunities for its development, seek opportunities for undertaking quality projects on the market, create customized solutions for city and public services, and maintain the healthy growth of its city service business.

After years of rapid scale expansion, the property management industry has gradually entered an era when existing property inventory dominates the market. Value-added services to property owners will be the key to increasing the output value of the property management service based on the existing scale. The Group's value-added services are no longer limited to acting only as a channel or restricted to a traffic monetization model. Instead, focusing on the two service scenarios of community and non-residential properties as well as the two cores of living services and professional services, the Group will continue to raise the level of both the professionalism and the market-oriented approach of its value-added services to property owners, while constantly innovating to seek for changes and new models and incubate new businesses. The Group will give full play to its scale and resource advantages, zero in on value-added services that are highly synergistic with service scenarios through strategic investment and professional cooperation, cultivate service teams and professional capabilities under its self-operated platforms, develop market-oriented value-added services and products and independent service brands, further build up its nationwide business presence and the penetration of its living services such as childcare, housekeeping and home improvement, and optimize the business model of value-added services for non-residential properties such as group catering. Moreover, the Group will comprehensively improve the standardization and digitalization of its services, and implement the information system and data application of value-added services, thus creating the second curve of long-term growth for the Group.

The Group is well aware that service quality is the lifeblood of its business. The satisfaction level of property owners and reputation are the cornerstones of long-term development. The Group will facilitate urban development with its refined services and achieve a better life for property owners with quality services. In the future, the Group will continue to adopt the three-level quality control system with a focus on service quality improvement, the entrenchment of the standards of its services and products as well as zero tolerance for quality problems and safety risks, so as to ensure a high standard of services and property owners' good experience. In the second half of the year, the Group will carry out the "Sword Action" (亮劍行動) for quality improvement and problem rectification. Through different forms of quality inspections and strengthened communication with property owners and primary-level employees, the Group will improve service quality and strictly manage risks in a closed-loop manner to effectively enhance the satisfaction level of property owners and employees. Besides, it will further clarify the functions and operation models of the integrated command center, establish and optimize a replicable, sustainable and closed-loop quality management system, and refine the preparation and implementation of service standards for servicing different types of properties. The Group will further streamline the management system and deepen the integration and empowerment with member companies. With its operation management center as the management platform, the Group will improve the management and accountability system for various regions and member companies, so as to raise the levels of the overall operational efficiency and governance. In addition, the Group will forge ahead with the development strategy of raising the levels of market-oriented approach and professionalism, attract outstanding talents in the industry, enhance the professional ability of the team, promote the corporate values and build the team culture, thereby creating a strong talent pool to support the long-term development of the Group.

The Group will continue to build its three major platforms, namely the organizational workflow sharing platform, the technological operation platform and the smart city platform, and strive to raise the level of intelligentization and digitalization of its services, so as to realize the intelligent service capabilities for various business portfolios and throughout the whole value chain of its business in all regions of its business operations. In the second half of the year, the Group will embark on some key digitalization projects, including contract management optimization, master data platform improvement and enhancement of the informatization level of financial management. At present, the Group has a large number of management projects. In the future, it will focus on improving its cross-organization and cross-platform informatization operation and capabilities, realize a standardized and unified information platform, and empower itself with efficient, digitalized collaboration so as to enable its operations to blaze a trail in the development. This will enable the Group to improve operational efficiency and control operating costs effectively.

Facing the challenges from the economic and market environment, the Group will adhere to long-termism as its development strategy. It will remain undaunted by adversities, proactively overcome difficulties, insist on requirements on service quality, stay the course in its market-oriented development, flexibly adjust its business strategies, strive to achieve quality growth, and live up to the corporate mission of providing "lifelong caring for you, heartwarming service to city" to become an outstanding, quality service operator in China.

Acknowledgement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, we would like to extend our heartfelt gratitude to the enormous support from our Shareholders and customers, as well as the dedicated efforts of all our staff members, all of which greatly contributed to the growth of the Group.

Chan Cheuk Hung/Huang Fengchao
Co-Chairman of the Board

Hong Kong, 17 August 2022

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**7,619,866**	6,247,156
Cost of sales		**(5,567,238)**	(4,373,259)
Gross profit		**2,052,628**	1,873,897
Selling and marketing expenses		**(29,416)**	(61,663)
Administrative expenses		**(398,742)**	(384,724)
Net impairment losses on financial assets	*12(b)*	**(274,514)**	(40,396)
Other income	*4*	**86,901**	74,181
Other gains – net	*5*	**197**	60,907
Operating profit		**1,437,054**	1,522,202
Finance costs	*6*	**(9,536)**	(12,113)
Share of post-tax profits of joint ventures and associates		**29,807**	33,268
Profit before income tax		**1,457,325**	1,543,357
Income tax expenses	*7*	**(307,830)**	(262,331)
Profit for the period		**1,149,495**	1,281,026
Profit attributable to:			
– Shareholders of the Company		**1,057,908**	1,142,312
– Non-controlling interests		**91,587**	138,714
		1,149,495	1,281,026
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	*8*	**0.75**	0.85

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**1,149,495**	1,281,026
Other comprehensive income		
Item that will not be reclassified to profit or loss		
– changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**(2,338)**	3,541
Total comprehensive income for the period	**1,147,157**	1,284,567
Attributable to:		
– Shareholders of the Company	**1,056,505**	1,144,436
– Non-controlling interests	**90,652**	140,131
	1,147,157	1,284,567

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**As at 30 June 2022** *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Assets			
Non-current assets			
Property, plant and equipment ("**PPE**")	*9*	**549,504**	506,831
Right-of-use assets	*9*	**53,420**	73,868
Investment properties	*10*	**253,565**	88,916
Other intangible assets	*11*	**1,475,121**	1,350,661
Goodwill	*11*	**3,314,901**	3,123,231
Deferred income tax assets		**206,093**	137,701
Investments accounted for using the equity method		**1,137,026**	1,111,141
Prepayments	*12*	**347,019**	350,952
Financial assets at fair value through other comprehensive income ("**FVOCI**")		**20,751**	23,868
Financial assets at fair value through profit or loss ("**FVPL**")		**3,791**	3,249
		7,361,191	6,770,418
Current assets			
Trade and other receivables and prepayments	*12*	**8,221,688**	5,105,345
Inventories		**39,168**	38,533
Financial assets at fair value through profit or loss		**2,011,508**	527,043
Restricted cash		**51,246**	3,349,493
Cash and cash equivalents		**3,996,887**	4,390,545
		14,320,497	13,410,959
Total assets		**21,681,688**	20,181,377

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Equity			
Equity attributable to shareholders of the Company			
Share capital	*13*	**1,420,001**	1,420,001
Other reserves	*14*	**5,635,358**	5,614,759
Retained earnings		**4,610,054**	4,156,348
		11,665,413	11,191,108
Non-controlling interests		**1,752,211**	1,719,820
Total equity		**13,417,624**	12,910,928
Liabilities			
Non-current liabilities			
Other payables	*15*	**40,612**	35,190
Contract liabilities		**64,824**	84,344
Borrowings		**9,052**	12,445
Lease liabilities		**20,326**	30,590
Deferred income tax liabilities		**370,271**	351,060
		505,085	513,629
Current liabilities			
Trade and other payables	*15*	**5,715,283**	4,808,002
Contract liabilities		**1,304,120**	1,180,991
Current income tax liabilities		**487,033**	547,217
Borrowings		**72,112**	66,084
Lease liabilities		**36,689**	47,168
Financial liabilities for put options		**143,742**	107,358
		7,758,979	6,756,820
Total liabilities		**8,264,064**	7,270,449
Total equity and liabilities		**21,681,688**	20,181,377

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

A-Living Smart City Services Co., Ltd. (previously named as "**A-Living Services Co., Ltd.**", the "**Company**") was established in the People's Republic of China (the "**PRC**") on 26 June 1997. On 21 July 2017, the Company was converted from a limited liability company into a joint stock company with limited liability. The address of the Company's registered office is Management Building, Xingye Road, Agile Garden, Sanxiang Town, Zhongshan, Guangdong Province, the PRC.

The Company was listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 9 February 2018.

The Company's parent company is Zhongshan A-Living Enterprise Management Services Co., Ltd. ("**Zhongshan A-Living**"), an investment holding company established in the PRC, and its ultimate holding company is Agile Group Holdings Limited ("**Agile Holdings**"), a company incorporated in the Cayman Islands and its shares are listed on the Hong Kong Stock Exchange.

The Company and its subsidiaries (together the "**Group**") are primarily engaged in the provision of property management services, related value-added services and city sanitation and cleaning services in the PRC.

The outbreak of the 2019 Novel Coronavirus (the "**COVID-19**") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of property management. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the condensed consolidated interim financial information is authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group as at and for the six months ended 30 June 2022.

These condensed consolidated financial statements are presented in Renminbi, unless otherwise stated.

The condensed consolidated financial statements have not been audited.

2 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see Note 2(a)) and the adoption of new and amended standards as set out below.

(a) Income taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(c) ***New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group***

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. The adoption of these new and amended standards is not expected to have a material impact to the results or financial position of the Group.

3 Revenue

Revenue mainly comprises proceeds from property management services, related value-added services and city sanitation and cleaning services. An analysis of the Group's revenue by category for the six months ended 30 June 2022 and 2021 was as follows:

		Six months ended 30 June	
		2022	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
	Timing of revenue recognition		
Property management services	over time	**4,904,086**	3,976,922
Value-added services related to property management			
– Other value-added services	over time	**1,885,969**	1,987,291
– Sales of goods	at a point in time	**188,146**	123,497
City sanitation and cleaning services	over time	**641,665**	159,446
		7,619,866	6,247,156

4 Other income

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income		
– from deposits and loans to third parties	**23,587**	31,831
– from loans to related parties	**3,848**	–
Government grants *(Note (a))*	**31,663**	21,977
Tax incentives *(Note (b))*	**24,201**	17,065
Late payment charges	**1,690**	1,392
Rental income	**692**	1,559
Miscellaneous	**1,220**	357
	86,901	74,181

(a) Government grants consisted mainly of financial subsidies granted by the local governments. There are no unfulfilled conditions attached to the government grants recognised during the six months ended 30 June 2022.

(b) Tax incentives mainly included additional deduction of input value-added tax in relation to the community services carried out by the Company and its certain subsidiaries.

5 Other gains – net

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net fair value gains on financial assets at FVPL	**17,843**	16,739
(Losses)/gains from disposal of subsidiaries	**(1,301)**	19,682
Exchange (losses)/gains	**(2,484)**	22,657
Fair value (losses)/gains on financial liabilities for put options	**(31,086)**	1,974
Fair value gains on investment properties	**15,764**	–
Gains on disposal of PPE	**1,058**	63
Miscellaneous	**403**	(208)
	197	60,907

6 Finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense of borrowings	**2,558**	2,933
Unwinding of discount on financial liabilities for put options	**5,298**	7,244
Interest expense of long-term payables	**256**	753
Interest and finance charges paid/payable for lease liabilities	**1,424**	1,183
	9,536	12,113

7 Income tax expenses

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax	**409,661**	288,416
Deferred income tax		
– PRC corporate income tax	**(101,831)**	(26,085)
	307,830	262,331

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before income tax	**1,457,325**	1,543,357
Tax charge at effective rate applicable to profits in the respective group entities	**300,545**	312,401
Tax effects of:		
– Tax losses for which no deferred income tax asset was recognised	**10,574**	6,086
– Expenses not deductible for tax purposes	**3,372**	8,567
– Additional tax deduction for research and development costs	**(633)**	(376)
– Adjustments for current tax – change in the tax rate of the Company *(Note (a))*	**–**	(56,777)
– Re-measurement of deferred tax – change in the tax rate of the Company	**–**	783
– Associates' and joint ventures' results reported net of tax	**(6,028)**	(7,697)
– Utilisation of tax losses previously not recognised	**–**	(656)
	307,830	262,331

(a) The effective income tax rate was 21.1% for the six months ended 30 June 2022 (six months ended 30 June 2021: 17.0%). In April 2021, the Company obtained the Certificate of High and New Technology Enterprise before annual tax filing of 2020 with three-year valid period from 2020 to 2022. Accordingly, the income tax rate applicable to the Company for 2020 to 2022 is 15%. The impact of the change in the applicable tax rate was credited to the income tax expenses in the six months ended 30 June 2021.

PRC corporate income tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% (six months ended 30 June 2021: 25%) according to the Corporate Income Tax Law of the PRC.

In 2020, Guangzhou Yatian Network Technology Co.,Ltd. ("**Guangzhou Yatian**") obtained the Certificate of High and New Technology Enterprise with valid period from 2020 to 2022. In April 2021, the Company obtained the Certificate of High and New Technology Enterprise before annual tax filing of 2020 with valid period from 2020 to 2022. According to the Corporate Income Tax Law of the PRC, corporations which obtain the Certificate of High and New Technology Enterprise are entitled to enjoy additional tax deduction for research and development costs and a preferential corporate income tax rate of 15%. The tax rate applicable to Guangzhou Yatian during the six months ended 30 June 2022 was 15% (six months ended 30 June 2021: 15%). The tax rate applicable to the Company during the six months ended 30 June 2022 was 15% (six months ended 30 June 2021: 15%)

Certain subsidiaries of the Group in the PRC are located in western cities and subject to a preferential income tax rate of 15% for certain years. Certain of the Group's subsidiaries enjoy the preferential income tax treatment for Small and Micro Enterprise with the income tax rate of 20% and are eligible to have their tax calculated based on 12.5% (six months ended 30 June 2021: 12.5%) or 25% (six months ended 30 June 2021: 50%) of their taxable income. Certain subsidiaries of the Group in the PRC are located in Hainan Free Trade Port and subject to a preferential income tax rate of 15% for certain years (six months ended 30 June 2021: 15%).

Hong Kong income tax

No Hong Kong profits tax was applicable to the Group for the six months ended 30 June 2022. There were three subsidiaries incorporated in Hong Kong. No Hong Kong profits tax was provided for those three Hong Kong subsidiaries as there was no estimated taxable profits that was subject to Hong Kong profits tax during six months ended 30 June 2022 (six months ended 30 June 2021: same).

8 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2022 and 2021.

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2022 and 2021. Diluted earnings per share was equal to basic earnings per share.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to shareholders of the Company (RMB'000)	**1,057,908**	1,142,312
Weighted average number of ordinary shares in issue (in thousands)	**1,420,001**	1,345,853
Basic earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)	**0.75**	0.85

9 Property, plant and equipment and right-of-use assets

	Buildings *RMB'000*	Transportation equipment *RMB'000*	Office equipment *RMB'000*	Machinery *RMB'000*	Subtotal *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
As at 1 January 2022 (Audited)							
Cost	**163,887**	**121,582**	**42,353**	**303,724**	**631,546**	**157,479**	**789,025**
Accumulated depreciation	**(30,645)**	**(26,937)**	**(17,603)**	**(49,530)**	**(124,715)**	**(83,611)**	**(208,326)**
Net book amount	**133,242**	**94,645**	**24,750**	**254,194**	**506,831**	**73,868**	**580,699**
Six months ended 30 June 2022 (Unaudited)							
Opening net book amount	**133,242**	**94,645**	**24,750**	**254,194**	**506,831**	**73,868**	**580,699**
Additions	**2,982**	**15,517**	**2,606**	**70,099**	**91,204**	**2,109**	**93,313**
Acquisition of subsidiaries	**–**	**2,153**	**729**	**518**	**3,400**	**–**	**3,400**
Disposals	**(2,913)**	**(2,421)**	**(163)**	**(684)**	**(6,181)**	**–**	**(6,181)**
Depreciation charge	**(4,760)**	**(14,358)**	**(3,797)**	**(22,835)**	**(45,750)**	**(22,557)**	**(68,307)**
Closing net book amount	**128,551**	**95,536**	**24,125**	**301,292**	**549,504**	**53,420**	**602,924**
As at 30 June 2022 (Unaudited)							
Cost	**163,933**	**138,997**	**51,425**	**368,525**	**722,880**	**146,886**	**869,766**
Accumulated depreciation	**(35,382)**	**(43,461)**	**(27,300)**	**(67,233)**	**(173,376)**	**(93,466)**	**(266,842)**
Net book amount	**128,551**	**95,536**	**24,125**	**301,292**	**549,504**	**53,420**	**602,924**
As at 1 January 2021 (Audited)							
Cost	151,711	84,039	32,216	88,103	356,069	79,831	435,900
Accumulated depreciation	(31,440)	(15,128)	(13,689)	(40,841)	(101,098)	(44,712)	(145,810)
Net book amount	120,271	68,911	18,527	47,262	254,971	35,119	290,090
Six months ended 30 June 2021 (Unaudited)							
Opening net book amount	120,271	68,911	18,527	47,262	254,971	35,119	290,090
Additions	55	5,147	3,114	12,420	20,736	19,459	40,195
Acquisition of subsidiaries	64,921	7,123	3,154	84,478	159,676	7,700	167,376
Disposals	(2)	(121)	(84)	(200)	(407)	–	(407)
Disposal of subsidiaries	(53,203)	(3,203)	(3)	(16,182)	(72,591)	(26)	(72,617)
Depreciation charge	(5,534)	(8,979)	(3,529)	(11,437)	(29,479)	(13,963)	(43,442)
Closing net book amount	126,508	68,878	21,179	116,341	332,906	48,289	381,195
As at 30 June 2021 (Unaudited)							
Cost	155,459	89,585	36,636	156,061	437,741	98,313	536,054
Accumulated depreciation	(28,951)	(20,707)	(15,457)	(39,720)	(104,835)	(50,024)	(154,859)
Net book amount	126,508	68,878	21,179	116,341	332,906	48,289	381,195

As at 30 June 2022, certain self-used PPE with net book value of RMB22,826,000 (31 December 2021: RMB55,039,000) were pledged as collateral for the Group's borrowings.

10 Investment properties

	Commercial properties Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**88,916**	–
Additions	**156,292**	–
Acquisition of a subsidiary	**–**	110,337
Revaluation gains recognised in profit and loss accounts *(Note 5)*	**15,764**	–
Disposals	**(7,407)**	–
At end of the period	**253,565**	110,337

(a) Amounts recognised in the condensed consolidated income statement for investment properties:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Rental income *(Note 4)*	**692**	1,559

(b) As at 30 June 2022, no investment properties (31 December 2021: nil) were pledged as collateral for the Group's borrowings.

(c) As at 30 June 2022, the Group had no unprovided contractual obligations for future repairs and maintenance (31 December 2021: nil).

(d) Fair value hierarchy

As at 30 June 2022, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between level 1, 2 and 3 during the period (2021: nil).

(e) Valuation processes and techniques

The Group measures its investment properties at fair value. The investment properties were valued by the management as at 30 June 2022. Methods and key assumptions in determining the fair value of the investment properties as at respective dates are disclosed as follows:

Fair value measurements used significant unobservable inputs (level 3).

Fair values of investment properties are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

The main level 3 input used by the Group is market price.

(f) *Valuation inputs and relationships to fair value*

Description	Fair value at 30 June 2022 *RMB'000*	Unobservable inputs	Rang of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Office buildings	253,565	Market price (RMB/square meter)	15,000-56,000	The higher the market price, the higher the fair value

11 Other intangible assets and Goodwill

	Computer software *RMB'000*	Trademarks *RMB'000*	Customer relationship and backlogs *RMB'000*	Subtotal *RMB'000*	Goodwill *RMB'000*	Total *RMB'000*
As at 1 January 2022 (Audited)						
Cost	49,694	63,342	1,592,110	1,705,146	3,123,231	4,828,377
Accumulated amortisation	(17,657)	(20,984)	(315,844)	(354,485)	–	(354,485)
Net book amount	32,037	42,358	1,276,266	1,350,661	3,123,231	4,473,892
Six months ended 30 June 2022 (Unaudited)						
Opening net book amount	32,037	42,358	1,276,266	1,350,661	3,123,231	4,473,892
Additions	50	–	–	50	–	50
Disposals	(32)	–	–	(32)	–	(32)
Acquisition of subsidiaries	–	–	232,033	232,033	191,670	423,703
Amortisation charge	(2,743)	(3,485)	(101,363)	(107,591)	–	(107,591)
Closing net book amount	29,312	38,873	1,406,936	1,475,121	3,314,901	4,790,022
As at 30 June 2022 (Unaudited)						
Cost	48,348	63,342	1,824,143	1,935,833	3,314,901	5,250,734
Accumulated amortisation	(19,036)	(24,469)	(417,207)	(460,712)	–	(460,712)
Net book amount	29,312	38,873	1,406,936	1,475,121	3,314,901	4,790,022

	Computer software *RMB'000*	Trademarks *RMB'000*	Customer relationship and backlogs *RMB'000*	Subtotal *RMB'000*	Goodwill *RMB'000* *(Note (a))*	Total *RMB'000*
As at 1 January 2021 (Audited)						
Cost	44,751	28,400	1,079,719	1,152,870	2,181,967	3,334,837
Accumulated amortisation	(14,968)	(15,374)	(161,287)	(191,629)	–	(191,629)
Net book amount	29,783	13,026	918,432	961,241	2,181,967	3,143,208
Six months ended 30 June 2021 (Unaudited)						
Opening net book amount	29,783	13,026	918,432	961,241	2,181,967	3,143,208
Additions	39	–	–	39	–	39
Acquisition of subsidiaries	2,120	–	337,579	339,699	443,668	783,367
Disposals of subsidiaries	(118)	–	(56,784)	(56,902)	(86,086)	(142,988)
Amortisation charge	(2,252)	(2,320)	(70,026)	(74,598)	–	(74,598)
Closing net book amount	29,572	10,706	1,129,201	1,169,479	2,539,549	3,709,028
As at 30 June 2021 (Unaudited)						
Cost	42,163	28,400	1,352,171	1,422,734	2,539,549	3,962,283
Accumulated amortisation	(12,591)	(17,694)	(222,970)	(253,255)	–	(253,255)
Net book amount	29,572	10,706	1,129,201	1,169,479	2,539,549	3,709,028

(a) In January 2022, the Group completed the acquisition of 100% of the equity interests in Tiantongyuan Community Management Services Group Limited and 90% of the equity interests in Tianjin Moruisi Real Estate Management Services Co., Ltd.

The excess of the acquisition consideration over the fair value of the identifiable net assets acquired is recorded as goodwill.

As the result of management assessment, no impairment provision on goodwill was recognised as at 30 June 2022 (31 December 2021: nil).

12 Trade and other receivables and prepayments

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Trade receivables *(Note (a))*		
– Related parties	**2,666,126**	1,524,003
– Third parties	**3,334,018**	2,423,908
	6,000,144	3,947,911
Less: allowance for impairment of trade receivables	**(600,168)**	(329,312)
	5,399,976	3,618,599
Other receivables		
– Related parties	**834,520**	278,178
– Third parties *(Note (c))*	**1,817,784**	1,059,295
	2,652,304	1,337,473
Less: allowance for impairment of other receivables	**(53,956)**	(24,024)
	2,598,348	1,313,449
Prepayments		
– Related parties	**290,563**	288,788
– Third parties	**279,820**	235,461
	570,383	524,249
Subtotal	**8,568,707**	5,456,297
Less: non-current portion of prepayments	**(347,019)**	(350,952)
	8,221,688	5,105,345

(a) Trade receivables mainly represented the receivables of outstanding property management service fee and the receivables of value-added service income and city sanitation and cleaning service income.

Property management services income, value-added service income and city sanitation and cleaning service income are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of demand note.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at 30 June 2022 and 31 December 2021, the aging analysis of the trade receivables based on invoice date were as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables		
0-180 days	**4,142,525**	2,504,546
181-365 days	**891,313**	657,041
1 to 2 years	**534,395**	429,257
2 to 3 years	**206,122**	188,457
Over 3 years	**225,789**	168,610
	6,000,144	3,947,911

(b) During the six months ended 30 June 2022, impairment provision of RMB249,929,000 and RMB24,585,000 was made against the gross amount of trade receivables and other receivables, respectively (six months ended 30 June 2021: impairment provision of RMB20,201,000 and RMB20,195,000 was made against the gross amount of trade receivables and other receivables, respectively).

(c) As at 30 June 2022, the Group provided short-term loans to third parties amounting to RMB724,800,000, which bear interest at rates of 4% to 8% per annum and amongst which loans of RMB210,000,000 are secured by pledge of certain non-listed equity investments held by the corresponding parties and loans of RMB10,000,000 are guaranteed by certain third parties.

(d) As at 30 June 2022, trade and other receivables were all denominated in RMB and the fair values of trade and other receivables approximated their carrying amounts.

13 Share capital

	Number of shares		Share Capital	
	30 June 2022	31 December 2021	**30 June 2022 RMB'000 (Unaudited)**	31 December 2021 RMB'000 (Audited)
Issued and fully paid	**1,420,000,800**	1,420,000,800	**1,420,001**	1,420,001

14 Other reserves

	Share premium *RMB'000*	Statutory reserve *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 1 January 2022 (Audited)	**5,270,220**	**327,152**	**17,387**	**5,614,759**
Revaluation – gross	**–**	**–**	**(1,871)**	**(1,871)**
Deferred tax	**–**	**–**	**468**	**468**
Other comprehensive income	**–**	**–**	**(1,403)**	**(1,403)**
Appropriation of statutory reserves *(Note (a))*	**–**	**22,002**	**–**	**22,002**
As at 30 June 2022 (Unaudited)	**5,270,220**	**349,154**	**15,984**	**5,635,358**
As at 1 January 2021 (Audited)	3,138,053	249,196	15,262	3,402,511
Revaluation – gross	–	–	2,832	2,832
Deferred tax	–	–	(708)	(708)
Other comprehensive income	–	–	2,124	2,124
Appropriation of statutory reserves *(Note (a))*	–	38,061	–	38,061
Placing of new H Shares	2,590,844	–	–	2,590,844
As at 30 June 2021 (Unaudited)	5,728,897	287,257	17,386	6,033,540

(a) PRC statutory reserves

In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

15 Trade and other payables

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Trade payables *(Note (a))*		
– Related parties	**47,644**	66,818
– Third parties	**1,951,154**	1,691,101
	1,998,798	1,757,919
Other payables		
– Related parties	**154,203**	107,235
– Third parties	**1,853,269**	1,676,774
	2,007,472	1,784,009
Dividends payables	**713,133**	127,309
Accrued payroll	**922,292**	1,039,706
Other taxes payables	**114,200**	134,249
Total trade and other payables	**5,755,895**	4,843,192
Less: non-current portion of other payables	**(40,612)**	(35,190)
Current portion of trade and other payables	**5,715,283**	4,808,002

(a) As at 30 June 2022 and 31 December 2021, the aging analysis of the trade payables (including amounts due to related parties in trade nature) based on invoice date were as follows:

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Trade payables		
Up to 1 year	**1,856,224**	1,656,020
1 to 2 years	**102,770**	79,110
2 to 3 years	**25,978**	10,711
Over 3 years	**13,826**	12,078
	1,998,798	1,757,919

As at 30 June 2022, trade and other payables were all denominated in RMB and the fair values of trade and other payables approximated their carrying amounts (31 December 2021: same).

16 Dividends

The directors do not recommend the payment of an interim dividend for six months ended 30 June 2022 (six months ended 30 June 2021: nil).

A final dividend of RMB0.41 per share for the year ended 31 December 2021, totalling RMB582,200,000 were declared at the annual general meeting held on 17 June 2022. These dividends have been distributed out of the Company's retained earnings.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2022, amid a challenging macroeconomic landscape and COVID-19 resurgence in some regions of China, the real estate market remained under pressure and the property management industry also faced complex challenges in its operating environment. As an indispensable part of people's livelihood services, the requirements of the government and society on the service capabilities and management level of property management enterprises also increased gradually as the pandemic normalized. During the Period, the Ministry of Housing and Urban-Rural Development and the State Post Bureau jointly issued the Notice on Ensuring Postal and Express Delivery Service during the Pandemic Prevention and Control Period (《關於做好疫情防控期間寄遞服務保障工作的通知》), which clearly proposed to "include property service enterprises into the system of local pandemic prevention and control". At the same time, the government encouraged the exploration of innovative community service models and products to develop diversified living services such as community elderly care, childcare, housekeeping, catering and retail. In the face of the complex and ever-changing external circumstances as well as development opportunities, the property service enterprises, including the Group, adhered to the development direction of high quality, diversification and intelligence to ensure the orderly development of their business.

During the Period, despite the difficult external challenges, the Group adhered to the principle of quality as lifeblood of its development and consolidated its professional service capabilities in an effort to optimize its service quality. At the same time, the Group focused on the enhancement in market expansion capabilities, actively leveraged the advantages of its diversified business layout, achieved outstanding performance in third-party market expansion in the industry and improved its business scale steadily. During the Period, revenue of the Group amounted to RMB7,619.9 million, representing an increase of 22.0% from RMB6,247.2 million in the corresponding period of 2021. As at 30 June 2022, the GFA under management and contracted GFA of the Group reached 528.6 million sq.m. and 706.5 million sq.m. respectively.

Leverage on its outstanding service quality, leading business scale and remarkable achievements in market expansion, during the Period, the Group was ranked third among the "2022 Top 100 Property Management Companies in China", and came first and second in the "2022 Top 100 Property Management Companies in terms of Operating Results in China" and the "Property Management Listed Companies in terms of Comprehensive Capabilities in China" respectively.

FINANCIAL REVIEW

Revenue

The Group's revenue was derived from four major business lines: (i) property management services; (ii) property owners value-added services; (iii) city services; and (iv) extended value-added services.

For the six months ended 30 June 2022, the Group's revenue amounted to RMB7,619.9 million (the corresponding period of 2021: RMB6,247.2 million), representing an increase of 22.0% as compared with the corresponding period of last year.

Among which, for the six months ended 30 June 2022, revenue from property management services, property owners value-added services and city services businesses of the Group totalled RMB6,629.9 million, representing a year-on-year increase of 34.1%, accounted for 87.0% of the Group's total revenue.

	For the six months ended 30 June				
	2022	**Percentage of revenue**	2021	Percentage of revenue	**Growth rate**
	(RMB'000)	*%*	*(RMB'000)*	*%*	*%*
Property management services	**4,904,086**	**64.4%**	3,976,922	63.6%	23.3%
– Residential property projects	**2,063,896**	**27.1%**	1,638,566	26.2%	26.0%
– Non-residential property projects	**2,840,190**	**37.3%**	2,338,356	37.4%	21.5%
Property owners value-added services	**1,084,146**	**14.2%**	807,472	12.9%	34.3%
City services	**641,665**	**8.4%**	159,446	2.6%	302.4%
Subtotal	**6,629,897**	**87.0%**	4,943,840	79.1%	34.1%
Extended value-added services	**989,969**	**13.0%**	1,303,316	20.9%	-24.0%
– Sales centre property management services	**381,710**	**5.0%**	562,882	9.0%	-32.2%
– Other extended value-added services	**608,259**	**8.0%**	740,434	11.9%	-17.9%
Total	**7,619,866**	**100.0%**	6,247,156	100.0%	22.0%

Property Management Services

Property management services, which include security, cleaning, greening, gardening, repair and maintenance, etc., constitute the main source of revenue of the Group.

During the Period, revenue from property management services amounted to RMB4,904.1 million (the corresponding period of 2021: RMB3,976.9 million), representing an increase of 23.3% as compared with the corresponding period of last year. Among which, revenue from residential property projects amounted to RMB2,063.9 million (the corresponding period of 2021: RMB1,638.6 million), representing an increase of 26.0% as compared with the corresponding period of last year; revenue from non-residential property projects amounted to RMB2,840.2 million (the corresponding period of 2021: RMB2,338.3 million), representing an increase of 21.5% as compared with the corresponding period of last year.

The breakdown of the Group's total GFA under management

As at 30 June 2022, the Group's total GFA under management was 528.6 million sq.m., up 8.1% as compared with 488.9 million sq.m. as at 31 December 2021. Among which, the GFA under management from third-party projects was approximately 441.0 million sq.m., accounting for more than 83.4% of the total GFA under management. Among which, the GFA under management from Agile Group Holdings Limited (雅居樂集團控股有限公司) and its subsidiaries (collectively, the "**Agile Group**") and Greenland Holdings Group Company Limited (綠地控股集團股份有限公司) ("**Greenland Holdings**") was approximately 87.6 million sq.m.. Third-party projects accounted for the majority of the GFA under management of the Group. During the Period, the newly increased GFA under management converted from third-party expansion projects was approximately 30.6 million sq.m..

The project portfolio for GFA under management

The Group has established balanced and diversified business portfolio layout with first-mover advantage at niche markets including residential property, public buildings and commercial and office buildings, etc. As at 30 June 2022, for the GFA under management of the Group, the proportion of residential property business portfolio accounted for 43.3% (as at 31 December 2021, 42.5%) and the proportion of non-residential property business portfolio accounted for 56.7% (as at 31 December 2021, 57.5%) (public buildings accounting for 44.8%, commercial buildings and others accounting for 11.9%).

The geographic coverage for GFA under management

During the Period, the Group's projects under management reached 4,383 in 223 cities, covering 31 provinces, municipalities and autonomous regions nationwide.

As at 30 June 2022, among the Group's GFA under management by regions, 33.4% were located in the Yangtze River Delta Region, 20.0% were located in the Guangdong-Hong Kong-Macao Greater Bay Area, 9.7% were located in the Shandong peninsula city cluster, 7.7% were located in the Chengdu-Chongqing city cluster, while the remaining spread across other regions in the PRC.

The charging mode

The revenue from property management services of the Group was mainly based on a lump sum contract basis, which accounted for 99.8% (the corresponding period of 2021: 99.7%) of revenue from property management services. The lump sum contract basis the Group primarily adopted is conducive to improving service quality and operational efficiency.

The breakdown of the Group's total contracted GFA

The contracted GFA, which is defined by the Group as areas agreed in the contracts signed with property developers or property owners for providing property management services, includes delivered and to-be-delivered GFA, and the to-be-delivered contracted (reserved) GFA will become the Group's GFA under management and enlarge the source of the Group's revenue in the future.

As at 30 June 2022, the contracted GFA reached 706.5 million sq.m., up 6.5% as compared with 663.1 million sq.m. as at 31 December 2021. Among which, the contracted GFA from third-party projects was approximately 558.5 million sq.m., accounting for more than 79.1% of the total contracted GFA. The contracted GFA from Agile Group and Greenland Holdings was approximately 148.0 million sq.m.. During the Period, benefiting from the balanced and strong third-party expansion capabilities, the newly increased contracted GFA of 35.6 million sq.m. of the Group was obtained from third-party projects through market expansion, which demonstrated the Group's steady endogenous growth momentum.

Property owners value-added services

Property owners value-added services mainly include living and comprehensive services, home improvement services, community space and other services, and value-added services to institutions and enterprises, which focus on improving the community living experience of property owners and residents at the properties under management and preserving and increasing the value of their properties.

During the Period, revenue from property owners value-added services amounted to RMB1,084.1 million, representing an increase of 34.3% as compared with RMB807.5 million in the corresponding period of 2021, and accounting for approximately 14.2% of the total revenue.

(1) Living and comprehensive services include property maintenance, housekeeping, courtyard gardening, community group buying, express delivery, community second-hand leasing and sales service and comprehensive consulting services, etc. During the Period, the Group continued to focus on household services, enhance the professional capabilities of housekeeping business and foster the development of market-oriented businesses such as new retail business. In the first half of the year, in terms of new retail business, the Group persevered in hot-selling products mode, further explored the special needs in festival seasons, introduced high-quality suppliers in various product lines of beverages, gifts, fresh foods and diary drinks to meet the diversified needs of property owners, and reinforced its long-term capabilities in products and services by establishing long-term cooperation with well-known quality brands. In terms of housekeeping business, the Group continued to push ahead the home decoration market expansion and expand the business into second-tier cities. In addition, the Group developed featured travel business and laundry business in COVID-free areas, which gained wide recognition from the property owners. During the Period, revenue from living and comprehensive services amounted to approximately RMB418.4 million, representing an increase of 41.5% as compared with RMB295.8 million in the corresponding period of 2021, and accounting for approximately 38.6% of revenue from property owners value-added services.

(2) Home improvement services primarily include decoration, turnkey furnishing and community renewal services, etc. During the Period, the Group actively responded to the objective impact of the pandemic, continued to pay close attention to supplier sourcing and delivery of projects despite the difficulties, vigorously promoted pre-marketing and carried out many marketing activities, achieving a steady increase in business revenue. Besides, the Group set up a joint venture in home improvement field with Kingstar, a notable brand in home improvement market, resulting in a rapid growth of community home decoration business. During the Period, revenue from home improvement services amounted to approximately RMB186.6 million, representing an increase of 44.4% as compared with RMB129.2 million in the corresponding period of 2021, and accounting for approximately 17.2% of revenue from property owners value-added service.

(3) Community space and other services primarily include club house operation services, property operation services, community-based advertising operation, parking lot management services and community asset operation, etc. During the Period, despite the impact of pandemic outbreaks and the consequent temporary decline in the demand for community space services in some local areas, the Group continued to strengthen resource inventory, revitalized the idle resources by actively deploying people's livelihood businesses such as charging stations, community water-supply stations and smart lockers to effectively increase the utilization rate of venues, while enhancing cost efficiency and improving per capita efficiency. During the Period, revenue from community space operation and other services amounted to approximately RMB300.8 million, representing an increase of 33.0% as compared with RMB226.1 million in the corresponding period of 2021, and accounting for approximately 27.7% of revenue from property owners value-added service.

(4) Value-added services to institutions and enterprises include featured value-added services for public buildings such as catering, commuting services and material procurement services, as well as featured value-added services for commercial and office buildings such as customized services for enterprises, conferencing services, as well as centralized procurement and retailing for enterprises, etc. During the Period, the Group continued to carry out value-added services in non-residential projects, and implemented anti-pandemic, disinfection and hygiene business and catering business in response to the new needs of property owners derived from the pandemic. Revenue from value-added service to institutions and enterprises amounted to approximately RMB178.4 million, representing an increase of 14.1% as compared with the revenue of RMB156.4 million in the corresponding period of 2021, and accounting for approximately 16.5% of revenue from property owners value-added services.

During the Period, the growth in property owners value-added services was mainly due to the, improvement of refined management capabilities, enrichment of the product and service portfolio, and the continuous increase in business coverage and penetration rate.

City services

City services mainly include street cleaning and maintenance, domestic refuse collection and transportation, refuse classification, landscaping and gardening maintenance, municipal facility maintenance, urban space operation, community coordination and governance, smart city management solutions, etc. Currently, the Group's city service projects are mainly divided into single project contracting model and integrated sanitation services, etc.

The Group has established the city services business segment that focuses on the exploration of comprehensive services including urban space management, urban resource operation, community coordination and governance, and construction of smart city service system, aiming to build a comprehensive city service system covering developed cities, emerging urban and townships, thus establishing a leading all-scenario smart city service platform. During the Period, the Group stuck to market-oriented development strategy and actively carried out market expansion. It obtained many large urban-rural integrated sanitation projects with a total increased annualized contract value of over RMB100 million.

During the Period, revenue from city services reached RMB641.7 million, representing an increase of 302.4% as compared with RMB159.5 million in the corresponding year of 2021, and accounting for approximately 8.4% of the total revenue.

Extended value-added services

Extended value-added services primarily include sales centre property management services and other extended value-added services for property developers.

During the Period, the Group recorded revenue from extended value-added services of RMB990.0 million (the corresponding period of 2021: RMB1,303.3 million), representing a decrease of 24.0% from the corresponding period of last year, and accounting for approximately 13.0% of the total revenue, including:

(1) Sales centre property management services (accounting for 38.6% of the revenue from the extended value-added services): the revenue for the Period amounted to RMB381.7 million, representing a decrease of 32.2% as compared with RMB562.9 million in the corresponding period of 2021. The decrease of revenue from sales centre property management services was primarily due to the property development and sales recovered slowly and the growth of supply was still limited.

(2) Other extended value-added services (accounting for 61.4% of the revenue from the extended value-added services): include property agency services and housing inspection services, etc. The revenue for the Period amounted to RMB608.3 million, representing a decrease of 17.9% as compared with RMB740.4 million in the corresponding period of 2021, mainly due to the relatively lower volume of marketing services provided as a result of the year-on-year decrease in pre-sales volume of property developers in the first half of 2022.

Cost of sales

The Group's cost of sales primarily consists of employee salaries and benefit expenses, cleaning expenses, security charges, maintenance costs, utilities, greening and gardening expenses, cost of consumables, depreciation and amortisation charges and others.

During the Period, the Group's cost of sales was RMB5,567.2 million (the corresponding period of 2021: RMB4,373.3 million), representing an increase of 27.3% year on year, which was primarily due to the increase in relevant costs in response to an increase in revenue and business diversification which was in line with the rapid development of the Group's businesses. Overall, the Group's growth of the cost of sales was higher than that of revenue, primarily because of the adjustment of revenue structure that the proportion of extended value-added services with higher gross profit margin decreased to 13.0% from 20.9% in the corresponding period of last year.

Gross profit and gross profit margin

	For the six months ended 30 June				
	2022		2021		
	Gross profit *(RMB'000)*	**Gross profit margin** %	Gross profit *(RMB'000)*	Gross profit margin %	**Changes in gross profit margin** *Percentage points*
Property management services	**1,044,570**	**21.3%**	876,494	22.0%	-0.7 percentage point
Property owners value-added services	**522,762**	**48.2%**	440,811	54.6%	-6.4 percentage points
City services	**129,808**	**20.2%**	35,225	22.1%	-1.9 percentage points
Subtotal	**1,697,140**	**25.6%**	1,352,530	27.4%	-1.8 percentage points
Extended value-added services	**355,488**	**35.9%**	521,367	40.0%	-4.1 percentage points
Total	**2,052,628**	**26.9%**	1,873,897	30.0%	-3.1 percentage points

During the Period, the Group's gross profit amounted to RMB2,052.6 million, representing an increase of 9.5% as compared with RMB1,873.9 million in the corresponding period of 2021. Gross profit margin decreased by 3.1 percentage points to 26.9% from 30.0% in the corresponding period of 2021.

– The gross profit margin of property management services was 21.3% (the corresponding period of 2021: 22.0%), representing a decrease of 0.7 percentage point as compared with that of 2021, which was mainly due to the increased proportion of the third-party projects and the increase in labour and other costs resulting from pandemic prevention and control. Excluding the effect of amortization of intangible assets due to the M&A, the core gross profit was RMB1,127.2 million and the core gross profit margin was 23.0%.

– The gross profit margin of property owners value-added services was 48.2% (the corresponding period of 2021: 54.6%), representing a decrease of 6.4 percentage points as compared with that of 2021, which was mainly due to the increased proportion of living and comprehensive services and home improvement services with lower gross profit margin and the active exploration of innovative business in the growth stage with relatively low gross profit margin.

– The gross profit margin of city services was 20.2% (the corresponding period of 2021: 22.1%), representing a decrease of 1.9 percentage point as compared with that of 2021, which was mainly due to the pandemic prevention and control work, resulting in an increase in cost, and active development of the third-party market with increasing operating cost in the early stage of projects.

– The gross profit margin of extended value-added services was 35.9% (the corresponding period of 2021: 40.0%), representing a decrease of 4.1 percentage points as compared with that of 2021, which was mainly due to the decrease in business volume of value-added services provided to property developers and changes in business structure under the impact of macro environment.

Selling and marketing expenses

During the Period, the Group's selling and marketing expenses amounted to RMB29.4 million (the corresponding period of 2021: RMB61.7 million), accounting for 0.4% of the revenue, a decrease of 0.6 percentage point as compared with that of the corresponding period of last year, which was mainly attributable to the decrease of marketing activities brought about by the impact of pandemic.

Administrative expenses

During the Period, the Group's administrative expenses amounted to RMB398.7 million, representing an increase of 3.6% as compared with RMB384.7 million in the corresponding period of 2021, and accounting for 5.2% of the revenue, a decrease of 1.0 percentage point as compared to 2021, which was mainly due to the active development of regional integration to integrate regional resources, improve efficiency and control expenditure.

Net impairment losses on financial assets

During the Period, the Group's net impairment losses on financial assets amounted to RMB274.5 million (the corresponding period of 2021: RMB40.4 million), representing an increase of 579.5% as compared with that of the corresponding period of last year, which was mainly due to increased credit risk of several customers, and increased acquisition deposits and loans to third parties, resulting the increase in impairment provision of trade and other receivables.

Other income

During the Period, other income of the Group amounted to RMB86.9 million (the corresponding period of 2021: RMB74.2 million), representing an increase of 17.1% as compared with that of the corresponding period of last year, which was mainly due to the increase of government grants.

Income tax

During the Period, the Group's income tax expense was RMB307.8 million (the corresponding period of 2021: RMB262.3 million). The income tax rate was 21.1% (the corresponding period of 2021: 17.0%). The income tax rate for the Period represented a year-on-year increase of 4.1 percentage points, which was mainly because of the increase in tax burden during the Period as a result of new expansion and M&A business and more preferential tax policies enjoyed in the corresponding period of 2021.

Profit

During the Period, the Group's net profit was RMB1,149.5 million, representing a decrease of 10.3% as compared with RMB1,281.0 million in the corresponding period of 2021, which was mainly attributable to the adjustment of the Group's business structure, the decrease in the business volume of value-added services provided to property developers and the more market-oriented business; at the same time, as the innovative business was in the growth period, which required continuous investment in the upfront costs, and the impact of impairment losses on financial assets during the Period. Net profit margin was 15.1%, representing a decrease of 5.4 percentage points as compared with 20.5% in the corresponding period of 2021. Excluding the effect of the amortization of intangible assets and depreciation of appraisal appreciation of fixed assets due to the merger and acquisition, the net profit margin was 16.1%. Profit attributable to the shareholders of the Company for the Period was RMB1,057.9 million, representing a decrease of 7.4% as compared with RMB1,142.3 million in the corresponding period of last year. Basic earnings per share were RMB0.75, decreased by 11.8% as compared with the corresponding period of last year.

	For the six months ended 30 June				
	2022		2021		
	Net profit	**Net profit margin**	Net profit	Net profit margin	**Growth rate**
	(RMB'000)	***%***	*(RMB'000)*	*%*	***%***
Property management services	**550,772**	**11.2%**	524,863	13.2%	4.9%
Property owners value-added services	**317,874**	**29.3%**	287,392	35.6%	10.6%
City services	**85,720**	**13.4%**	26,401	16.6%	224.7%
Subtotal	**954,366**	**14.4%**	838,656	17.0%	13.8%
Extended value-added services	**195,129**	**19.7%**	442,370	33.9%	-55.9%
Total	**1,149,495**	**15.1%**	1,281,026	20.5%	-10.3%

Excluding the impact from extended value-added service businesses, net profit from property management services, property owners value-added services and city services was RMB954.4 million, representing a year-on-year increase of 13.8% as compared with RMB838.7 million in 2021, an increase accounting for the total net profit from 65.5% in the corresponding period of 2021 to 83.0%. The net profit margin of these businesses was 14.4%, representing a year-on-year decrease of 2.6 percentage point.

– The net profit margin in respect of property management services was 11.2% (the corresponding period of 2021: 13.2%), representing a decrease of 2.0 percentage points as compared with that of 2021, which was mainly attributable to the increase in the proportion of third-party expansion projects with more market-oriented margin level; and the slowdown in the overall collection of receivables due to the impact of pandemic prevention and control in the first half of the year, resulting in the increase in net impairment losses on financial assets.

– The net profit margin in respect of property owners value-added services was 29.3% (the corresponding period of 2021: 35.6%), representing a decrease of 6.3 percentage points as compared with that of 2021, which was mainly attributable to innovative business being in the growth stage with relatively high investment cost.

– The net profit margin in respect of city services was 13.4% (the corresponding period of 2021: 16.6%), representing a decrease of 3.2 percentage points as compared with that of 2021, which was mainly attributable to the large number of new expansion projects during the Period and the relatively concentrated investment in operating costs in the early stage, resulting in a temporary decline in profit margins.

– The net profit margin in respect of extended value-added services was 19.7% (the corresponding period of 2021: 33.9%), representing a decrease of 14.2 percentage points as compared with that of 2021, which was mainly attributable to the decrease in business volume of value-added services provided to property developers and the increase in net impairment losses on financial assets considering the prevailing property market conditions and forward-looking factors.

Current assets, reserve and capital structure

During the Period, the Group maintained a sound financial position. As at 30 June 2022, current assets amounted to RMB14,320.5 million, representing an increase of 6.8% from RMB13,411.0 million as at 31 December 2021. Cash and cash equivalents of the Group amounted to RMB3,996.9 million, representing a decrease of 9.0% as compared with RMB4,390.5 million as at 31 December 2021. As at 30 June 2022, the Group's cash and cash equivalents were mainly held in Renminbi and Hong Kong dollars.

As at 30 June 2022, the Group's total equity was RMB13,417.6 million, representing an increase of RMB506.7 million or 3.9% as compared with RMB12,910.9 million as at 31 December 2021, which was primarily due to the contributions from the realised profits and dividend declared in the Period.

Property, plant and equipment

The Group's property, plant and equipment mainly comprise buildings, office equipment, machinery equipment and other fixed assets. As at 30 June 2022, the net value of the Group's property, plant and equipment amounted to RMB549.5 million, representing an increase of 8.4% as compared with RMB506.8 million as at 31 December 2021, which was primarily due to new procurement in line with business development.

Other intangible assets

As at 30 June 2022, the book value of other intangible assets of the Group was RMB1,475.1 million, representing an increase of 9.2% as compared with RMB1,350.7 million as at 31 December 2021. Intangible assets of the Group mainly included (i) RMB63.3 million from the trademark value of acquired companies; (ii) RMB1,824.1 million generated from customer relationship and backlogs attributable to acquired companies; (iii) the software developed and purchased by the Group; and (iv) partially offset by amortization of trademarks, customer relationships and software. Trademarks, customer relationship and software had a specific validity period and were carried at cost less accumulated amortization.

Goodwill

As at 30 June 2022, the Group recorded goodwill of RMB3,314.9 million, representing an increase of 6.1% as compared with RMB3,123.2 million as at 31 December 2021. The increase of goodwill for the Period was mainly due to new merger and acquisition business. The goodwill was primarily derived from the expected future business developments of the acquired companies, expansion of market coverage, diversification of service portfolio, integration of value-added services and improvement of management efficiency.

There was no significant goodwill impairment risk as at 30 June 2022.

Financial assets at fair value through profit or loss ("FVPL")

As at 30 June 2022, the Group's financial assets at FVPL amounted to RMB2,015.3 million, representing an increase of 280.0% as compared with RMB530.3 million as at 31 December 2021, which was mainly due to the Group's purchase of several funds and trusts to increase the return on its fund.

Trade and other receivables and prepayments

As at 30 June 2022, trade and other receivables and prepayments (including current and non-current portions) amounted to RMB8,568.7 million, representing an increase of 57.0% from RMB5,456.3 million as at 31 December 2021. Among which, trade receivables amounted to RMB6,000.1 million, representing an increase of 52.0% as compared with RMB3,947.9 million as at 31 December 2021, which was mainly due to the slowdown in the overall collection of receivables as a result of the cyclical nature of the real estate industry and the impact of the pandemic in the first half of the year. Other receivables amounted to RMB2,652.3 million, representing an increase of 98.3% from RMB1,337.5 million as at 31 December 2021, which was mainly due to the increase in the balance of guarantee deposits and project cooperation intention funds as a result of business expansion.

Trade and other payables

As at 30 June 2022, trade and other payables (including current and non-current portions) amounted to RMB5,755.9 million, representing an increase of 18.8% as compared with RMB4,843.2 million as at 31 December 2021, which was primarily attributable to an increase in the cost of materials procurement, labor outsourcing and energy consumption brought by the business expansion of the Group and the provision of dividends payables for 2021.

Borrowings

As at 30 June 2022, the Group had long-term borrowings of RMB23.2 million, among which 14.1 million will be repayable within one year. The Group also had short-term borrowings of RMB58.0 million with a term of less than one year.

Gearing ratio

The gearing ratio is calculated as total borrowings divided by total equity, which is the sum of long-term and short-term interest-bearing bank loans and other loans as at the corresponding date divided by the total equity as at the same date. As at 30 June 2022, the gearing ratio was 0.6%.

Current and deferred income tax liabilities

As of 30 June 2022, the current income tax liabilities of the Group amounted to RMB487.0 million, representing a decrease of 11.0% as compared with RMB547.2 million as of 31 December 2021, which was mainly because of the impact of settlement of PRC corporate income tax payable for 2021 during the Period. Deferred income tax liabilities increased to RMB370.3 million from RMB351.1 million as of 31 December 2021, which was primarily attributable to the temporary differences arising from the increase of appraised assets value of newly acquired companies.

Placing of new H shares under general mandate

On 28 May 2021, the Company and Citigroup Global Markets Limited (as a placing agent) entered into a placing agreement, pursuant to which the Company agreed to appoint the placing agent, and the placing agent agreed to act as the agent of the Company, to procure, on a fully-underwritten basis, placees for an aggregate of 86,666,800 new H Shares (the "**Placing Shares**") at a placing price of HK$37.60 per H Share (the "**Placing**"). Based on a nominal value of RMB1.00 per Placing Share, the Placing Shares have an aggregate nominal value of RMB86,666,800.

The Placing Shares have been placed by the placing agent to not less than six placees, who/which are professional, institutional and/or other investors procured by the placing agent. To the best knowledge and reasonable belief of the Company, these placees and their ultimate beneficial owners are independent of and not connected with the Company and connected persons of the Company, and none of such placees have become a substantial Shareholder of the Company immediately upon completion of the Placing.

The placing price is HK$37.60 per H Share and represents: (i) a discount of approximately 6.58% to the closing rice of HK$40.25 per H Share as quoted on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 27 May 2021, being the last trading day for the H Shares prior to the signing of the relevant placing agreement (the "**Last Trading Day**"); (ii) a discount of approximately 1.34% to the average closing price of HK$38.11 per H Share as quoted on the Hong Kong Stock Exchange for the last five (5) consecutive trading days prior to and including the Last Trading Day; and (iii) a premium of approximately 2.20% over the average closing price of HK$36.79 per H Share as quoted on the Hong Kong Stock Exchange for the last ten (10) consecutive trading days prior to and including the Last Trading Day.

The gross proceeds and net proceeds received by the Company from the Placing, after deducting related fees and expenses, were approximately HK$3,259 million and approximately HK$3,242 million respectively, representing a net issue price of approximately HK$37.40 per Placing Share. The net proceeds from the Placing were planned to be used for replenishment of working capital and general corporate purposes of the Company. For details, please refer to the Company's announcement dated 28 May 2021.

As disclosed in the annual report of the Company for the year ended 31 December 2021, approximately HK$28 million of the net proceeds from the Placing, which were used for replenishment of working capital and general corporate purposes of the Company, remained unused. During the Period, the net proceeds from the Placing have been fully utilised as planned and there was no material change between the planned use and actual use of net proceeds from the Placing.

Pledge of assets

As at 30 June 2022, the long-term bank loans amounting to RMB23,196,000 and short-term bank loans amounting to RMB1,197,000 were secured by certain property, plant and equipment of the Group. Details of the Group's pledge of assets as at 30 June 2022 are set out in note 9 to the interim financial information contained in this announcement.

Significant investment held, material acquisition or disposal

Save as disclosed in this announcement, there was no significant investment held, no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group as at 30 June 2022.

Future plans for material investments or capital assets

Save as disclosed in this announcement, the Group has no other future plans for material investments and capital assets as at 30 June 2022.

Contingent liabilities

As at 30 June 2022, the Group had no significant contingent liabilities.

Key risk factors and uncertainties

The following content lists out the key risks and uncertainties confronted by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Industry risk

The Group's operations are subject to the economy of the PRC and changes in the macro environment of the real estate industry, as well as the regulatory environment and measures affecting the property management industry in the PRC. In particular, the Group's business performance primarily depends on the total contracted and revenue-bearing GFA, level of fees and the number of properties the Group manages, but the Group's business growth is, and will likely continue to be, subject to factors of macro development of the industry and the upstream industries. Should the COVID-19 pandemic persist, part of the Group's business expansion and development may be adversely affected.

Business risk

The Group's ability to maintain or improve the current level of profitability depends on the Group's ability to control operating costs (including labour costs), and the Group's profit margins and results of operations may be adversely affected by the increase in labour or other operating costs; should the Group be unable to procure new property management service contracts or renew existing management service contracts as planned or at desirable pace or price, the Group's revenue may also be adversely affected; should the Group be unable to collect property management fees from customers on time, it may incur impairment losses on receivables; the above may also affect the assessment and impairment risk of goodwill, the performance of operating cash flows and adversely affect the Group's financial position and results of operations.

Foreign exchange risk

The Group's businesses were principally located in the PRC. Except for bank deposits and financial assets at FVPL denominated in HK$ and US$, the Group was not subject to any other material risk directly relating to foreign exchange fluctuations. The management will continue to monitor the foreign exchange exposure, take prudent measures and develop hedging strategy as appropriate to reduce foreign exchange risks.

Employees and remuneration policies

As at 30 June 2022, the Group had 86,695 employees (as at 31 December 2021: 87,603). Total staff costs amounted to RMB2,850.0 million, representing an increase of 16.2% as compared with RMB2,451.8 million in the corresponding period of 2021. The increase in staff costs was mainly due to (i) the increase brought by the acquired companies; and (ii) the increased demand for high-quality talents in response to the requirements of the Group's business development.

The compensation plan of the Group is determined with reference to the market levels as well as employees' performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides employees with a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training programs appropriate to the employees' needs.

Apart from taking into account the advice from the remuneration and appraisal committee of the Board and the market levels, the Company also considers the competency, contributions and the responsibilities towards the Company in determining the level of remuneration for the Directors. Appropriate benefit schemes are in place for the Directors.

INTERIM DIVIDEND

The Board did not recommend any payment of interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

As at the date of this announcement, the Group did not have any significant event subsequent to 30 June 2022.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") has reviewed the financial statements of the Group for the six months ended 30 June 2022. The review included discussions with management of the accounting principles and practices adopted by the Group, internal controls and financial reporting matters, and the significant judgments made by management.

The Audit Committee comprises Mr. Wan Kam To, Ms. Wong Chui Ping Cassie and Mr. Weng Guoqiang who are independent non-executive Directors.

The unaudited interim financial information have been approved and authorised for issue by the Board on 17 August 2022.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code for securities transactions by Directors and a code for securities transactions by supervisors of the Company (the "**Supervisors**") as its own codes of conduct governing Directors' and Supervisors' dealings in the Company's securities (the "**Securities Dealing Codes**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

Specific enquiry has been made to all the Directors and Supervisors and they have confirmed that they had complied with the Securities Dealing Codes during the six months ended 30 June 2022.

The Company has also established written guidelines (the "**Employees Written Guidelines**") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company during the six months ended 30 June 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix 14 to the Listing Rules.

The Board reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all the applicable code provisions set out in the CG Code during the six months ended 30 June 2022.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE COMPANY AND THE HONG KONG STOCK EXCHANGE

This announcement is published on the respective websites of the Company at www.agileliving.com.cn and the Hong Kong Stock Exchange at www.hkex.com.hk. The interim report of the Company for the six months ended 30 June 2022 containing all the information required under the Listing Rules will be despatched to the shareholders of the Company and made available on the above websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises eight members, being Mr. Chan Cheuk Hung^ (Co-chairman), Mr. Huang Fengchao^ (Co-chairman), Mr. Li Dalong^ (President (General Manager) and Chief Executive Officer), Mr. Wei Xianzhong^^, Ms. Yue Yuan^^, Mr. Wan Kam To^^^, Ms. Wong Chui Ping Cassie^^^ and Mr. Weng Guoqiang^^^.

^ *Executive Directors*
^^ *Non-executive Directors*
^^^ *Independent Non-executive Directors*

By Order of the Board
A-Living Smart City Services Co., Ltd.*
CHAN Cheuk Hung/HUANG Fengchao
Co-chairman

Hong Kong, 17 August 2022

Any discrepancy between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

* *for identification purposes only*