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JINMAO PROPERTY SERVICES CO., LIMITED

金茂物業服務發展股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00816)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

- For the six months ended 30 June 2022, the Group's total revenue was approximately RMB1,096.9 million, representing an increase of approximately RMB411.1 million or 59.9% as compared to that of approximately RMB685.8 million for the six months ended 30 June 2021.
- Gross profit of the Group for the six months ended 30 June 2022 amounted to approximately RMB356.0 million, representing an increase of approximately 58.5% as compared with approximately RMB224.6 million for the six months ended 30 June 2021.
- Profit of the Group for the six months ended 30 June 2022 amounted to approximately RMB170.5 million, representing an increase of approximately 94.0% as compared with approximately RMB87.9 million for the six months ended 30 June 2021.
- Adjusted net profit (excluding listing expenses) of the Group for the six months ended 30 June 2022 amounted to approximately RMB183.2 million, representing an increase of 89.5% as compared with approximately RMB96.7 million for the six months ended 30 June 2021.
- Earnings per share attributable to ordinary equity holders of the Company for the six months ended 30 June 2022 was approximately RMB0.20 per share as compared to approximately RMB0.11 per share for the six months ended 30 June 2021.
- As of 30 June 2022, the contracted GFA of the Group was approximately 69.6 million sq.m. and the GFA under management of the Group was approximately 45.5 million sq.m., representing an increase of approximately 57.8% and 128.6%, respectively, as compared to that of 30 June 2021.

The board (the “**Board**”) of directors of Jinmao Property Services Co., Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”, “**our Group**” or “**we**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4	1,096,888	685,766
Cost of sales		<u>(740,852)</u>	<u>(461,152)</u>
Gross profit		356,036	224,614
Other income and gains	4	8,915	36,210
Selling and distribution expenses		(17,930)	(4,939)
Administrative expenses		(116,937)	(97,486)
Other expenses		(7,264)	(3,775)
Finance costs		<u>(565)</u>	<u>(31,711)</u>
Profit before tax	5	222,255	122,913
Income tax expense	6	<u>(51,730)</u>	<u>(34,969)</u>
Profit for the period		<u>170,525</u>	<u>87,944</u>
Attributable to:			
Owners of the parent		169,153	87,258
Non-controlling interests		<u>1,372</u>	<u>686</u>
		<u>170,525</u>	<u>87,944</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted (RMB)		<u>0.20</u>	<u>0.11</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	<u>170,525</u>	<u>87,944</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of the Company	<u>11,237</u>	<u>16</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u><u>11,237</u></u>	<u><u>16</u></u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>181,762</u>	<u>87,960</u>
Attributable to:		
Owners of the parent	<u>180,390</u>	<u>87,274</u>
Non-controlling interests	<u>1,372</u>	<u>686</u>
	<u><u>181,762</u></u>	<u><u>87,960</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		52,359	54,704
Investment properties		8,943	9,379
Right-of-use assets		32,294	32,473
Goodwill		249,122	–
Intangible assets		92,591	6,392
Deferred tax assets		4,845	4,708
Other receivables and other assets		2,839	2,693
		<u>442,993</u>	<u>110,349</u>
CURRENT ASSETS			
Inventories		4,517	4,523
Trade receivables	9	673,002	414,477
Prepayments, other receivables and other assets		436,122	267,293
Prepaid tax		3,677	7,513
Restricted cash		1,602	1,278
Cash and cash equivalents		1,043,754	553,619
		<u>2,162,674</u>	<u>1,248,703</u>
CURRENT LIABILITIES			
Trade payables	10	327,387	170,944
Other payables and accruals		660,424	629,830
Contract liabilities		368,869	313,937
Lease liabilities		10,765	8,972
Tax payable		30,338	4,359
		<u>1,397,783</u>	<u>1,128,042</u>
NET CURRENT ASSETS		<u>764,891</u>	<u>120,661</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,207,884</u>	<u>231,010</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

At 30 June 2022

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NON-CURRENT LIABILITIES		
Lease liabilities	23,110	25,342
Deferred tax liabilities	23,779	1,687
	<u>46,889</u>	<u>27,029</u>
Net assets	<u>1,160,995</u>	<u>203,981</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital	839,529	66,947
Reserves	308,460	128,450
	<u>1,147,989</u>	<u>195,397</u>
Non-controlling interests	<u>13,006</u>	<u>8,584</u>
Total equity	<u>1,160,995</u>	<u>203,981</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Jinmao Property Services Co., Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong on 14 September 2020. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively the “**Group**”) were involved in the provision of property management services and value-added services to non-property owners and community value-added services in the People’s Republic of China (the “**PRC**”).

The Company’s shares became listed on the main board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 10 March 2022 (the “**Listing**”).

In the opinion of the Company’s directors, the immediate holding company of the Company is China Jinmao Holdings Group Limited (“**China Jinmao**”), a company incorporated in Hong Kong and its shares are listed on the Stock Exchange. The ultimate holding company of the Company is Sinochem Holdings Corporation Ltd., a company established in the PRC and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

The financial information relating to the year ended 31 December 2021 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company’s auditors have reported on the financial statements for the year ended 31 December 2021. The auditor’s report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRS are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

The Group's revenue from customers is derived solely from its operations and services rendered in Mainland China, and the non-current assets of the Group are located in Mainland China.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<i>Revenue from contracts with customers</i>	1,093,856	682,983
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases:		
Fixed lease payments	3,032	2,783
	<u>1,096,888</u>	<u>685,766</u>

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<u>Types of services</u>		
Property management services	540,667	370,758
Value-added services to non-property owners	310,375	238,491
Community value-added services	242,814	73,734
	<u>1,093,856</u>	<u>682,983</u>

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<u>Other income and gains</u>		
Bank interest income	4,721	1,038
Loan interest income	–	31,240
Tax incentives on value-added tax	2,032	2,705
Government grants	1,527	930
Others	635	297
	<u>8,915</u>	<u>36,210</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2022 <i>RMB'000</i> <i>(unaudited)</i>	2021 <i>RMB'000</i> <i>(unaudited)</i>
Cost of services provided	740,852	461,152
Depreciation of property, plant and equipment	7,566	4,156
Depreciation of right-of-use assets	5,122	4,282
Amortisation of intangible assets	2,611	1,302
Listing expenses	12,644	8,829
Fair value loss on investment properties	436	1,019
Loss on disposal of items of property, plant and equipment, net	51	23
Impairment losses of financial assets:		
– Trade receivables	657	395
– Other receivables	1,136	292
Exchange differences, net	1,361	–
Rental expense		
– Short-term leases and low-value leases	6,083	4,781

6. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2021: Nil).

PRC corporate income tax has been provided at the rate of 25% (2021: 25%) on the taxable profits of the Group's PRC subsidiaries during the period. One of the Group's subsidiaries is registered in western area of Mainland China and subject to a preferential tax rate of 15% for the six months period ended 30 June 2022.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current	51,840	35,797
Deferred	(110)	(828)
	<u>51,730</u>	<u>34,969</u>
Total tax charge for the period	<u>51,730</u>	<u>34,969</u>

7. DIVIDENDS

Pursuant to the resolution of the board of directors dated 19 August 2022, the board did not recommend the payment of an interim dividend for the six months ended 30 June 2022.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 864,489,239 (2021: 800,000,000) in issue during the six months ended 30 June 2022, as adjusted to reflect those 799,999,998 ordinary shares of the Company issued under the bonus issue occurred on 9 March 2022, as if the issuance of these additional shares under the bonus issue had been completed throughout the periods ended 30 June 2022 and 2021.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>169,153</u>	<u>87,258</u>

Shares	Number of shares	
	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	864,489,239	800,000,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

9. TRADE RECEIVABLES

	30 June 2022 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(audited)</i>
Related parties	370,606	281,135
Third parties	308,539	139,225
	<hr/>	<hr/>
Trade receivables	679,145	420,360
	<hr/>	<hr/>
Less: allowance for impairment of trade receivables	(6,143)	(5,883)
	<hr/>	<hr/>
	673,002	414,477
	<hr/> <hr/>	<hr/> <hr/>

An ageing analysis of the trade receivable as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(audited)</i>
Within 1 year	606,957	377,319
1 to 2 years	53,214	22,743
2 to 3 years	7,038	11,247
Over 3 years	5,793	3,168
	<hr/>	<hr/>
	673,002	414,477
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE PAYABLES

	30 June 2022 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(audited)</i>
Trade payables		
– Related parties	2,214	4,440
– Third parties	325,173	166,504
	<u>327,387</u>	<u>170,944</u>

An ageing analysis of the Group's trade payables at the end of reporting period, based on the invoice date, is as follows:

	30 June 2022 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(audited)</i>
Within 1 year	317,692	163,366
1 to 2 years	5,305	4,106
2 to 3 years	2,141	532
Over 3 years	2,249	2,940
	<u>327,387</u>	<u>170,944</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

We are a fast-growing upscale property management and city operation service provider in China. According to China Index Academy, we are an industry-leading company in terms of multiple indicators in the three dimensions of scope of service, service standards and service fees. In 2022, we were ranked the 15th among the “Top 100 Property Management Companies in China” (“中國物業服務百強企業”) by overall strength, and were recognized as a “Leading Enterprise in High-end Property Service in China” (“中國高端物業服務領先企業”) and a “Leading Enterprise in Smart City Services in China” (“中國智慧城市服務領先企業”). We were ranked first in the “Leading Enterprise in Terms of Growth Rate of Listed Property Management Enterprise in 2022” (“2022物業上市公司領先企業發展速度”), according to CRIC Research.

Our history can be traced back to 1993 when we were established as a subsidiary of Sinochem Group Co., Ltd. to provide property management services in Beijing, the PRC for properties developed by the predecessor of China Jinmao Holdings Group Limited (“**China Jinmao**”) and its subsidiaries. China Jinmao, our controlling shareholder, is a leading comprehensive property developer in China, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”, stock code: 00817). Over the years, we provide a full spectrum of property management services to a broad range of properties, and we have established a nationwide business in China, with a strong focus on high-end properties in core cities. As of 30 June 2022, our total contracted gross floor area (“**GFA**”) reached approximately 69.6 million sq.m., covering 56 cities across 22 provinces, municipalities and autonomous regions in China, whilst we managed 238 property projects in China with a total GFA under management of approximately 45.5 million sq.m., including 142 residential communities and 96 non-residential properties.

Our property management services cover a wide range of property types, including residential communities, commercial and office properties primarily comprising office buildings, shopping malls, as well as public properties such as schools, government facilities and other public spaces. In addition to property management services, we also provide value-added services to non-property owners, including sales assistance services to property developers, and consultancy and other value-added services. We also provide community value-added services mainly to property owners and residents of our managed properties to address their daily lifestyle needs, which mainly consist of platform services for interior decoration, community living services, community space operation services, and real estate brokerage services.

Future Outlook

In the second half of 2022, the Company will take the initiative with firm confidence to further enhance lean management, improve quality and efficiency, and promote the high-quality growth of the Company.

First of all, we will adhere to our customer-centric approach, continue to upgrade our customer experience management system and improve our systematic ability to provide quality services, so as to sustain our leading position in the industry in terms of service level and customer satisfaction. Secondly, we will continue to focus on the market expansion in the core cities, select high-quality targets for acquisitions, and leverage our advantages in urban services, strategic alliances and high-end property management to quickly improve our management scale. Thirdly, we will continue to strengthen the development of value-added services, further tap into the demand for community value-added services and value-added services to non-property owners, continue to optimize our revenue structure, and enhance our profitability. Fourthly, we will further implement the cost control objectives, carry out the “Cui Jin Streamline Campaign” (a company-wide special action aimed at promoting the upgrading of cost control measures through in-depth external and internal benchmarking) to streamline the cost control measures and standards, and help the Company reduce costs and increase efficiency. Fifthly, we plan to carry forward the special project of “lean management”, implement multiple mechanisms (involving integration of business and finance, integration of investment and operation, innovation of management model involving large-scale projects, improvement of human efficiency, optimization of procurement procedures, and upgrading of city operation services, etc.), and continue to promote digital construction, service empowerment and management efficiency.

FINANCIAL REVIEW

Revenue

Our Group's revenue was generated from three business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

The following table sets out the breakdown of our total revenue by business lines for the six months ended 30 June 2022 and 2021 respectively:

	For the six months ended 30 June				Changes %
	2022 RMB'000	%	2021 RMB'000	%	
Property management services	540,667	49.3	370,758	54.0	45.8
Value-added services to non-property owners	310,375	28.3	238,491	34.8	30.1
Community value-added services ⁽¹⁾	245,846	22.4	76,517	11.2	221.3
Total	<u>1,096,888</u>	<u>100.0</u>	<u>685,766</u>	<u>100.0</u>	60.0

Note:

(1) Includes gross rental income from investment properties operating leases.

Revenue from property management services increased by approximately 45.8% to approximately RMB540.7 million for the six months ended 30 June 2022 from approximately RMB370.8 million for the six months ended 30 June 2021. This increase was mainly attributable to an increase in our GFA under management, which increased to approximately 45.5 million sq.m. as of 30 June 2022 from approximately 19.9 million sq.m. as of 30 June 2021, as a result of our business expansion.

Revenue from value-added services to non-property owners increased by approximately 30.1% to approximately RMB310.4 million for the six months ended 30 June 2022 from approximately RMB238.5 million for the six months ended 30 June 2021. The increase was primarily due to the increase in revenue from the preliminary planning and design services and post-delivery services as we have expanded our service offerings.

Revenue from community value-added services increased by approximately 221.3% to approximately RMB245.8 million for the six months ended 30 June 2022 from approximately RMB76.5 million for the six months ended 30 June 2021. This increase was primarily due to (i) an increase in the number of properties under our management as a result of our expansion of business scale, which increased from 115 as of 30 June 2021 to 238 as of 30 June 2022; and (ii) increased revenue from community space operation services and community living services, as a result of the increased GFA under our management, which increased from approximately 19.9 million sq.m. as of 30 June 2021 to approximately 45.5 million sq.m. as of 30 June 2022.

Cost of sales

Cost of sales increased by approximately 60.6% to approximately RMB740.9 million for the six months ended 30 June 2022 from approximately RMB461.2 million for the six months ended 30 June 2021. Such increase was in line with our growth in revenue for the period and was primarily due to the increase in the number of properties under our management.

Gross profit and gross profit margin

Gross profit increased by approximately 58.5% to approximately RMB356.0 million for the six months ended 30 June 2022 from approximately RMB224.6 million for the six months ended 30 June 2021 and this is in line with increase of our Group's total revenue during the period. For the six months ended 30 June 2022, the gross profit margin was approximately 32.5%, which was similar as compared to approximately 32.8% for the six months ended 30 June 2021.

Gross profit and gross profit margin of the Group by business lines were as follows:

	For the six months ended 30 June		Gross profit margin %	Gross profit margin %
	2022	2021		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Property management services	92,782	17.2	65,138	17.6
Value-added services to non-property owners	148,367	47.8	119,095	49.9
Community value-added services ⁽¹⁾	114,887	46.7	40,381	52.8
	<u>356,036</u>	32.5	<u>224,614</u>	32.8

Note:

(1) Includes gross rental income from investment properties operating leases.

Gross profit margin for property management services and value added-services to non-property owners was approximately 17.2% and 47.8%, respectively, for the six months ended 30 June 2022, which were basically the same as compared to approximately 17.6% and 49.9% for the six months ended 30 June 2021.

Gross profit margin for community value-added services decreased to approximately 46.7% for the six months ended 30 June 2022 from approximately 52.8% for the six months ended 30 June 2021, primarily due to the significant expansion in scale of community value-added services during the period, which resulted in the increase in staffing and resources expenditures.

Other income and gains

Other income and gains include (i) bank interest income; (ii) loan interest income; (iii) tax incentives on value-added tax; (iv) government grants; and (v) others such as late fees charged to customers who failed to make timely payments. Our other income and gains decreased by approximately RMB27.3 million or 75.4% from approximately RMB36.2 million for the six months ended 30 June 2021 to approximately RMB8.9 million for the six months ended 30 June 2022. Such decrease was mainly due to the decreased loan interest income as a subsidiary of China Jinmao repaid a loan extended by us using the proceeds from the asset-based securities (“ABS”) arrangement entered into by us in 2018.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 265.3% to approximately RMB17.9 million for the six months ended 30 June 2022 from approximately RMB4.9 million for the six months ended 30 June 2021. The increase was mainly due to: (i) the vigorous development of external business and the continuous increase in the number of properties developed by third parties under management during the period, and the significant increase in the scale of the market development department which resulted in a significant increase in relevant labour costs; and (ii) the significant increase in the revenue from community value-added services during the period, resulting in an increase in promotion expenses for property owners.

Administrative expenses

Administrative expenses increased by approximately 19.9% to approximately RMB116.9 million for the six months ended 30 June 2022 from approximately RMB97.5 million for the six months ended 30 June 2021. This increase was mainly attributable to an increase in staff costs primarily as a result of our business expansion.

Finance costs

Finance costs decreased by approximately 98.1% to approximately RMB0.6 million for the six months ended 30 June 2022 from approximately RMB31.7 million for the six months ended 30 June 2021. This decrease was primarily due to the decreased interest on the ABS arrangement entered into by us in 2018 as we have repaid the principal in 2021.

Income tax expenses

Income tax expenses increased by approximately 47.7% to approximately RMB51.7 million for the six months ended 30 June 2022 from approximately RMB35.0 million for the six months ended 30 June 2021. This increase was primarily attributable to an increase in pre-tax profit to approximately RMB222.3 million for the six months ended 30 June 2022 from approximately RMB122.9 million for the six months ended 30 June 2021.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately 94.0% to approximately RMB170.5 million for the six months ended 30 June 2022 from approximately RMB87.9 million for the six months ended 30 June 2021 and net profit margin increased to approximately 15.5% for the six months ended 30 June 2022 from approximately 12.8% for the six months ended 30 June 2021.

Property, plant and equipment

Property, plant and equipment mainly consists of electronic equipment, leasehold improvements, and furniture and office equipment. Property, plant and equipment decreased from approximately RMB54.7 million as of 31 December 2021 to approximately RMB52.4 million as of 30 June 2022, primarily due to the depreciation during the period.

Investment properties

Our investment properties consist of car park spaces owned by our wholly-owned subsidiary Nanjing Ninggao International Property Consultancy Co., Ltd. Our investment properties decreased from approximately RMB9.4 million as of 31 December 2021 to approximately RMB8.9 million as of 30 June 2022 mainly due to the decreased fair value of the car park spaces as the remaining term of the lease agreement was shortened over a period of time.

Right-of-use assets

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by us. Assets arising from a lease are initially measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use asset is depreciated over the shorter of the estimated asset's useful life and the lease term on a straight-line basis. Our right-of-use assets decreased from approximately RMB32.5 million as of 31 December 2021 to approximately RMB32.3 million as of 30 June 2022, mainly due to the depreciation of the right-of-use assets during the period.

Intangible assets

Our intangible assets mainly comprise the property management contracts of the acquirees and the software, information technology infrastructure and other smart management systems for properties under our management. Our intangible assets increased from approximately RMB6.4 million as of 31 December 2021 to approximately RMB92.6 million as of 30 June 2022 mainly due to the property management contracts generated from the acquisition completed during the reporting period.

Inventories

Our inventories mainly comprise consumables, spare parts and general merchandise. Our inventories amounted to approximately RMB4.5 million and RMB4.5 million as of 30 June 2022 and 31 December 2021, respectively.

Trade receivables

Trade receivables comprise receivables from property management services, community space operation services and sales assistance services. We typically do not grant a credit term to individual customers for our property management services and customers for our community value-added services. We typically grant a credit term of 90 days to 180 days to property developers.

Our trade receivables from related parties are primarily related to value-added services to non-property owners, the balances of which increased from approximately RMB281.1 million as of 31 December 2021 to approximately RMB370.6 million as of 30 June 2022 along with the increase in revenue from our value-added services to non-property owners. Our trade receivables from third parties are primarily related to property management fees and the balances of which increased from approximately RMB139.2 million as of 31 December 2021 to approximately RMB308.5 million as of 30 June 2022. This was mainly attributable to an increase in our property management revenue as we expanded our business with an increase in our GFA under management during the six months ended 30 June 2022.

Prepayments, other receivables and other assets

Prepayments, other receivables and other assets mainly include (i) amounts due from related parties; (ii) prepayments primarily in relation to utility fees and lease payments; (iii) deposits placed for contract performance, tender and bidding process and leases; (iv) advances to employees; (v) payments on behalf of residents and tenants; and (vi) others.

We had current portion of prepayments, other receivables and other assets of approximately RMB267.3 million and approximately RMB436.1 million as of 31 December 2021 and 30 June 2022, respectively. Such increase was primarily attributable to the expansion in scale of carpark sales agency services, which resulted in the increase in the payment of performance guarantees.

Trade payables

Trade payables primarily represent our obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The increase in trade payables from approximately RMB170.9 million as of 31 December 2021 to approximately RMB327.4 million as of 30 June 2022 was primarily due to the expansion of our business, reflecting an increase in the procurement of security and cleaning services and facilities and equipment maintenance services. Trade payables to related parties were in relation to procurement of information technology services, dining services and other goods and services from related parties.

Other payables and accruals

Other payables and accruals represent (i) amounts due to related parties; (ii) receipts on behalf of residents and tenants; (iii) deposits and temporary receipts primarily in relation to bidding and renovation; (iv) payroll and welfare payables; (v) other tax payables, and (vi) other payables relating to stored value cards that employees use in cafeterias. Our other payables and accruals amounted to approximately RMB660.4 million and RMB629.8 million as at 30 June 2022 and 31 December 2021, respectively.

Contingent liabilities

As at 30 June 2022, we did not have any outstanding guarantees or other material contingent liabilities.

Pledge of assets

As at 30 June 2022, none of the assets of our Group was pledged.

Foreign currency risk

The Group's principal activities are conducted in the PRC. Except for certain net proceeds raised from the listing in March 2022, which are denominated in Hong Kong dollars, the Group is not exposed to any significant risk directly related to foreign exchange fluctuations. Taking into account the potential RMB exchange rate fluctuations, we will continue to monitor our foreign exchange exposure and take prudent measures to reduce our foreign exchange risk. For the six months ended 30 June 2022, the Group did not use any financial instruments for hedging purposes.

Capital commitment and capital expenditure

As at 30 June 2022, the Group did not have any capital commitment.

The Group's capital expenditure for the year ending 31 December 2022 is expected to be funded mainly by proceeds from the Global Offering (as defined below) and working capital generated from the operating activities of the Group.

Liquidity and capital resources, current assets and current ratio

In order to manage the Group's cash, maintain strong and healthy liquidity and ensure that the Group is well positioned to take advantage of future growth opportunities, the Group has adopted comprehensive treasury policies and internal control measures to review and monitor its financial resources and has maintained stable financial condition and sufficient liquidity throughout. As at 30 June 2022, the Group did not have any outstanding borrowings (31 December 2021: nil) or banking facilities (31 December 2021: nil).

As at 30 June 2022, the Group's cash and cash equivalents amounted to RMB1,043.8 million (31 December 2021: RMB553.6 million). The increase was mainly attributable to the proceeds from Global Offering (as defined below) and an increase in net cash flows from operating activities. The Group's net cash flows from operating activities increased to approximately RMB116.9 million for the six months ended 30 June 2022 from approximately RMB15.8 million for the six months ended 30 June 2021. The management believes that the Group has sufficient financial resources and future revenue to support the current working capital requirement and future expansion of the Group.

As at 30 June 2022, the Group's current assets amounted to approximately RMB2,162.7 million, representing an increase of approximately 73.2% as compared with approximately RMB1,248.7 million as at 31 December 2021. Current ratio as at 30 June 2022 was 1.55 times, representing an increase as compared with 1.11 times as at 31 December 2021.

Use of proceeds from the Global Offering

The Company was listed on the Main Board of the Stock Exchange on 10 March 2022 (the “**Listing**”) by way of global offering of ordinary shares of the Company, including a public offering in Hong Kong of 10,142,000 shares and an international offering of 91,269,500 shares, in each case at a price of HK\$8.14 per share (collectively the “**Global Offering**”). On 1 April 2022, the international underwriters of the Global Offering partially exercised the over-allotment option, as a result of which an aggregate of 2,777,500 shares were issued and allotted by the Company at HK\$8.14 per share. After deducting the underwriting fees and relevant expenses, net proceeds from the Global Offering (including the number of shares issued and allotted pursuant to the partial exercise of over-allotment options) amounted to approximately HK\$781.9 million. Such proceeds have been and will continue to be applied in the manner consistent with that in the prospectus of the Company dated 25 February 2022 (the “**Prospectus**”):

Usage	% of total net proceeds	Planned allocation of net proceeds <i>HK\$ million (approximately)</i>	Utilized net proceeds up to the date of this announcement <i>HK\$ million (approximately)</i>	Unutilized net proceeds up to the date of this announcement <i>HK\$ million (approximately)</i>	Expected timeline for full utilization of the balance
(A) Pursue selective strategic investment and acquisition opportunities with companies engaged in property management, city operation services and/or community operations and to expand our business scale and solidify our leading industry position, including:					
(i) Acquire, invest in or cooperate with other property management companies and professional service providers in the upstream and downstream of city operation services which are suitable for and complementary to our business operations and strategies; and	50%	391.0	391.0 ¹	–	Fully utilized ²
(ii) Acquire or invest in companies which provide community products and services complementary to those of ours.	5%	39.1	–	39.1	By the end of 2024
(B) Upgrade our systems for smart management services and for the development of our smart communities and smart city solutions, aiming to offer a higher-quality living experience with more convenience for our property owners and residents and further enhance cost efficiency for our property management and city operation services.	22%	172.0	–	172.0	By the end of 2024
(C) Develop our community value-added services in an effort to diversify our service offering and enhance profitability.	13%	101.6	–	101.6	By the end of 2024
(D) Working capital and general corporate purpose.	10%	78.2	–	78.2	By the end of 2024

The net proceeds are currently held in bank deposits and will continue to be applied in the manner consistent with the proposed allocations in the Prospectus. For further information, please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus.

Note 1: Equivalent to RMB315 million.

Note 2: The amount was fully utilized for the acquisition of 100% equity interests in Beijing Capital Property Services Limited (“**Beijing Capital Services**”) during the period as detailed in the section headed “IMPORTANT EVENTS DURING THE PERIOD”.

INTERIM DIVIDEND

No dividend was recommended by the Board for the six months ended 30 June 2022.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company is comprised of Dr. Chen Jieping as chairman as well as Mr. Sincere Wong and Ms. Qiao Xiaojie as members. The audit committee has reviewed, together with the participation of the management, the unaudited interim results of the Group for the six months ended 30 June 2022 and the accounting principles and practices adopted by the Group, and discussed, among other things, internal control and risk management matters.

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

Save for the Global Offering of the Company (including the partial exercise of the over-allotment option) as described in the Prospectus of the Company dated 25 February 2022 and the announcement of the Company dated 3 April 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 2,674 full-time employees (as at 30 June 2021: 2,231 full-time employees). For the six months ended 30 June 2022, the total staff costs were approximately RMB0.3 billion (for the six months ended 30 June 2021: approximately RMB0.2 billion).

The Group determines and regularly reviews remuneration and benefits of its employees according to the profitability, market practice and the relevant employee's performance. The Group has deepened the reform of the human resource system and explored the possibility of establishing remuneration systems for high-quality personnel and corporate executives that are compatible with competitive selection and recruitment. The Group has implemented motivation plan for different levels of employees with reference to employee performance and contributions. According to the relevant regulations, the Group is required to pay social insurance and housing fund on behalf of its employees.

The Group attaches great importance to recruiting and cultivating outstanding talents, and has established a multi-dimensional and all-round talent development system applicable to employees at different positions and at different development stages, providing employees with continuous training programmes and career development opportunities to cultivate a team of excellent employees at different levels. In the first half of 2022, through the combination of online and offline methods, various special trainings were implemented by category to meet the needs of different learning scenarios, covering grassroots employees to management personnel, providing immediate and effective support for the Company's business development.

IMPORTANT EVENTS DURING THE PERIOD

On 17 June 2022, Sinochem Jinmao Property Management (Beijing) Co., Ltd. (“**Jinmao PM**”), a wholly-owned subsidiary of the Company, won the bid for the 100% equity interest in Beijing Capital Services through the listing-for-sale process organized by China Beijing Equity Exchange Co., Ltd at a consideration of RMB450,000,000 (the “**Acquisition**”). On the same day, Jinmao PM (as purchaser) and Beijing Capital Land Co., Ltd. (“**Beijing Capital Land**”) (as seller) entered into the equity transfer agreement in relation to the Acquisition. Upon completion of the Acquisition, Beijing Capital Services has become an indirect wholly-owned subsidiary of the Company.

Beijing Capital Services is principally engaged in the provision of property management and related services in the PRC. The projects under management and the projects to be managed by Beijing Capital Services under existing contracts are mainly upscale residential and commercial projects, which is in line with the Group’s strategic positioning of managing upscale projects, and the geographical distribution of these projects is highly integrated with the projects under management of the Group, which is conducive to regional intensive management, achieving economies of scale and creating synergies. Beijing Capital Land is a large integrated real estate developer with sizeable land reserves. The various commercial properties and office buildings under management and to be managed by Beijing Capital Services under existing contracts will facilitate the Group to enhance its brand and expertise in the area of property services for commercial projects. In addition, through the Acquisition, the Group will be able to increase its cooperation with Beijing Capital Land to further expand the Group’s business scale and property management portfolio. The Directors consider that the Acquisition is in line with the business development strategy of the Group and is conducted on normal commercial terms, and the terms of the equity transfer agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. Part of the consideration for the Acquisition in the amount of RMB315 million was paid in cash by using such part of the net proceeds from the Global Offering that was allocated for the acquisition of property management company, and the remaining part was paid by the Group with its own funds. For details of the Acquisition, please refer to the announcement of the Company dated 17 June 2022.

Save as disclosed in this announcement, there were no other significant investments held, material acquisitions or disposals of associates and joint ventures by the Company and the Company did not have other plans authorised by the Board for material investments or additions of capital assets during the six months ended 30 June 2022 and up to the date of this announcement.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other significant events that might affect the Group as at 30 June 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has adopted and complied with the principles and code provisions as set out in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) since the date of Listing and during the six months ended 30 June 2022.

Since its establishment, the Company has been committed to enhancing the level of its corporate governance. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all the shareholders. The Company will continue to improve its corporate governance practices, focusing on maintenance and enhancement of the management quality of the Board, internal control and high transparency to shareholders, so as to increase the confidence of shareholders in the Company. The Company believes that good corporate governance is crucial to maintaining its long-term healthy and sustainable development and is vital for the interests of its shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors' dealings in the securities of the Company. The Company has made specific enquiry to all Directors and all Directors have confirmed that they have complied with the Model Code since the date of Listing and during the six months ended 30 June 2022.

The Company has also established written guidelines for securities transactions by employees who are likely to be in possession of inside information of the Company on terms no less exacting than the Model Code. No incident of non-compliance with such guidelines by relevant employees has been noted by the Company since the date of Listing and during the six months ended 30 June 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jinmaowy.com). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By order of the Board
Jinmao Property Services Co., Limited
Jiang Nan
Chairman

Hong Kong, 19 August 2022

As at the date of this announcement, the executive Directors are Mr. Xie Wei and Ms. Zhou Liye; the non-executive Directors are Mr. Jiang Nan, Ms. He Yamin and Ms. Qiao Xiaojie; and the independent non-executive Directors are Dr. Chen Jieping, Dr. Han Jian and Mr. Sincere Wong.