苏新服务
SUXIN SERVICE 1994

Suxin Joyful Life Services Co., Ltd.
蘇新美好生活服務股份有限公司

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

(Stock Code: 2152)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL SUMMARY

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**243,242**	221,293
Gross profit	**56,124**	51,804
Gross profit margin	**23.1%**	23.4%
Profit for the period	**29,502**	23,870
Net profit margin	**12.1%**	10.8%
Profit attributable to owners of the Company	**28,506**	23,396
Basic earnings per share *(RMB per share)*	**0.38**	0.31

For the six months ended 30 June 2022, the total revenue of the Group was approximately RMB243.2 million, representing an increase of approximately 9.9% from approximately RMB221.3 million for the same period in 2021.

For the six months ended 30 June 2022, the gross profit of the Group was approximately RMB56.1 million, representing an increase of approximately 8.3% from approximately RMB51.8 million for the same period in 2021. The Group's gross profit margin was 23.1%, which is relatively stable as compared with the same period in 2021.

For the six months ended 30 June 2022, the profit of the Group was approximately RMB29.5 million, representing an increase of approximately 23.6% from approximately RMB23.9 million for the same period in 2021.

As of 30 June 2022, the Group had a total contracted GFA of approximately 8.6 million sq.m., representing an increase of 21.1% compared with 30 June 2021.

The Board resolved not to declare any interim dividend for the six months ended 30 June 2022.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Suxun Joyful Life Services Co., Ltd. (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2022, together with comparative figures for the six months ended 30 June 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
REVENUE	4	**243,242**	221,293
Cost of sales		**(187,118)**	(169,489)
Gross profit		**56,124**	51,804
Other income and gains	4	**3,014**	3,500
Selling and marketing expenses		**(1,378)**	(1,323)
Administrative expenses		**(12,045)**	(18,813)
Other expenses		**(548)**	(123)
Finance costs		**(4,303)**	(1,507)
Share of loss of an associate		**(1,024)**	(1,679)
PROFIT BEFORE TAX	5	**39,840**	31,859
Income tax expense	6	**(10,338)**	(7,989)
PROFIT FOR THE PERIOD		**29,502**	23,870
Profit attributable to:			
Owners of the Company		**28,506**	23,396
Non-controlling interests		**996**	474
		29,502	23,870
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	8	**0.38**	0.31

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(3,620)**	(1,797)
Income tax effect	**905**	449
	(2,715)	(1,348)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(2,715)**	(1,348)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**26,787**	22,522
Total comprehensive income attributable to:		
Owners of the parent	**25,791**	22,048
Non-controlling interests	**996**	474
	26,787	22,522

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	**30 June 2022 (Unaudited) *RMB'000***	31 December 2021 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**412,914**	359,815
Investment properties		**349,610**	349,930
Other intangible assets		**788**	344
Investment in an associate		**5,767**	6,791
Equity investments designated at fair value through other comprehensive income		**88,820**	92,440
Right-of-use assets		**10,135**	10,258
Deferred tax assets		**6,516**	5,359
Total non-current assets		**874,550**	824,937
CURRENT ASSETS			
Inventories		**142**	177
Trade receivables	*10*	**123,634**	101,222
Prepayments, other receivables and other assets		**45,470**	51,115
Due from related parties	*14*	**20,628**	35,123
Restricted cash		**279**	442
Cash and cash equivalents		**223,882**	302,644
Total current assets		**414,035**	490,723
CURRENT LIABILITIES			
Trade payables	*11*	**205,907**	192,532
Other payables and accruals		**104,899**	103,106
Interest-bearing bank loans		**11,250**	11,250
Due to related parties	*14*	**15,890**	65,675
Tax payable		**4,208**	2,666
Contract liabilities		**55,831**	75,019
Total current liabilities		**397,985**	450,248
NET CURRENT ASSETS		**16,050**	40,475
TOTAL ASSETS LESS CURRENT LIABILITIES		**890,600**	865,412

	Notes	**30 June 2022 (Unaudited)** *RMB'000*	31 December 2021 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**119,063**	122,500
Deferred tax liabilities		**20,330**	21,311
Other liabilities		**169,503**	168,074
Total non-current liabilities		**308,896**	311,885
Net assets		**581,704**	553,527
EQUITY			
Share capital	*12*	**75,000**	75,000
Reserves		**499,943**	474,152
Equity attributable to owners of the parent		**574,943**	549,152
Non-controlling interests		**6,761**	4,375
Total equity		**581,704**	553,527

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 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.

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 International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRSs Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 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 March 2018 without significantly changing its requirements. The amendments also add to IFRS 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 IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 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 IAS 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 IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 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 IFRSs Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 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.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes commercial property management services, residential property management services, municipal services and rental income for the purpose of making decisions about resource allocation and performance assessment. 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

During the periods, the Group operated within one geographical location because all of its revenues were generated in Mainland China and all of its non-current assets/capital expenditures were located/incurred in Mainland China. Accordingly, no geographical information is presented.

Information about major customers

For the six months ended 30 June 2022, revenue of approximately RMB32,238,000 (for the six months ended 30 June 2021: RMB34,265,000) to a major customer was derived from the provision of city services; revenues of approximately RMB31,540,000 (for the six months ended 30 June 2021: RMB11,662,000) and RMB189,000 (for the six months ended 30 June 2021: nil) were derived from the provision of city services and rental income to another major customer. Except for these, no revenue from other customers accounted for more than 10% of the total revenue of the Group.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Commercial property management services	**88,028**	102,423
Residential property management services	**32,631**	30,768
City services	**110,647**	75,523
	231,306	208,714
Revenue from other sources		
Rental income	**11,936**	12,579
Total	**243,242**	221,293

Disaggregated revenue information for revenue from contracts with customers

	Commercial property management services *RMB'000*	Residential property management services *RMB'000*	City services *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2022 (unaudited)				
Type of service				
Rendering of services	**88,028**	**32,631**	**110,647**	**231,306**
Geographical market				
Mainland China	**88,028**	**32,631**	**110,647**	**231,306**
Timing of revenue recognition				
Services transferred over time	**86,221**	**31,635**	**110,647**	**228,503**
Services transferred at a point in time	**1,807**	**996**	**–**	**2,803**
Total revenue from contracts with customers	**88,028**	**32,631**	**110,647**	**231,306**

	Commercial property management services *RMB'000*	Residential property management services *RMB'000*	City services *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2021 (unaudited)				
Type of service				
Rendering of services	102,423	30,768	75,523	208,714
Geographical market				
Mainland China	102,423	30,768	75,523	208,714
Timing of revenue recognition				
Services transferred over time	97,773	30,294	75,523	203,590
Services transferred at a point in time	4,650	474	–	5,124
Total revenue from contracts with customers	102,423	30,768	75,523	208,714

An analysis of other income and gains is as follows:

	For the six months ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Interest income	**593**	594
Government grants	**1,461**	1,642
Others	**960**	1
	3,014	2,237
Gains		
Fair value gains on investment properties	**–**	1,263
Other income and gains	**3,014**	3,500

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of services provided	**187,118**	169,489
Depreciation of property, plant and equipment	**10,114**	5,595
Depreciation of right-of-use assets	**123**	323
Lease payments not included in the measurement of lease liabilities	**102**	229
Loss on disposal of items of property, plant and equipment	**177**	2
Auditor's remuneration	**380**	375
Legal and professional fee	**988**	991
Interest income	**(593)**	(594)
Employee benefit expenses (excluding directors' and chief executive's remuneration)*:		
Wages, salaries and other allowances	**56,994**	59,178
Pension scheme contributions and social welfare	**14,217**	14,762
	71,211	73,940
Impairment of trade receivables	**(2,693)**	4,821
Changes in fair value of investment properties	**440**	(1,263)

* Amounts of RMB65,736,000 of employee benefit expenses were included in cost of services during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB65,661,000).

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income.

	For the six months ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current — Mainland China:		
Charge for the period	**11,571**	11,770
Deferred tax	**(1,233)**	(3,781)
Total tax charge for the period	**10,338**	7,989

7. DIVIDEND

No dividends have been paid or declared by the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent and the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares used in the calculation for each of the reporting period is the number of ordinary shares in issue, adjusted for the joint-stock reform as if it had occurred before the earliest period presented.

No adjustment has been made to the basic earnings per share amount presented for the period in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period.

The following reflects the data of income and share used in the basic earnings per share computation:

	For the six months ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings:		
Profit for the period attributable to owners of the parent, used in the basic earnings per share calculation	**28,506**	23,396
Number of shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**75,000**	75,000

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets at a cost of RMB63,626,000 (six months ended 30 June 2021: RMB31,533,000).

Assets with a net book value of RMB413,000 were disposed of by the Group during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB30,000), resulting in a net loss on disposal of RMB177,000 (net loss for the six months ended 30 June 2021: RMB2,000).

10. TRADE RECEIVABLES

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

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 1 year	**105,653**	67,100
1 to 2 years	**13,660**	32,853
2 to 3 years	**4,321**	1,269
	123,634	101,222

11. TRADE PAYABLES

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

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 1 year	**192,217**	176,190
1 to 2 years	**7,874**	12,606
2 to 3 years	**3,742**	2,133
Over 3 years	**2,074**	1,603
	205,907	192,532

12. SHARE CAPITAL

	As at 30 June 2022	As at 31 December 2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Share capital	**75,000**	75,000

A summary of the movements of the Company's share capital is as follows:

	Paid-in capital	**Share capital**	
	Year ended 31 December 2021	**Six months ended 30 June 2022**	Year ended 31 December 2021
	(Audited)	**(Unaudited)**	(Audited)
	RMB'000	***RMB'000***	*RMB'000*
At beginning of year/period	43,662	**75,000**	–
Transformation into a joint stock company*			
— Conversion into share capital	(43,662)	**–**	43,662
— Capitalisation of retained profits and statutory surplus reserve	–	**–**	31,338
At end of year/period	–	**75,000**	75,000

* Pursuant to a shareholders' resolution of the Company in April 2021, the Company was converted into a joint stock company with 75,000,000 shares at a nominal value of RMB1 each issued to the then shareholders of the Company in proportion to their capital contribution to the Company. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the capital reserve.

13. COMMITMENTS

The Group had the following capital commitments at the end of each of the reporting period:

	30 June 2022 (Unaudited) ***RMB'000***	31 December 2021 (Audited) *RMB'000*
Contracted, but not provided for:		
Construction in progress	**19,758**	72,633

14. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

	For the six months ended	
	30 June 2022 (Unaudited) ***RMB'000***	30 June 2021 (Unaudited) *RMB'000*
Property management service and city services income:		
Companies controlled by the controlling shareholder	**18,537**	13,082
Joint ventures or associates of SND Group	**5,274**	10,915
The controlling shareholder of the Company	**1,108**	1,087
	24,919	25,084
Rental income:		
Joint ventures or associates of SND Group	**409**	–
Companies controlled by the controlling shareholder	**–**	31
	409	31
Lease payments:		
Joint ventures or associates of SND Group	**–**	136
Other purchases from related companies:		
Companies controlled by the controlling shareholder	**2,336**	3,856
Joint ventures or associates of SND Group	**108**	2
	2,444	3,858

(b) Outstanding balances with related parties

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
	RMB'000	*RMB'000*
Due from related companies:		
Trade related		
Companies controlled by the controlling shareholder	**10,998**	23,094
Joint ventures or associates of SND Group	**9,630**	12,019
The controlling shareholder of the Company	**–**	10
	20,628	35,123
Due to related companies:		
Trade related		
Joint ventures or associates of SND Group	**972**	2,228
Companies controlled by the Controlling Shareholder	**14,599**	6,077
The Controlling Shareholder of the Company	**319**	370
	15,890	8,675
Due to related companies:		
Non-trade related		
Joint ventures or associates of SND Group	**–**	57,000
	–	57,000

Related party balances are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
	RMB'000	*RMB'000*
Short-term employee benefits	**351**	340
Post-employment benefits	**140**	136
Total compensation paid to key management personnel	**491**	476

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

As at 30 June 2022 (unaudited)

	Carrying amounts *RMB'000*	**Fair values** *RMB'000*
Financial assets		
Equity investments at fair value through other comprehensive income	**88,820**	**88,820**
Financial liabilities		
Other liabilities	**169,503**	**169,503**
Interest-bearing bank loans	**130,313**	**130,313**
	299,816	**299,816**

As at 31 December 2021 (audited)

	Carrying amounts *RMB'000*	Fair values *RMB'000*
Financial assets		
Equity investments at fair value through other comprehensive income	92,440	92,440
Financial liabilities		
Other liabilities	168,074	168,074
Interest-bearing bank loans	133,750	133,750
	301,824	301,824

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables, current interest-bearing bank loans and other borrowings, trade payables, other liabilities, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The finance manager of each subsidiary of the Group is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The Group's finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of interest-bearing bank loans and other liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank loans and other liabilities as at the end of each period were assessed to be insignificant.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Below is a summary of significant unobservable inputs to the valuation of financial instruments.

Equity investments designated at fair value through other comprehensive income	**Valuation technique**	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Suzhou Huirong Business Travel Development Co., Ltd.	Market approach	Discounts for lack of marketability ("**DLOM**")	30 June 2022: 20% to 30%	5% increase/(decrease) in discount would result in (decrease)/ increase in fair value by (RMB900,000)/ RMB1,000,000
			31 December 2021: 20% to 30%	5% increase/(decrease) in discount would result in (decrease)/ increase in fair value by (RMB1,300,000)/ RMB1,200,000
Suzhou Xinjingtian Business Land Development Co., Ltd.	Asset-based approach	Unit price (RMB per sq.m.)	30 June 2022: 11,500 to 20,000	5% increase/(decrease) in discount would result in increase/ (decrease) in fair value by RMB2,960,000/ (RMB2,970,000)
			31 December 2021: 11,433 to 20,000	5% increase/(decrease) in discount would result in increase/ (decrease) in fair value by RMB2,970,000/ (RMB2,980,000)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value as at 30 June 2022:

	Fair value measurement using			
	Quoted prices in active markets Level 1 *RMB'000* **(Unaudited)**	**Significant observable inputs Level 2** *RMB'000* **(Unaudited)**	**Significant unobservable Level 3** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**88,820**	**88,820**

Assets measured at fair value as at 31 December 2021:

	Fair value measurement using			
	Quoted prices in active markets Level 1 *RMB'000* (Audited)	Significant observable inputs Level 2 *RMB'000* (Audited)	Significant unobservable Level 3 *RMB'000* (Audited)	Total *RMB'000* (Audited)
Equity investments designated at fair value through other comprehensive income	–	–	92,440	92,440

The movements in fair value measurements in Level 3 during the reporting period are as follows:

	2022 **(Unaudited)** *RMB'000*	2021 (Unaudited) *RMB'000*
At 1 January	**92,440**	94,807
Remeasurement recognised in other comprehensive income	**(3,620)**	(1,797)
At 30 June	**88,820**	93,010

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

16. EVENTS AFTER THE REPORTING PERIOD

On 24 August 2022 ("**the Listing Date**"), 25,000,000 new ordinary shares were issued at a price of HK$8.6 per share in connection with the Company's initial public offering on the Stock Exchange.

17. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a city service and property management service provider deeply rooted in the Yangtze River Delta Region, especially in Suzhou. The H shares of the Company (the "**H Shares**") were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 24 August 2022 (the "**Listing Date**") by way of global offering (the "**Global Offering**").

The Group focuses on providing city services, commercial property management services, residential property management services and property leasing. Headquartered in Suzhou, Jiangsu Province, the Group has established a solid market presence in the Yangtze River Delta Region. The Group believes that its strategic focus on the Yangtze River Delta Region, especially in Suzhou, and the established market position for providing city services and property management services in Suzhou will continue to support the growth of the Group's business scale and enable the Group to enjoy competitive advantages in the city service and property management service market of the People's Republic of China ("**China**" or "**PRC**").

The Group's focus on city environment, citizen wellbeing and commitment to customer satisfaction have shaped its brand image for high-calibre services. The Group's commitment to quality services has earned the Group numerous industry awards and recognitions. The Group has been recognized as one of the Top 100 Property Management Companies of China for seven consecutive years since 2016 and was ranked 46th among the 2022 Top 100 Property Management Companies of China (2022 中國物業服務百強企業) by China Index Academy ("**CIA**") in terms of overall strength*. The Group was honoured as one of the "Leading City Services Companies in China" (中國城市服務領先企業) by CIA in 2022 and a "Leading Brand in the PRC Property Management Industry in Specialized Operations" (中國物業服務專業化運營領先品牌企業) by CIA in 2018, 2019 and 2020.

The Group provides comprehensive city services and property management services to a wide variety of properties, including (i) city services offered to local governments and public authorities to satisfy local residents' daily living needs and improve their living standards and experience; (ii) commercial property management services offered to industrial parks, office buildings, apartments and commercial complexes; and (iii) residential property management services. The Group offers both traditional property management services and a wide range of value-added services to commercial properties

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* Each year the CIA publishes the Top 100 Property Management Companies in China in terms of overall strength based on the data from the previous year on key factors such as management scale, operational performance, service quality, growth potential and social responsibility of the property management companies under consideration.

and residential communities to address the diverse needs of its customers while enhancing customer stickiness. The Group also provides property leasing services where it leases out office buildings and apartments to diversify its revenue streams. The Group believes that provision of diverse services will improve customers' loyalty, increase its brand recognition and enhance business operations and financial performance.

As of 30 June 2022, the Group was contracted to provide public facility management services, basic commercial property management services and basic residential property management services to 79 projects in China, with a total contracted gross floor area ("**GFA**") of approximately 8.6 million square metres ("**sq.m.**"), among which 77 projects with a total GFA of over 6.9 million sq.m. were under the Group's management.

BUSINESS REVIEW

During the six months ended 30 June 2022, the Group derived its revenue primarily from four business lines, namely, (i) city services; (ii) commercial property management services; (iii) residential property management service; and (iv) property leasing services.

Portfolio of Properties under Management

The following table sets forth the number of projects and GFA under the Group's management for public facility management services, basic commercial property management services and basic residential property management services as of the dates indicated by business line:

	As of 30 June			
	2022		2021	
	Number of projects	**GFA under management** *sq.m.'000*	Number of projects	GFA under management *sq.m.'000*
Public facility management services	**21**	**1,620.8**	16	1,089.6
Basic commercial property management services	**34**	**2,108.2**	18	2,304.1
Basic residential property management services	**22**	**3,175.8**	22	3,194.3
Total	**77**	**6,904.8**	76	6,588.1

City Services

The Group assists local governments and public authorities in their provision of city services to improve local residents' living experience and environment. The Group's city services primarily include (i) municipal infrastructure services; (ii) public facility management services; and (iii) operation of waste collection centres.

Municipal Infrastructure Services

The Group offers municipal infrastructure services including cleaning, greening, maintenance, regular inspection and refurbishment services to ensure the cleanliness and normal operations of public infrastructure under the Group's management, including city roads, external walls of buildings along main city roads, street lamps, water supply network, as well as tram and tram platforms. The Group charges service fees based on the length of roads or GFA of the site area covered by its services. As of 30 June 2022, the Group provided municipal infrastructure services to 13 projects.

Public Facility Management Services

The Group offers property management services including cleaning, security, gardening and landscaping, as well as repair and maintenance services to public facilities such as public museums, libraries, art and sports centres, city parks and office buildings for public authorities.

As of 30 June 2022, GFA of public facilities under the Group's management was approximately 1.6 million sq.m., and the Group was contracted to manage public facilities with a GFA of approximately 2.3 million sq.m..

Operation of Waste Collection Centres

Underpinned by the Group's extensive experience in maintaining public facilities, the Group has been awarded by local governments and public authorities for the construction and operation of waste collection centres. Upon construction of waste collection centres, the Group assists local governments and public authorities in operating the waste collection centres and offering waste management services, including collecting household waste from city roads, households and commercial sources in the Suzhou Gaoxin District, transporting waste to the Group's operated waste collection centres, sorting and compacting waste for better treatment, and disposing compressed waste to incineration for burning or landfills for burying operated by third parties.

As of 30 June 2022, the Group had constructed and operated two waste collection centres in Suzhou with the maximum capacity to process 800 tons of household waste per day and 50 tons of bulky waste per day in aggregate. Meanwhile, the Group was in the process of constructing one additional waste collection centre in Suzhou which was expected to be put into operation in the early 2023. The three waste collection centres of the Group in aggregate will be capable of processing a total of 1,200 tons of household waste per day and 50 tons of bulky waste per day.

Commercial and Residential Property Management Services

The Group's commercial and residential property management services include both basic property management services and value-added services. Basic property management services include security services, cleaning, greening and gardening services, and common area facility repair and maintenance services. Value-added services include carpark space management services, resource management services, property agency services, and other customized services such as customized cleaning and maintenance services, security services, hosting events, business support and/or assistance to customers in leasing printing machines according to specific customer demands.

As of 30 June 2022, the Group provided basic commercial property management services to 34 commercial properties with a total GFA under management of approximately 2.1 million sq.m., and 22 residential properties with a total GFA under management of approximately 3.2 million sq.m..

Property Leasing

The Group owns certain investment properties such as office buildings and apartments which are leased out as staff dormitories or offices. The Group charges rental fees and management fees.

As of 30 June 2022, the average occupancy rate of the Group's leased properties was approximately 65.8%. The Group recorded a decrease in average occupancy rate from approximately 85.4% in the six months ended 30 June 2021 to approximately 65.8% in the six months ended 30 June 2022, primarily due to the decrease in demand for properties for lease as a number of local enterprises and factories were temporarily closed under the government's pandemic prevention policies to combat the COVID-19 pandemic.

OUTLOOK

Firstly, the Group will manage the growth of project scale while increasing profitability. The Group's business scale will be expanded through mergers and acquisitions, equity investment and other methods. The Group will select high-quality state-owned city service enterprises and complementary business partners as the targets of mergers and acquisitions. Sound procedures for the selection of acquisition targets as well as due diligence and judgment will be implemented in order to maintain competitiveness and improve the quality of the Group's services while expanding the project scale. The Group will closely monitor key projects with a focus on major processes such as project completion, tender and bidding. Through strategic cooperation, the Group will target to manage properties developed by its strategic partners.

Secondly, the Group will integrate various city services to seize the potential of growth in demand. Grasping the opportunity from growing demand for public and government facilities as well as city operation services during the continuous transition in governmental functions, and in coordination with the implementation of the "Three-Year Action Plan for Sanitation Work in High-tech Zones" (《高新區環衛工作三年行動計劃》), the Group will actively participate in the urban maintenance integration reform of the Suzhou High-tech Zone to expand sources of income. The Group will effectively integrate different city services with compression and transportation of waste collection centers as the core to capture market shares of the collection and transportation of household waste and the disposal of bulky waste. The Group will provide collection and transportation services for household waste and decontaminate and recycle bulky waste, so as to realize the two-way extension of the waste disposal industry chain.

Thirdly, the Group will expand the scope of business and services with a focus on value-added innovation. The Group will offer more diversified innovative value-added services to further enhance customer loyalty and brand image. The Group will actively connect with various sectors to explore and expand service types and customer bases. Other value-added services (such as new home decoration and home appliance repair) with higher profit margins will be offered to office buildings, industrial parks and public properties, and essential life services (such as eldercare and household waste disposal) will be introduced. The Group will promote the professional operation and standardized development of "Leju" (樂居) housing for talents to improve the overall letting rate of housing for talents in the zone as well as the occupancy rate via online platform.

Fourthly, the Group will accelerate digital development of the industry and promote the upgrade of smart services. Leveraging big data, cloud computing and other technologies, a smart city and smart property service system will be built. The Group will further develop a management system covering the smart properties, and procure and upgrade existing hardware and software systems, so as to promote the full operation of the city service smart platform and the Company's integrated customer service center. Smart property management solutions will be provided to improve business operation efficiency.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by business line for the periods indicated:

	Six months ended 30 June			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
City services	**110,647**	**45.5**	**75,523**	**34.1**
— Municipal infrastructure services	41,337	17.0	35,465	16.0
— Public facility management services	41,193	16.9	28,604	12.9
— Operation of waste collection centers	28,117	11.6	11,454	5.2
Commercial property management services	**88,028**	**36.2**	**102,423**	**46.3**
— Basic property management services	76,713	31.5	89,146	40.3
— Value-added services	11,315	4.7	13,277	6.0
Residential property management services	**32,631**	**13.4**	**30,768**	**13.9**
— Basic property management services	23,760	9.8	21,766	9.8
— Value-added services	8,871	3.6	9,002	4.1
Property leasing	**11,936**	**4.9**	**12,579**	**5.7**
Total	**243,242**	**100.0**	**221,293**	**100.0**

Revenue of the Group increased by approximately 9.9% from approximately RMB221.3 million for the six months ended 30 June 2021 to approximately RMB243.2 million for the six months ended 30 June 2022, primarily reflecting the following:

(i) revenue from city services increased by approximately 46.5% from approximately RMB75.5 million for the six months ended 30 June 2021 to approximately RMB110.6 million for the six months ended 30 June 2022, primarily due to the expansion of the Group's public facility management services as it began to manage a newly constructed museum building, a city park and a city square, among others;

(ii) revenue from commercial property management services decreased by approximately 14.1% from approximately RMB102.4 million for the six months ended 30 June 2021 to approximately RMB88.0 million for the six months ended 30 June 2022, primarily due to the non-renewal of property management service agreements in relation to (a) certain public rental houses that expired in December 2021, as the Group collaborated with well-known independent third-party property management companies, including Suzhou Mingsu Commercial Management Co., Ltd. (蘇州銘蘇商業管理有限公司) and Suzhou Langyiju Commercial Management Service Co., Ltd. (蘇州朗頤居商業管理服務有限公司), to jointly establish companies to co-manage these projects, which is in line with the Group's strategic focus; and (b) a shopping mall that expired in November 2021, given that the project carried relatively low profit margin;

(iii) revenue from residential property management services increased by approximately 6.1% from approximately RMB30.8 million for the six months ended 30 June 2021 to approximately RMB32.6 million for the six months ended 30 June 2022, primarily due to the increase in management fee in respect of a residential property; and

(iv) revenue from property leasing services decreased by approximately 5.1% from approximately RMB12.6 million for the six months ended 30 June 2021 to approximately RMB11.9 million for the six months ended 30 June 2022, primarily because the Group complied with local government's rent relief policy in response to the COVID-19 pandemic and reduced or waived part of the rents due from its tenants in the first half of 2022.

Cost of Sales

The Group's cost of sales increased from approximately RMB169.5 million for the six months ended 30 June 2021 to approximately RMB187.1 million for the six months ended 30 June 2022 primarily due to the increase in the Group's subcontracting costs, greening and gardening expenses and other expenses.

Gross Profit and Gross Profit Margin

The following table sets forth the Group's gross profit and gross profit margin by business line for the periods indicated:

	Six months ended 30 June			
	2022		2021	
	Gross profit *RMB'000*	**Gross profit margin**	Gross profit *RMB'000*	Gross profit margin
City services	**26,912**	**24.3%**	18,969	25.1%
Commercial property management services	**16,304**	**18.5%**	19,480	19.0%
Residential property management services	**2,751**	**8.4%**	2,493	8.1%
Property leasing	**10,157**	**85.1%**	10,862	86.40%
Total	**56,124**	**23.1%**	51,804	23.40%

The Group's gross profit increased by approximately 8.3% from approximately RMB51.8 million for the six months ended 30 June 2021 to approximately RMB56.1 million for the six months ended 30 June 2022, primarily due to the Group's business expansion.

The Group's gross profit margin remained stable during the period, primarily reflecting the following:

(i) gross profit for city services increased by approximately 41.9% from approximately RMB19.0 million for the six months ended 30 June 2021 to approximately RMB26.9 million for the six months ended 30 June 2022, primarily due to the increase in revenue from public facility management services as the Group began to manage a newly constructed museum building, a city park and a city square, among others, in the first half of 2022;

(ii) gross profit for commercial property management services decreased by approximately 16.3% from approximately RMB19.5 million for the six months ended 30 June 2021 to approximately RMB16.3 million for the six months ended 30 June 2022, primarily due to the non-renewal of property management service agreements as described in the section headed "Revenue" above;

(iii) gross profit for residential property management services remained relatively stable at approximately RMB2.5 million and RMB2.8 million for the six months ended 30 June 2021 and 2022, respectively; and

(iv) gross profit for property leasing services decreased by approximately 6.5% from approximately RMB10.9 million for the six months ended 30 June 2021 to approximately RMB10.2 million for the six months ended 30 June 2022, primarily because the Group complied with local government's rent relief policy in response to the COVID-19 pandemic and reduced or waived part of the rents due from its tenants in the first half of 2022.

Other Income and Gains

The Group's other income and gains decreased by approximately 13.9% from approximately RMB3.5 million for the six months ended 30 June 2021 to approximately RMB3.0 million for the six months ended 30 June 2022, primarily due to (i) the decrease in government grant as the additional deduction of value-added tax decreased as a result of the decrease in constructing activities in early 2022; and (ii) the absence of any fair value gains on investment properties as a result of the decrease in rents on average caused by the recent waves of COVID-19 pandemic in early 2022, which in turn affected the value appreciation of the Group's investment properties.

Selling and Marketing Expenses

The Group's selling and marketing expenses remained relatively stable at approximately RMB1.3 million and RMB1.4 million for the six months ended 30 June 2021 and 2022, respectively.

Administrative Expenses

Administrative expenses decreased by approximately 36.0% from approximately RMB18.8 million for the six months ended 30 June 2021 to approximately RMB12.0 million for the six months ended 30 June 2022, primarily due to the decrease in the impairment loss on trade receivables as a result of the collective settlement of the Group.

Other Expenses

Other expenses increased by approximately 345.5% from approximately RMB0.1 million for the six months ended 30 June 2021 to approximately RMB0.5 million for the six months ended 2022, primarily due to the fair value loss for the Group's investment properties as a result of the decrease in the market value of these investment properties.

Finance Costs

Finance cost increased by approximately 185.5% from approximately RMB1.5 million for the six months ended 30 June 2021 to RMB4.3 million for the six months ended 30 June 2022, primarily due to the decrease in interest capitalized after the Group completed the construction of the Science & Technology City Waste Collection Centers in the end of 2021.

Share of Loss of an Associate

On 18 December 2020, the Group invested RMB9.8 million in SND Yiyang Health Management Company Limited (蘇高新怡養健康管理有限公司) ("**SND Yiyang**"), a provider of elderly care, nursing and medical services, for 49% of its shares. Through such investment, the Group expects to gain substantive operational experience and industry knowledge to facilitate the provision of value-added services in the elderly care, nursing and medical service industries in the future.

The Group's share of loss of an associate arose from the investment in SND Yiyang amounted to approximately RMB1.7 million and RMB1.0 million for the six months ended 30 June 2021 and 2022, respectively, primarily because SND Yiyang was newly established and incurred relatively high upfront expenses in the early development stage.

Income Tax Expense

Income tax expenses increased by approximately 28.8% from approximately RMB8.0 million for the six months ended 30 June 2021 to RMB10.3 million for the six months ended 30 June 2022, primarily due to the expansion of the Group which led to the increase in the Group's profit before tax.

Profit for the Period

As a result of the foregoing, profit for the period increased from approximately RMB23.9 million for the six months ended 30 June 2021 to approximately RMB29.5 million for the six months ended 30 June 2022.

Property, Plant and Equipment

Property, plant and equipment increased by approximately 14.8% from approximately RMB359.8 million as of 31 December 2021 to approximately RMB412.9 million as of 30 June 2022.

Investment Properties

The Group's investment properties mainly represent the value of commercial properties and rental apartments. The value of the Group's investment properties was relatively stable at approximately RMB349.9 million as of 31 December 2021 and RMB349.6 million as of 30 June 2022.

Equity Investment Designated at Fair Value Through Other Comprehensive Income

As of 30 June 2022, the Group recorded equity investments designated at fair value through other comprehensive income of approximately RMB88.8 million (31 December 2021: approximately RMB92.4 million).

Equity investments designated at fair value through other comprehensive income reflect the value of (i) the Group's equity investment in Suzhou Huirong Business Travel Development Company (蘇州匯融商旅發展有限公司) ("**Suzhou Huirong**"); and (ii) the Group's investment in Suzhou Xinjingtian Business Land Development Company (蘇州新景天商務地產發展有限公司) ("**Suzhou Xinjingtian**"), details of which are set out below:

	Principal Business	**Percentage of equity attributes as of 30 June 2022**	**Investment costs**	**Fair value through other comprehensive income as of 30 June 2022**	**Size relative to the Company's total assets as of 30 June 2022**	**Fair value loss as of 30 June 2022**
			RMB'000	*RMB'000*		*RMB'000*
Suzhou Huirong	Property leasing	3.17%	57,000	69,000	5.35%	2,300
Suzhou Xinjingtian	Property development and leasing	8.00%	24,000	19,820	1.54%	1,320

No dividends were received on the above investments during the six months ended 30 June 2022 (31 December 2021: Nil).

The Group remains susceptible to the risk of fair value change of its equity investments designated at fair value through other comprehensive income, and may record a fair value loss on the equity investments in the future, which would lead to a decrease in the total assets as well as net assets.

To monitor the performance of the Group's equity investments, the Group has adopted the following internal control policies: (i) the manager and supporting staff of each equity investment report the investment budget, the operational status of the investment target, and the major issues and their potential consequences to the Group's management on a quarterly basis; (ii) the Group will review the equity investments at least annually, and conduct periodical or special audits of its investment assets; and (iii) all the files related to each equity investment are documented and archived.

Trade Receivables

Trade receivables are amounts due from independent third-party customers for services the Group performed in its ordinary course of business. The Group's trade receivables increased from approximately RMB101.2 million as of 31 December 2021 to approximately RMB123.6 million as of 30 June 2022, primarily due to the expansion of the Group's city services, which includes undertaking of a new solid waste disposal project and an urban facility maintenance integration project in early 2022.

Prepayments, Other Receivables and Other Assets

The Group's prepayments, other receivables and other assets decreased by approximately 11.0% from approximately RMB51.1 million as of 31 December 2021 to approximately RMB45.5 million as of 30 June 2022, mainly because the utilisation of prepaid electricity expenses during the six months ended 30 June 2022.

Trade Payables

Trade payables primarily represent the Group's obligations to pay for services acquired in the ordinary course of business from independent third-party subcontractors and construction parties of waste collection centres. The Group's trade payables increased by approximately 7.0% from approximately RMB192.5 million as of 31 December 2021 to approximately RMB205.9 million as of 30 June 2022, primarily due to the ongoing construction and development of the waste collection center, which led to an increase in trade payables to contractors who provided services and delivered supplies to the Group.

Other Payables and Accruals

Other payables and accruals represent (i) deposits that the Group collects from (a) property developers, property owners, residents and tenants before the Group commences its provision of property management services; and (b) property owners and residents before they begin renovating or refurnishing their units; (ii) payroll and welfare payable; (iii) maintenance funds; (iv) receipts of payments on behalf of customers, which primarily include payments from third parties for common area advertising and temporary parking; (v) interest payable; and (vi) other tax payables.

The Group's other payables and accruals remained relatively stable at approximately RMB103.1 million as of 31 December 2021 and RMB104.9 million as of 30 June 2022.

Contract Liabilities

Contract liabilities mainly arise from payments the Group receives from customers based on billing schedules prescribed in the property management service agreements. A portion of payments are usually received in advance of the performance of property management services under the contracts.

The Group's contract liabilities decreased by approximately 25.6% from approximately RMB75.0 million as of 31 December 2021 to approximately RMB55.8 million as of 30 June 2022, primarily because certain prepayments arising from property management service agreements were recognised as revenue.

Net Current Assets

The Group's total current assets decreased from approximately RMB490.7 million as of 31 December 2021 to approximately RMB414.0 million as of 30 June 2022, primarily due to a decrease in cash and cash equivalents as a result of the Group's payment of annual bonus in January 2022. Total current liabilities decreased from approximately RMB450.2 million as of 31 December 2021 to approximately RMB398.0 million as of 30 June 2022, primarily due to (i) the Group's settlement of substantial non-trade amounts due to related parties; and (ii) a decrease in contract liabilities, which was primarily attributable to the fulfilment of the relevant property managements contracts. As a result, the Group's net current assets decreased from approximately RMB40.5 million as of 31 December 2021 to approximately RMB16.1 million as of 30 June 2022.

LIQUIDITY AND CAPITAL RESOURCES

The Group's main source of liquidity mainly came from cash flow from operations and interest-bearing borrowings. As of 30 June 2022, cash and cash equivalents of the Group amounted to approximately RMB223.9 million (31 December 2021: approximately RMB302.6 million), all of which were denominated in Renminbi.

Bank Borrowings

As of 30 June 2022, interest-bearing bank loans of the Group amounted to approximately RMB130.3 million (31 December 2021: approximately RMB133.8 million), all of which were denominated in Renminbi and carried at fixed rates.

The following table sets forth the components of the Group's borrowings as of the dates indicated:

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Current		
— Current portion of long-term bank loans — guaranteed	**11,250**	11,250
Non-current		
— Bank loans — guaranteed	**119,063**	122,500
Total	**130,313**	133,750

The table below sets forth a repayment schedule of the interest-bearing bank loans as of the dates indicated:

	30 June 2022 *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Repayable within one year or on demand	**11,250**	11,250
Repayable within two to five years, inclusive	**68,813**	58,500
Beyond five years	**50,250**	64,000
Total	**130,313**	133,750

Other Liabilities

As of 30 June 2022, the Group recorded other liabilities of approximately RMB169.5 million (31 December 2021: approximately RMB168.1 million). Other liabilities arose from an earmarked governmental loan granted by the Suzhou Finance Bureau to a subsidiary of the Company, with nominal value of RMB200.0 million at an annual nominal interest rate of 3.37% payable semi-annually with a maturity date on 27 February 2030 to facilitate the construction of waste collection centres.

Pledge of Assets

As of 30 June 2022, the Group's bank loan of approximately RMB130.3 million were secured by certain investment properties and buildings of the Group with an aggregated carrying value of RMB66.8 million (31 December 2021: approximately RMB133.8 million with an aggregated carrying value of RMB67.5 million).

Gearing Ratio

Gearing ratio is calculated based on total bank loans and other liabilities divided by total equity as of the end of that period. The Group's gearing ratio for the six months ended 30 June 2022 was 51.5% (31 December 2021: 54.5%).

Contingent Liabilities

As of 30 June 2022, the Group did not have any outstanding material contingent liabilities (31 December 2021: nil).

Capital Expenditures

The Group's capital expenditure primarily represented expenditures incurred for purchase of property, plant and equipment and additions to leasehold land. During the six months ended 30 June 2022, the Group incurred capital expenditures of approximately RMB34.6 million (30 June 2021: RMB28.0 million).

MARKET RISK ANALYSIS

The Group's major financial instruments include bank loans, finance leases, other liabilities, which primarily consist of government bonds and cash and time deposits. The risks associated with these financial instruments include credit risk and liquidity risk. The Directors manage and monitor these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Credit Risk

The Group enters into transactions only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is insignificant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Group's head of credit control.

Liquidity Risk

The Group manages its exposure to liquidity risk primarily by monitoring current ratio. The objective of the Group is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing loans. The Group's policy is that all the borrowings should be approved by the chief financial officer of the Company.

Foreign Exchange Risk

The Group's operations are primarily conducted in Renminbi, which is the functional currency of the Group. Material fluctuations in the exchange rate of the Renminbi against the Hong Kong dollar may negatively impact the value and amount of any dividends payable on the shares of the Company. Currently, the Group does not implement any foreign currency hedging policy and the management of the Group will closely monitor any exposure to foreign exchange.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed above, the Company did not have any other significant investment or significant acquisition of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company intends to utilise the net proceeds raised from the Global Offering according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 11 August 2022 (the "**Prospectus**").

Save as disclosed above, as at 30 June 2022, the Company did not have any future plans for material investments or additions of capital assets.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Pursuant to the Global Offering, 25,000,000 H Shares were issued at a price of HK$8.6 per share and net proceeds of approximately HK$167.3 million were received by the Company from the Global Offering (without taking into account any shares which may be issued pursuant to the exercise of the Over-allotment Option (as defined in the Prospectus)).

Save as disclosed above, there were no material events undertaken by the Group subsequent to 30 June 2022 and up to the date of this announcement.

PROCEEDS FROM LISTING

The net proceeds of approximately HK$167.3 million received by the Company from the Global Offering (without taking into account any shares which may be issued pursuant to the exercise of the Over-allotment Option) will be applied in the same manner as set out in the Prospectus:

— Approximately 30.0%, or approximately HK$50.19 million, will be used to pursue selective acquisitions of other property management companies that focus on city services and property management services to commercial properties, such as industrial parks, office buildings and commercial complexes.

— Approximately 30.0%, or approximately HK$50.19 million, will be used to pursue strategic investments in waste collection centres and companies that provide operational and management services to waste collection centres.

— Approximately 23.0%, or approximately HK$38.48 million, will be used to expand and diversify the Group's property management services, among which, (i) approximately 15.0%, or approximately HK$25.10 million, will be used to establish the Group's own "Suxin Leju (蘇新樂居)" brand and launch its apartment management and operational services for housing for talents through Suzhou Gaoxin Leju Management Service Co., Ltd.* (蘇州高新樂居管理服務有限公司), a wholly-owned subsidiary of the Group; and (ii) approximately 8.0%, or approximately HK$13.38 million, will be invested in companies that have the relevant expertise, experience and qualifications to provide elderly care, nursing and medical services with profitable business models and proven track records.

— Approximately 4.0%, or approximately HK$6.69 million, will be used to further develop the Group's smart property management systems, which primarily include procuring new and upgrading existing hardware as well as software systems to improve the Group's operational efficiency and support smart property management solutions.

— Approximately 3.0%, or approximately HK$5.02 million, will be used to train and retain talent by deepening the Group's cooperation with top-tier universities in the PRC and overseas.

— Approximately 10.0%, or approximately HK$16.73 million, will be used for general business operations and working capital as the Group continues to expand its scope and scale of business.

The Company will place the net proceeds from the Global Offering which are not immediately applied for the abovementioned purposes in short-term demand deposits with licensed financial institutions.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2022, the Group had a total of 1,600 full-time employees in China. For the six months ended 30 June 2022, the staff cost recognised as expenses of the Group amounted to approximately RMB71.2 million (30 June 2021: approximately RMB73.9 million).

The Group believes that the expertise, experience and professional development of its employees contributes to its growth. The Group proactively recruits skilled and qualified personnel with relevant working experience in property management to support the sustainable growth of business. The remuneration package of employees of the Group includes salary and bonus, which are generally based on their qualifications, industry experience, position and performance. In addition, the Group provides training programs regularly and across management levels, in compatible with practical needs, covering key areas in its business operations, including but not limited to corporate culture and policies, technical knowledge required for certain positions, leadership skills and general knowledge about the nature of the Group's services.

As of 30 June 2022, there was no share incentive schemes of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the H Shares were listed on the Stock Exchange on 24 August 2022, the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") was not applicable to the Company during the six months ended 30 June 2022.

The Company aims to achieve high standards of corporate governance which are crucial to the development of the Group and would safeguard the interests of the Company's shareholders. Since the Listing and up to the date of this announcement, the Company has complied with the code provisions set out in the Corporate Governance Code save for the deviation from code provision C.2.1 as disclosed below:

The roles of the chairman and the chief executive officer of the Company have not been separated as required by code provision C.2.1 of the Corporate Governance Code. The roles of the chairman and general manager of the Company are both performed by Mr. Cui Xiaodong, an executive Director. The Board believes that vesting the roles of both chairman and general manager in the same individual enables the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. Furthermore, in view of Mr. Cui Xiaodong's extensive industrial experience and significant role in the historical development of the Group, the Board believes that it is beneficial to the business prospects of the Group that Mr. Cui Xiaodong continues to act as the chairman and general manager of the Group following the Listing Date, and that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Directors and independent non-executive Directors.

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

Since the Listing, 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 for dealings in the securities of the Company by the Directors and supervisors of the Company.

As the H Shares were listed on the Stock Exchange on 24 August 2022, the Model Code was not applicable to the Company during the six months ended 30 June 2022. Specific enquiry has been made of all the Directors and the supervisors and they have confirmed that they have complied with the Model Code since the Listing Date up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to the date of this announcement.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to (i) review and supervise the Group's financial reporting process and internal control system of the Group, risk management and internal audit; (ii) provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board.

The Audit Committee consists of three members, namely Ms. Xin Zhu, Mr. Liu Xin and Mr. Cai Jinchun. The chairman of the Audit Committee is Ms. Xin Zhu, who is an independent non-executive Director and possesses the appropriate professional qualifications.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022, including the applicable accounting policies and accounting standards adopted by the Group, and considers that such statements have been prepared in compliance with the applicable Listing Rules.

The financial information set out in this announcement represents an extract from the interim condensed consolidated financial information for the six months ended 30 June 2022, which is unaudited but has been reviewed by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND 2022 INTERIM REPORT

This announcement is published on the websites of the Company (www.suxinfuwu.com) and the Stock Exchange (www.hkexnews.hk). The 2022 interim report of the Company will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

By order of the Board
Suxin Joyful Life Services Co., Ltd.
Mr. Cui Xiaodong
Chairman and executive Director

Hong Kong, 29 August 2022

As at the date of this announcement, the executive Directors are Mr. Cui Xiaodong, Mr. Zhou Jun and Ms. Zhou Lijuan, the non-executive Directors are Mr. Cai Jinchun, Mr. Zhang Jun and Mr. Tang Chunshan, and the independent non-executive Directors are Ms. Zhou Yun, Ms. Xin Zhu and Mr. Liu Xin.

* *For identification purpose only.*