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Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 982)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL SUMMARY

- The Group's revenue amounted to RMB828.2 million, representing a period-on-period increase of 11.5% as compared with RMB742.9 million for the corresponding period of 2022.
- The Group's revenue from property management services is derived from three business categories: (i) basic property services; (ii) value-added services for property owners; and (iii) other value-added services. During the reporting period, (i) revenue from basic property services amounted to RMB594.7 million, representing approximately 71.8% of the Group's revenue, and a period-on-period increase of 21.5% as compared with RMB489.5 million for the corresponding period of 2022; (ii) revenue from value-added services for property owners amounted to RMB73.4 million, representing approximately 8.9% of the Group's revenue and a period-on-period decrease of 8.5% as compared with RMB80.2 million for the corresponding period of 2022; (iii) revenue from other value-added services amounted to RMB160.0 million, representing approximately 19.3% of the Group's revenue and a period-on-period decrease of 7.1% as compared with RMB172.2 million for the corresponding period of 2022.
- The Group's gross profit reached RMB214.5 million, representing a period-on-period increase of 9.0% as compared with RMB196.7 million for the corresponding period of 2022.
- As at 30 June 2023, the Group had an aggregated revenue-bearing GFA of approximately 29.97 million sq.m., representing an increase of approximately 32.6% over approximately 22.60 million sq.m. as at 30 June 2022; the Group had a total contracted GFA of approximately 58.2 million sq.m., representing an increase of approximately 35.0% over approximately 43.1 million sq.m. as at 30 June 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Huafa Property Services Group Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

| | | For the six months ended | |
|---|-------|-----------------------------|-----------------------------|
| | | 30 June | |
| | Notes | 2023 | 2022 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (Unaudited) |
| | | | (Restated) |
| REVENUE | 5 | 828,168 | 742,948 |
| Cost of sales | | <u>(613,706)</u> | <u>(546,242)</u> |
| Gross profit | | 214,462 | 196,706 |
| Other income and gains, net | | 2,156 | 11,309 |
| Selling and marketing expenses | | (2,567) | (2,201) |
| Administrative expenses | | (41,465) | (40,804) |
| Impairment losses on financial assets, net | | (17,988) | (16,529) |
| Finance expenses, net | 7 | (7,604) | (3,526) |
| Share of profits and losses of: | | | |
| A joint venture | | 201 | (281) |
| An associate | | (270) | (472) |
| | | <u> </u> | <u> </u> |
| PROFIT BEFORE TAX | 6 | 146,925 | 144,202 |
| Income tax expense | 8 | <u>(41,405)</u> | <u>(43,465)</u> |
| PROFIT FOR THE PERIOD | | <u>105,520</u> | <u>100,737</u> |
| Attributable to: | | | |
| Owners of the parent | | 105,515 | 100,811 |
| Non-controlling interests | | 5 | (74) |
| | | <u> </u> | <u> </u> |
| | | <u>105,520</u> | <u>100,737</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 10 | | |
| Basic and diluted | | | |
| – For profit for the period | | | |
| (expressed in RMB cents per share) | | <u>1.05</u> | <u>1.00</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

| | For the six months ended 30 June | |
|---|---------------------------------------|---|
| | 2023 <i>RMB'000</i> (Unaudited) | 2022 <i>RMB'000</i> (Unaudited) (Restated) |
| PROFIT FOR THE PERIOD | 105,520 | 100,737 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of financial statements of foreign operations | <u>87</u> | <u>(1,219)</u> |
| Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of financial statements of the Company | <u>(9,583)</u> | <u>(30,418)</u> |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD | (9,496) | (31,637) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 96,024 | 69,100 |
| Attributable to: | | |
| Owners of the parent | <u>96,019</u> | 69,174 |
| Non-controlling interests | <u>5</u> | <u>(74)</u> |
| | 96,024 | 69,100 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | <i>Notes</i> | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|--|--------------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | <i>11</i> | 31,845 | 31,516 |
| Right-of-use assets | | 18,748 | 21,145 |
| Intangible assets | <i>12</i> | 7,535 | 7,599 |
| Investment in a joint venture | | 1,439 | 1,239 |
| Investment in an associate | | 182 | 452 |
| Deferred tax assets | | 24,499 | 23,110 |
| Financial asset at fair value through profit or loss | <i>13</i> | 5,497 | 6,532 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 89,745 | 91,593 |
| CURRENT ASSETS | | | |
| Inventories | | 10,547 | 8,836 |
| Trade receivables | <i>14</i> | 569,869 | 398,297 |
| Prepayments, other receivables and other assets | | 41,606 | 30,812 |
| Restricted bank balances | | 187,248 | 5,627 |
| Cash and cash equivalents | | 529,144 | 454,457 |
| | | <hr/> | <hr/> |
| Total current assets | | 1,338,414 | 898,029 |
| CURRENT LIABILITIES | | | |
| Trade payables | <i>15</i> | 172,824 | 140,233 |
| Other payables and accruals | | 388,121 | 403,485 |
| Interest-bearing bank borrowings | <i>16</i> | 724,690 | 381,355 |
| Lease liabilities | | 4,908 | 4,640 |
| Tax payable | | 29,042 | 23,246 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 1,319,585 | 952,959 |
| NET CURRENT ASSETS/(LIABILITIES) | | <hr/> 18,829 | <hr/> (54,930) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <hr/> 108,574 | <hr/> 36,663 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2023

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|--|---|---|
| NON-CURRENT LIABILITIES | | |
| Lease liabilities | 4,216 | 5,458 |
| Deferred tax liabilities | 174 | 23,183 |
| Other payables | 2,078 | 1,940 |
| | <hr/> | <hr/> |
| Total non-current liabilities | 6,468 | 30,581 |
| | <hr/> | <hr/> |
| Net assets | 102,106 | 6,082 |
| | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | |
| Equity attributable to owners of the parent | | |
| Share capital | 2,200 | 2,200 |
| Reserves | 96,288 | 269 |
| | <hr/> | <hr/> |
| | 98,488 | 2,469 |
| Non-controlling interests | 3,618 | 3,613 |
| | <hr/> | <hr/> |
| Total equity | 102,106 | 6,082 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in Bermuda. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

The Company is an investment holding company which, together with its subsidiaries is principally engaged in (i) the provision of property management services and related value-added services in Mainland China, (ii) provision of hotel advisory services, exhibition planning and organisation services in Mainland China.

The shares of the Company have been listed on the Main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This interim condensed consolidated financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

This interim condensed consolidated financial information is unaudited and has been reviewed by the audit committee of the Company (the "Audit Committee"). This interim condensed consolidated financial information was approved for issue by the board (the "Board") of directors (the "Directors") of the Company on 29 August 2023.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 2022.

Change in presentation currency

As reported in the Group's annual financial statements for the year ended 31 December 2022, the operating subsidiaries within the Group mainly operate their businesses in the Mainland China and most of the assets and liabilities of the Group are denominated in RMB, the Directors consider that it is more appropriate to use RMB as the presentation currency of the Group, which can provide more relevant information for management to control and monitor the performance and financial position of the Group. Accordingly, the Group has changed its presentation currency of the financial statements from Hong Kong dollars ("HKD") to RMB starting from 1 January 2022. The comparative figures in the interim condensed consolidated financial statements have been restated from HKD to RMB accordingly.

Such change in the presentation currency has been accounted for retrospectively in accordance with HKAS 8 *Accounting Policies, Change in Accounting Estimates and Errors*. The following methodology has been used to represent the comparative figures for the six months ended 30 June 2022, which were originally presented in HKD, in RMB:

- Income and expenditure have been translated at the average rates of exchange prevailing for the relevant period;
- Share capital and other reserves were translated at applicable historical rates; and
- All resulting exchange differences have been recognised in other comprehensive income.

3. CHANGES IN ACCOUNTING POLICIES

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

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

The adoption of the above new and revised standards has had no significant financial effect on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) Property management – Provision of property management services and related value-added services, including municipal supporting services and other services; and
- (b) Hotel advisory and exhibition services – Provision of hotel advisory services, exhibition planning and organisation services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs, fair value gain/loss on financial asset at fair value through profit or loss as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude an investment in a joint venture, an investment in an associate, deferred tax assets, a financial asset at fair value through profit or loss, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

For the six months ended 30 June 2023, revenue from Zhuhai Huafa Group Company Limited ("Zhuhai Huafa") and its subsidiaries ("Zhuhai Huafa Group") contributed 32.7% (six months ended 30 June 2022: 30.9%) of the Group's revenue. Other than the revenue from Zhuhai Huafa Group, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the six months ended 30 June 2023 and 2022.

4. OPERATING SEGMENT INFORMATION (Continued)

| For six months ended 30 June 2023 | Property management <i>RMB'000</i> (Unaudited) | Hotel advisory and exhibition services <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|--|---|---|--|
| Segment revenue (note 5) | | | |
| Sales to external customers | 828,074 | 94 | 828,168 |
| Revenue | | | <u>828,168</u> |
| Segment results | 160,502 | 139 | 160,641 |
| <i>Reconciliation:</i> | | | |
| Interest income | | | 2,171 |
| Finance expenses (other than interest on lease liabilities) | | | (9,562) |
| Fair value loss on a financial asset at fair value through profit or loss | | | (1,200) |
| Corporate and other unallocated losses | | | <u>(5,125)</u> |
| Profit before tax | | | <u>146,925</u> |
| | | | |
| For six months ended 30 June 2022 | Property management <i>RMB'000</i> (Unaudited) (Restated) | Hotel advisory and exhibition services <i>RMB'000</i> (Unaudited) (Restated) | Total <i>RMB'000</i> (Unaudited) (Restated) |
| Segment revenue (note 5) | | | |
| Sales to external customers | 741,874 | 1,074 | 742,948 |
| Intersegment sales | 49 | – | 49 |
| | <u>741,923</u> | <u>1,074</u> | <u>742,997</u> |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment sales | | | <u>(49)</u> |
| Revenue | | | <u>742,948</u> |
| Segment results | 143,450 | (1,727) | 141,723 |
| <i>Reconciliation:</i> | | | |
| Interest income | | | 2,202 |
| Finance expenses (other than interest on lease liabilities) | | | (5,412) |
| Fair value gain on a financial asset at fair value through profit or loss | | | 561 |
| Corporate and other unallocated gains | | | <u>5,128</u> |
| Profit before tax | | | <u>144,202</u> |

4. OPERATING SEGMENT INFORMATION *(Continued)*

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022.

| Period/year ended | Property management | | Hotel advisory and exhibition services | | Total | |
|-------------------------|-------------------------------|-----------------------------|---|-----------------------------|-------------------------------|-----------------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| | <i>RMB'000</i> (Unaudited) | <i>RMB'000</i> (Audited) | <i>RMB'000</i> (Unaudited) | <i>RMB'000</i> (Audited) | <i>RMB'000</i> (Unaudited) | <i>RMB'000</i> (Audited) |
| Segment assets | 1,280,946 | 919,722 | 28,195 | 34,342 | 1,309,141 | 954,064 |
| <i>Reconciliation:</i> | | | | | | |
| Unallocated assets | | | | | 119,018 | 35,558 |
| Total assets | | | | | 1,428,159 | 989,622 |
| Segment liabilities | 570,210 | 546,603 | 2,935 | 9,367 | 573,145 | 555,970 |
| <i>Reconciliation:</i> | | | | | | |
| Unallocated liabilities | | | | | 752,908 | 427,570 |
| Total liabilities | | | | | 1,326,053 | 983,540 |

5. REVENUE

An analysis of revenue is as follows:

| | For the six months ended | |
|---------------------------------------|-------------------------------|---|
| | 30 June 2023 | 2022 |
| | <i>RMB'000</i> (Unaudited) | <i>RMB'000</i> (Unaudited) (Restated) |
| Revenue from contracts with customers | 828,168 | 742,948 |

5. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers

For six months ended 30 June 2023

| Segments | Property management <i>RMB'000</i> (Unaudited) | Hotel advisory and exhibition services <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|---|---|--|--|
| Types of goods or services | | | |
| Property management services | 594,715 | – | 594,715 |
| Value-added services for property owners | 73,372 | – | 73,372 |
| Other value-added services | 159,987 | – | 159,987 |
| Hotel advisory and exhibition services | – | 94 | 94 |
| | <u>828,074</u> | <u>94</u> | <u>828,168</u> |
| Total revenue from contracts with customers | | | |
| Geographical markets | | | |
| Mainland China | <u>828,074</u> | <u>94</u> | <u>828,168</u> |
| Timing of revenue recognition | | | |
| Goods transferred at a point in time | 30,048 | – | 30,048 |
| Services transferred over time | <u>798,026</u> | <u>94</u> | <u>798,120</u> |
| Total revenue from contracts with customers | <u>828,074</u> | <u>94</u> | <u>828,168</u> |

5. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers (continued)

For six months ended 30 June 2022

| Segments | Property management <i>RMB'000</i> (Unaudited) (Restated) | Hotel advisory and exhibition services <i>RMB'000</i> (Unaudited) (Restated) | Total <i>RMB'000</i> (Unaudited) (Restated) |
|---|---|--|--|
| Types of goods or services | | | |
| Property management services | 489,467 | – | 489,467 |
| Value-added services for property owners | 80,214 | – | 80,214 |
| Other value-added services | 172,193 | – | 172,193 |
| Hotel advisory and exhibition services | – | 1,074 | 1,074 |
| | <u>741,874</u> | <u>1,074</u> | <u>742,948</u> |
| Total revenue from contracts with customers | <u>741,874</u> | <u>1,074</u> | <u>742,948</u> |
| Geographical markets | | | |
| Mainland China | <u>741,874</u> | <u>1,074</u> | <u>742,948</u> |
| Timing of revenue recognition | | | |
| Goods transferred at a point in time | 71,382 | – | 71,382 |
| Services transferred over time | <u>670,492</u> | <u>1,074</u> | <u>671,566</u> |
| Total revenue from contracts with customers | <u>741,874</u> | <u>1,074</u> | <u>742,948</u> |

6. PROFIT BEFORE TAX

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

| | For the six months ended | |
|---|--------------------------|---------------------------|
| | 30 June | |
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) (Restated) |
| Cost of services provided* | 590,252 | 489,844 |
| Cost of goods sold | 23,454 | 56,398 |
| Depreciation of property, plant and equipment | 4,458 | 3,633 |
| Depreciation of right-of-use assets | 3,270 | 3,257 |
| Amortisation of intangible assets | 780 | 735 |
| Lease payments not included in the measurement of lease liabilities | 9,686 | 4,202 |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | |
| Wages and salaries | 323,095 | 299,678 |
| Pension scheme contributions | 48,079 | 49,028 |
| | 371,174 | 348,706 |
| Impairment of financial assets, net | | |
| Impairment of trade receivables | 18,020 | 16,261 |
| (Reversal of impairment)/impairment of financial assets included in prepayments, other receivables and other assets | (32) | 268 |
| | 17,988 | 16,529 |
| Interest income | (2,171) | (2,202) |
| Foreign exchange differences, net | 2,758 | (7,389) |
| Fair value loss/(gain) on financial asset at fair value through profit or loss | 1,200 | (561) |
| Losses on disposal of items of property, plant and equipment | 50 | 15 |

* Cost of services provided for the period included an aggregate amount of RMB347,741,000 (six months ended 30 June 2022: RMB323,750,000) which comprised items including employee benefit expense, depreciation of property, plant and equipment, amortisation of intangible assets and rental expense. These items were amount was also included in the respective expense items disclosed above.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE EXPENSES, NET

| | For the six months ended | |
|--|---------------------------------|----------------|
| | 30 June | |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| | | (Restated) |
| Finance expense: | | |
| Interest expense on bank borrowings | 9,562 | 5,412 |
| Interest expense on lease liabilities | 213 | 316 |
| | <u>9,775</u> | <u>5,728</u> |
| Finance income: | | |
| Interest income from bank deposits | (2,098) | (2,196) |
| Interest income from a subsidiary under Zhuhai Huafa | (73) | (6) |
| | <u>(2,171)</u> | <u>(2,202)</u> |
| Finance costs, net | <u>7,604</u> | <u>3,526</u> |

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of Bermuda, the entities of the Group which were incorporated in Bermuda are not subject to any income tax.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

The Group's income tax provision in respect of its operations in Mainland China has been calculated at the applicable tax rates on the taxable profits for both periods, based on the existing legislation, interpretations and practices in respect thereof. Certain of the Group's PRC subsidiaries enjoyed preferential CIT rates of 20% and 15% during both periods.

| | For the six months ended | |
|----------------------------------|---------------------------------|----------------|
| | 30 June | |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| | | (Restated) |
| Current income tax | 65,803 | 40,858 |
| Deferred income tax | (24,398) | 2,607 |
| | <u>41,405</u> | <u>43,465</u> |
| Total tax charged for the period | <u>41,405</u> | <u>43,465</u> |

9. DIVIDEND

The Directors did not propose the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The calculation of the basic and diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB105,515,000 (six months ended 30 June 2022: RMB100,811,000), and the weighted average number of ordinary shares of 10,060,920,000 (six months ended 30 June 2022: 10,060,920,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB4,824,000 (six months ended 30 June 2022: RMB3,257,000). Assets with a net book value of RMB57,000 were disposed of by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB22,000), resulting in a net loss on disposal of RMB50,000 (six months ended 30 June 2022: RMB15,000).

12. INTANGIBLE ASSETS

During the six months ended 30 June 2023, the Group obtained intangible assets externally at a cost of RMB716,000 (six months ended 30 June 2022: RMB168,000).

No intangible assets were disposed by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

13. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|---------------------------------------|---|---|
| Listed equity investment in Hong Kong | <u>5,497</u> | <u>6,532</u> |

The balance represented fair value of the Group's 2.25% equity interest in Hong Kong Johnson Holdings Co., Ltd. ("Hong Kong Johnson") and was denominated in HKD.

14. TRADE RECEIVABLES

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|-----------------|---|---|
| Related parties | 233,702 | 146,437 |
| Third parties | <u>422,051</u> | <u>319,724</u> |
| | 655,753 | 466,161 |
| Impairment | <u>(85,884)</u> | <u>(67,864)</u> |
| | <u>569,869</u> | <u>398,297</u> |

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

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|---------------|---|---|
| Within 1 year | 488,304 | 331,679 |
| 1 to 2 years | 62,403 | 51,531 |
| 2 to 3 years | 14,050 | 9,917 |
| 3 to 4 years | <u>5,112</u> | <u>5,170</u> |
| | <u>569,869</u> | <u>398,297</u> |

15. TRADE PAYABLES

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

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|--------------------|---|---|
| Up to 90 days | 143,059 | 117,399 |
| 91 to 180 days | 16,844 | 9,991 |
| More than 181 days | <u>12,921</u> | <u>12,843</u> |
| | <u>172,824</u> | <u>140,233</u> |

16. INTEREST-BEARING BANK BORROWINGS

| | <i>Notes</i> | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|------------------------|--------------------|---|---|
| Current | | | |
| Bank loans – unsecured | <i>(a),(b)</i> | 549,690 | 381,355 |
| Bank loans – secured | <i>(b),(c),(d)</i> | 175,000 | – |
| | | 724,690 | 381,355 |

Notes:

- (a) These bank borrowings bear interest at effective interest rates from 3.72% to 7.05% per annum (2022: from 1.63% to 7.02% per annum).
- (b) The carrying amounts of the Group's bank borrowings are denominated in HKD or RMB, and the fair value of bank borrowings approximate to their carrying amounts.
- (c) These bank borrowings bear interest at effective interest rates from 3.25% to 3.8% per annum.
- (d) As at 30 June 2023, certain of the Group's bank loans are secured by the pledge of a sum of time deposits amounting to RMB182,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is committed to becoming a community life operator and comprehensive facility service provider with a global vision, adhering to quality innovation, advocating knowledge management and practising social responsibility. Having been deeply involved in the property service industry for 38 years, the Group has developed from a regional property management enterprise into a national life service enterprise, forming a business pattern based in the Greater Bay Area and covering the whole country.

We stayed true to our original aspiration. The Group adheres to the original intention of service, regards quality service as the lifeblood and red line of enterprise development, always adheres to the professional, standardized and refined service requirements, pays attention to customer needs, continuously promotes the deepening of service development, and strives to provide customers with intelligent and warm service.

BUSINESS REVIEW

The Group's core business is property management services, comprising three business categories: (i) basic property services; (ii) value-added services for property owners; (iii) other value-added services, and hotel advisory and exhibition services as the ancillary business.

(I) Basic property services

The Group provides a series of basic property services including security, cleaning and landscaping and repair and maintenance of public facilities for property owners, residents and property developers. Property management portfolio involves residential properties and non-residential properties, and businesses under management include residential community, commercial and office buildings, government buildings and public facilities, hospitals, schools and industrial parks. For the six months ended 30 June 2023, the basic property services segment contributed approximately RMB594,715,000 of revenue to the Group (the corresponding period of 2022: approximately RMB489,467,000), representing a period-on-period increase of approximately 21.5% as compared with the corresponding period in 2022.

As at 30 June 2023, the Group had a total contracted GFA of approximately 58.2 million sq.m. (as at 30 June 2022: approximately 43.1 million sq.m.). The Group provided property management services and value-added services to 333 properties (as at 30 June 2022: 279 properties), with an aggregated revenue-bearing GFA of approximately 29.97 million sq.m. (as at 30 June 2022: approximately 22.60 million sq.m.).

Our geographic distribution

As of 30 June 2023, the Group managed a portfolio of properties covering 42 (as at 30 June 2022: 42) key cities in the PRC including Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Chongqing and Nanjing, forming a development trend foothold in the Greater Bay Area and covering the whole country.

The table below sets forth a breakdown of the Group's total revenue-bearing GFA and revenue by geographical area for the periods or as at the dates indicated:

| | For the six months ended 30 June | | | | | |
|----------------------|---|-------------------------------|--------------|---|-------------------------------|--------------|
| | 2023 | | | 2022 | | |
| | Revenue-bearing GFA (<i>'000 sq.m.</i>) | Revenue (<i>RMB'000</i>) | % | Revenue-bearing GFA (<i>'000 sq.m.</i>) | Revenue (<i>RMB'000</i>) | % |
| Greater Bay region | 20,130 | 433,497 | 72.9 | 15,359 | 367,548 | 75.1 |
| Bohai Bay region | 4,161 | 62,180 | 10.5 | 3,241 | 47,486 | 9.7 |
| Yangtze River region | 1,722 | 46,274 | 7.7 | 1,052 | 32,096 | 6.6 |
| Central China region | 3,960 | 52,764 | 8.9 | 2,952 | 42,337 | 8.6 |
| Total | <u>29,973</u> | <u>594,715</u> | <u>100.0</u> | <u>22,604</u> | <u>489,467</u> | <u>100.0</u> |

Third-party expansion opportunities

During the reporting period, the Group was successful in winning bids for a number of public building management projects, including the Fifth People's Hospital of Zhuhai, the People's Hospital of Bayi District of Linzhi City and the People's Procuratorate of Doumen District of Zhuhai City, further consolidating its presence in the public building management sector. The official entry into the Zhuhai National Defense Education and Training Center, Huizhou Community of Qianhai Life Happiness Town, Medical Devices, the Greater Bay Area Biomedical Industrial Park, JD South China Park, Zhuhai Changlong Spaceship Public Area and other projects opened a new chapter in the expansion of the Group's services in the specialty tourism scenic spots and industrial park sectors.

The table below sets forth the breakdown of the Group's total revenue-bearing GFA and revenue by project source for the periods or as at the dates indicated:

| | For the six months ended 30 June | | | | | |
|---|---|-------------------------------|--------------|---|-------------------------------|--------------|
| | 2023 | | | 2022 | | |
| | Revenue-bearing GFA (<i>'000 sq.m.</i>) | Revenue (<i>RMB'000</i>) | % | Revenue-bearing GFA (<i>'000 sq.m.</i>) | Revenue (<i>RMB'000</i>) | % |
| Properties developed by Zhuhai Huafa Group | 25,906 | 497,770 | 83.7 | 19,578 | 417,159 | 85.2 |
| Properties developed by independent property developers | 4,067 | 96,945 | 16.3 | 3,026 | 72,308 | 14.8 |
| Total | <u>29,973</u> | <u>594,715</u> | <u>100.0</u> | <u>22,604</u> | <u>489,467</u> | <u>100.0</u> |

Business distribution

The Group's business covers a variety of property types, including residential properties, non-residential properties (such as office buildings, shopping malls, government buildings, ports, industrial parks, schools, hospitals, etc.), as well as providing other specialized high-quality customized services.

The table below sets forth the breakdown of the Group's total revenue-bearing GFA and revenue by property type for the periods or as at the dates indicated:

| | For the six months ended 30 June | | | | | |
|----------------------------|---|-------------------------------|--------------|---|-------------------------------|--------------|
| | 2023 | | | 2022 | | |
| | Revenue-bearing GFA (<i>'000 sq.m.</i>) | Revenue (<i>RMB'000</i>) | % | Revenue-bearing GFA (<i>'000 sq.m.</i>) | Revenue (<i>RMB'000</i>) | % |
| Residential properties | 21,429 | 363,527 | 61.1 | 17,307 | 312,553 | 63.9 |
| Non-residential properties | 8,544 | 231,188 | 38.9 | 5,297 | 176,914 | 36.1 |
| Total | <u>29,973</u> | <u>594,715</u> | <u>100.0</u> | <u>22,604</u> | <u>489,467</u> | <u>100.0</u> |

(II) Value-added services for property owners

The Group is committed to becoming a national community life operator, providing rich and professional full-cycle value-added services to property owners in terms of home services, asset management services, new community retailing, space operations, parking lot management services, etc., enhancing the service quality of community-based living products while insisting on innovative business models, continuously broadening our service margins and enhancing customer stickiness, with a view of providing property owners with efficient, convenient and diversified community eco-services along the entire service chain.

The Group provides property owners with rich and professional full-cycle value-added services, including: (i) home services, such as housekeeping and cleaning services, repair and maintenance services, etc.; (ii) asset management services, including car parking spaces for sale, rental and sale of houses, etc.; (iii) new community retailing, which relies on the online platform of “Huawu Youxuan (華物優選)” to provide property owners with a variety of products and services based on their needs; (iv) space operations, including community public area leasing and elevator advertising space, and charging pile operation business piloted during the reporting period; (v) vehicle management services; and other services.

During the reporting period, value-added services for property owners contributed approximately RMB73,372,000 of revenue to the Group (the corresponding period of 2022: RMB80,214,000), representing a decrease of 8.5% as compared with the corresponding period. The decrease was mainly due to the optimization and adjustment of the new retail business model in the value-added services for property owners, and the business was in the initial stage thus the revenue from retail business was decreased.

(III) Other value-added services

We mainly provide (i) supporting services for developers, including security, cleaning, landscaping and maintenance services to property developers in the pre-delivery stage; consulting services on pre-sale business management for property developers and consulting services on properties managed by other property management companies; (ii) urban services, namely smart city integrated comprehensive services centered on urban space management, urban community governance, urban resource operation and smart park services, including: waste classification, sanitation and cleaning, landscaping, municipal maintenance and ecological and environmental protection. After nearly ten years of intensive cultivation, we have provided government agencies, enterprises and institutions, communities and villages, and industrial parks, a full chain of comprehensive urban management services, and created a number of exemplary and outstanding projects. We will continue to build a benchmark brand of “urban services” based on the Greater Bay Area and linking up with the whole world, and lead the high-quality and leapfrog development of the city services industry with technological innovation; (iii) intelligent services for building elevators, building mechanical and electrical engineering services. The Group have more than 20 years of rich experience in many aspects such as building intelligentization, mechanical and electrical engineering (including elevator), equipment and facility installation, maintenance, repair, replacement and transformation, and have made professional breakthroughs in new energy construction and operation and maintenance management in recent years. The Group has taken over a number of out-of-system businesses with professional qualifications

and good reputation; (iv) security services. The Group's security business has formed a diversified business development model based on human security, guided by technology security, oriented towards occupational security training and featured comprehensive security services, covering security services integrating civil air defense, technical defense and material defense including smart security, smart fire protection, safety consulting, security education and training, large-scale conference services, major event security services, labor dispatch services and property management; and (v) catering services, which has built a comprehensive and diversified catering service system with canteen dining services as the core. On the basis of canteen dining services, the Group has extended the development of high-end business banquet reception, meal delivery, food delivery, afternoon tea and drinking water and other businesses, and constantly innovated business cooperation models to provide more diversified dining methods for the diners served. Zhuhai Huafa Catering Management Services Co., Ltd* (珠海華發餐飲管理服務有限公司) passed 8 system certifications including the food safety management system, and actively expanded and undertook supporting restaurant service projects in Zhuhai 5.0 Industrial New Space Park, making contributions to the realization of Zhuhai's "industry first" strategy. In the future, Huafa Catering will strive to create a professional, fashionable, safe and healthy diet management system and catering service brand, and become a comprehensive catering management service provider with the highest quality, integrity-based, efficient service, smart innovation and trend-setting.

As of 30 June 2023, the revenue from other value-added services was approximately RMB159,987,000, representing a period-on-period decrease of approximately 7.1% compared to that of 30 June 2022. This decrease was mainly due to lower revenue from the elevator engineering company as compared to the corresponding period last year as a result of its business model adjustment in the first half of 2023.

II. Hotel Advisory and Exhibition Services

For the six months ended 30 June 2023, the hotel advisory and exhibition services business contributed revenue of approximately RMB94,000 to the Group. As the Group focused on property management services with an intensive cultivation in an increasingly competitive market and the profit of the hotel business dropped drastically as affected by the general environment during the COVID-19 pandemic period, thus the Group tightened its investment in the hotel business in light of the market situation. Subsequently, the feasibility of the investment in the hotel advisory and the exhibition services business model will be reassessed based on the latest market environment and industry trends.

FINANCIAL REVIEW

Revenue

The Group is principally engaged in property management services. Revenue from property management services accounted for 99.99% of the total revenue, which is mainly derived from (i) basic property services; (ii) value-added services for property owners; and (iii) other value-added services.

For the six months ended 30 June 2023, the Group's total revenue amounted to approximately RMB828,168,000 (for the six months ended 30 June 2022: RMB742,948,000), representing an increase of approximately 11.5% as compared with the corresponding period of 2022. In particular, revenue from property management services amounted to approximately RMB828,074,000 (for the six months ended 30 June 2022: RMB741,874,000), representing an increase of approximately 11.6% as compared with the corresponding period of 2022, which was mainly due to the increase in revenue resulting from the continuous expansion of the Group's management scale.

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

| | For the six months ended 30 June | | | | |
|---|----------------------------------|-------------------------------|----------------------|-------------------------------|------------------|
| | 2023 | | 2022 | | Growth rate % |
| | Revenue (RMB'000) | Percentage of revenue % | Revenue (RMB'000) | Percentage of revenue % | |
| Property management services | 828,074 | 99.99 | 741,874 | 99.85 | |
| – Basic property services | 594,715 | 71.81 | 489,467 | 65.88 | 21.5 |
| – Value-added services for property owners | 73,372 | 8.86 | 80,214 | 10.80 | –8.5 |
| – Other value-added services | 159,987 | 19.32 | 172,193 | 23.17 | –7.1 |
| Hotel and exhibition services | 94 | 0.01 | 1,074 | 0.15 | –91.2 |
| Total | 828,168 | 100.0 | 742,948 | 100.0 | 11.5 |

COST OF SALES

The Group's total cost of sales for the six months ended 30 June 2023 amounted to approximately RMB613,706,000 (for the six months ended 30 June 2022: RMB546,242,000), representing an increase of approximately 12.4% as compared with the corresponding period of 2022. The increase in cost of sales was mainly due to the increase in the total revenue-bearing GFA of the Group and the increase of number of projects under management, which resulted in the increase in relevant staff costs and outsourcing costs.

GROSS PROFIT

For the six months ended 30 June 2023, the Group's gross profit amounted to approximately RMB214,462,000 (property management segment: RMB214,346,000), representing an increase of approximately 9.0% from RMB196,706,000 (property management segment: RMB196,541,000) for the corresponding period of 2022.

OTHER INCOME AND GAINS, NET

For the six months ended 30 June 2023, other income and gains, net amounted to approximately RMB2,156,000, representing a decrease of approximately 80.9% from RMB11,309,000 for the six months ended 30 June 2022, which was mainly due to the exchange effects recognized for the change in exchange rates.

ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2023, the Group's total administrative expenses amounted to RMB41,465,000, representing an increase of approximately 1.6% from approximately RMB40,804,000 for the six months ended 30 June 2022.

FINANCE EXPENSES, NET

For the six months ended 30 June 2023, the Group's total finance expenses, net amounted to approximately RMB7,604,000, representing an increase of approximately 115.7% from RMB3,526,000 for the six months ended 30 June 2022, which was mainly due to the increase in finance costs as a result of the increase in interest rates of the Group's bank loans.

PROFIT FOR THE PERIOD

For the six months ended 30 June 2023, the Group's profit for the period increased by RMB4,783,000 to RMB105,520,000 as compared to RMB100,737,000 for the corresponding period of 2022. Profit for the period attributable to owners of the Company increased by RMB4,704,000 to RMB105,515,000 as compared to RMB100,811,000 for the corresponding period of 2022.

BUSINESS PLAN

Quality-oriented, keeping continuous improvement to enhance the ability of enterprise services

The Group has always insisted on the corporate culture of quality first, and has regarded service quality as the lifeline of enterprise development and fulfilled the promise of “With Me You Can Rest Assured”, and implemented the four initiatives of cultural cohesion, warm service, comfortable management and satisfactory business. The Group has developed the “5 excellences” service system of “excellent front-end service, excellent home service, excellent professional service, excellent service for neighborhood and exclusive service” (前置優服務、安家優服務、專業優服務、鄰里優服務、尊享優服務); strengthened co-marketing and pre-delivery to help partner developers enhance their service and product capabilities; strengthened its customer services and achieved steady improvement in customer satisfaction and brand influence. In the future, we will continue to be customer-oriented to meet and exceed customer expectations as our goal and take the industry benchmark as our responsibility to optimize and upgrade the standardized service system. We will further optimize our service capabilities, enhance our inspection and assessment programs, enrich our community culture, improve our quality management system, enhance our customer service experience, build benchmark projects, actively participate in the creation of local service standards, continuously improve our pre-delivery management service system, and operation standardization construction to enhance our service capabilities, brand influence and product strength.

Expanding in all directions and increasing the business scale

The Group is committed to leveraging its existing high-standard service system to form a development trend rooted in the Greater Bay Area and radiating throughout China. During the reporting period, in respect of basic property services, the Group achieved a steady growth in the scale of the Company by actively expanding into the market while providing services to its existing projects. As at 30 June 2023, the Group achieved a period-on-period growth of 35% in contracted GFA and an optimized business mix, with a period-on-period growth of 34.1% in revenue from properties developed by independent property developers and 30.7% in revenue from basic property management for non-residential properties for the six months ended 30 June 2023. In the future, the Group will continue to undertake related party projects efficiently, focus on key cities and key business, and expand through multiple channels such as bidding, strategic cooperation and merger and acquisition opportunities to achieve quality outbound expansion. In respect of value-added services for property owners, the Group has formed ten key business systems with five types of services based on “owner-centric”. In the future, the Group will continue to focus on the development of community value-added service ecology to provide one-stop community life scenario full-cycle services. Based on its own platform of “Huawu Youxuan (華物優選)”, the Group will introduce high-quality suppliers or cooperate with leading enterprises in professional fields to extend service offerings, broaden service boundaries, maximize the use of community resources to enhance the convenience and happiness of property owners’ lives and establish a complete community value-added service ecological system. In terms of other value-added services, the Group will combine its own and national development policies to export specialized services such as urban services, building elevator intelligence, catering and security services through its subsidiaries while expanding various businesses in a selective and directional manner to further increase the scale of the Company’s business.

Refined management empowered by technology

During the reporting period, the Group focused on the six major aspects of “refined management”, “living service”, “smart community”, “diversified expansion”, “independent innovation” and “information security” to conduct information technology construction, supported the development of the Company’s comprehensive business portfolio and innovative outreach, and enhanced operational efficiency, service quality and customer experience. In the future, the Group will build a five-capability digital service management system of “management capability”, “operation capability”, “innovation capability”, “data capability” and “satisfaction capability” by focusing on digital transformation, making steady progress and further enhancing the standardization and intelligence of financial business processes through technology construction initiatives such as “customer operation platform, financial sharing platform and smart community construction”, and will also use intelligent tools and means in an innovative way to better understand and serve customers, improve customer service experience and customer satisfaction, and provide property owners with intelligent community services in a combination of online and offline models by unifying the management of equipment, personnel and events in the community and reinforcing collaboration between them, gradually build an intelligent service ecosystem and service value chain, and steadily improve digital service capability.

Enhance quality and efficiency with efficient synergy

In January 2023, Zhuhai Huafa Properties Co., Ltd (珠海華發實業股份有限公司) (“Huafa Properties”) formally became the indirect controlling shareholder of the Company. In the future, the Group will integrate the resources and advantages of Huafa Properties and the Company in the real estate development and property management business from the perspective of maximizing overall interests, and strengthen the service synergy, business synergy and control synergy between the Company and Huafa Properties to achieve the goal of enhancing quality and increasing efficiency. The Group will promote the synergistic development of upstream and downstream businesses between the two listed companies, deepen the community value chain around the lifespan of property projects, improve the management level and operational efficiency of the Company in all aspects, and achieve high-quality development.

EMPLOYEES

As at 30 June 2023, the Group had a total of 8,554 employees (31 December 2022: 8,524). Staff costs of the Group for the six months ended 30 June 2023 were approximately RMB371,564,000 (for the six months ended 30 June 2022: approximately RMB349,061,000), which comprised salaries, commissions, bonuses, other allowances and contributions to the retirement and medical security schemes. In general, the Group determined its employee remuneration packages with reference to general market practice, employees’ duties and responsibilities and the Group’s financial performance. The Group provides training courses and training programmes to equip staff with the necessary skills, techniques and knowledge in order to enhance their productivity and administrative efficiency.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

INTEREST RATE RISK

As at 30 June 2023, the Group's interest-bearing financial assets primarily comprised of bank deposits, and the Group's interest-bearing financial liabilities primarily comprised of bank borrowings. The Group's exposure to the risk of changes in market interest rates arises primarily from the Group's bank borrowings which bear interest at floating rates. The Group's policy is to manage its interest costs by applying both debts at fixed rate and floating rate. An increase in interest rates may result in an increase in the Group's interest costs. The Group will monitor regularly interest rate risk to ensure that it is not exposed to unnecessarily significant interest rate movements.

FOREIGN EXCHANGE RISK

The Group mainly operates in Mainland China and Hong Kong and is exposed to foreign exchange risk from various currency exposures, primarily with respect to Renminbi and Hong Kong dollar.

Management has a policy to require group companies to manage their foreign exchange risks against their respective functional currencies. It mainly includes managing the exposures arisen from sales and purchases made by relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure.

As the assets and liabilities of each company within the Group are mainly denominated in the respective company's functional currency, the Group's volatility of its profits against changes in exchange rates of foreign currencies would not be significant.

CREDIT RISK

The Group's credit risks mainly arise from bank balances, deposits, trade and other receivables. The Group strives to manage the risk exposure of trade receivables by closely monitoring the payment records of its customers and requesting customers deposits wherever necessary. The credit risk on the bank deposits is limited because of their high credit rating.

PRICE RISK

The Group's financial asset at fair value through profit or loss is exposed to price risk. The Management will closely monitor this risk by performing on-going evaluations of its asset value and market conditions.

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group continues to maintain a healthy cash position by keeping credit lines available and to maintain flexibility in future funding.

The Group's primary cash requirements are payments for trade and other payables and operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

SIGNIFICANT ACQUISITIONS AND DISPOSALS OF INVESTMENTS

The Group did not acquire or dispose of any significant investments during the six months ended 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSET ACQUISITIONS

As at 30 June 2023, the Group did not have any future plans relating to material investments and capital asset acquisitions.

OTHER INFORMATION

Share Schemes

There were no share schemes adopted by the Company during the six months ended 30 June 2023 and up to the date of this announcement.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Events After the Reporting Period

No major subsequent events affecting the Group have occurred since the end of the reporting period and up to the date of this announcement.

Review of interim financial information

The Company has established the Audit Committee consisting of three independent non-executive Directors, namely Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai. Dr. Chen Jieping is the chairman of the Audit Committee. The primary duty of the Audit Committee is to review and monitor the financial reporting process and effectiveness of the internal control and risk management systems of the Group. The Audit Committee has reviewed the Group's unaudited interim results and interim report for the six months ended 30 June 2023 and considers that they are in compliance with the relevant accounting standards, rules and regulations.

Corporate Governance

The code provision C.2.1 of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the appointment of Mr. Zhou Wenbin (“**Mr. Zhou**”) as the chairman of the Board on 18 November 2022, Mr. Zhou assumes the dual roles of the chairman of the Board and the chief executive officer of the Company. The Board believes that having the same individual in both roles as the chairman of the Board and the chief executive officer of the Company continues to ensure that the Group has consistent leadership and the ability to make and implement the overall strategy of the

Group effectively. The Board believes that this structure does not compromise the balance of power and authority between the Board and the management of the Company. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

Save as disclosed above, the Company has adopted the principles and code provisions as set out in the CG Code. Throughout the six months ended 30 June 2023 and up to the date of this announcement, the Company has been in compliance with the code provisions set out in the CG Code.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2023.

Publication of the Interim Results Announcement and the Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.huafapropertyservices.com). The Company's interim report for the six months ended 30 June 2023 will be despatched to the shareholders of the Company who have elected to receive printed copies and will be available on the websites of the Stock Exchange and the Company in due course.

Appreciation

The Company would like to express its sincere gratitude to its clients and shareholders for their continuous and valuable support. The Company would also like to take this opportunity to thank the Board, the Group's management team and staff for their dedication and hard work.

By order of the Board
Huafa Property Services Group Company Limited
Zhou Wenbin
Executive Director and Chairman

Hong Kong, 29 August 2023

As at the date of this announcement, the Board comprises Mr. Zhou Wenbin (Chairman and Chief Executive Officer), Mr. Li Guangning, Mr. Xie Wei, Mr. Dai Geying, Ms. Luo Bin and Mr. Gu Yuanping (all being Executive Directors); Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai (all being Independent Non-executive Directors).