2023 Interim Report

合景悠活
KWG LIVING

Incorporated in the Cayman Islands with limited liability

Stock Code: 3913

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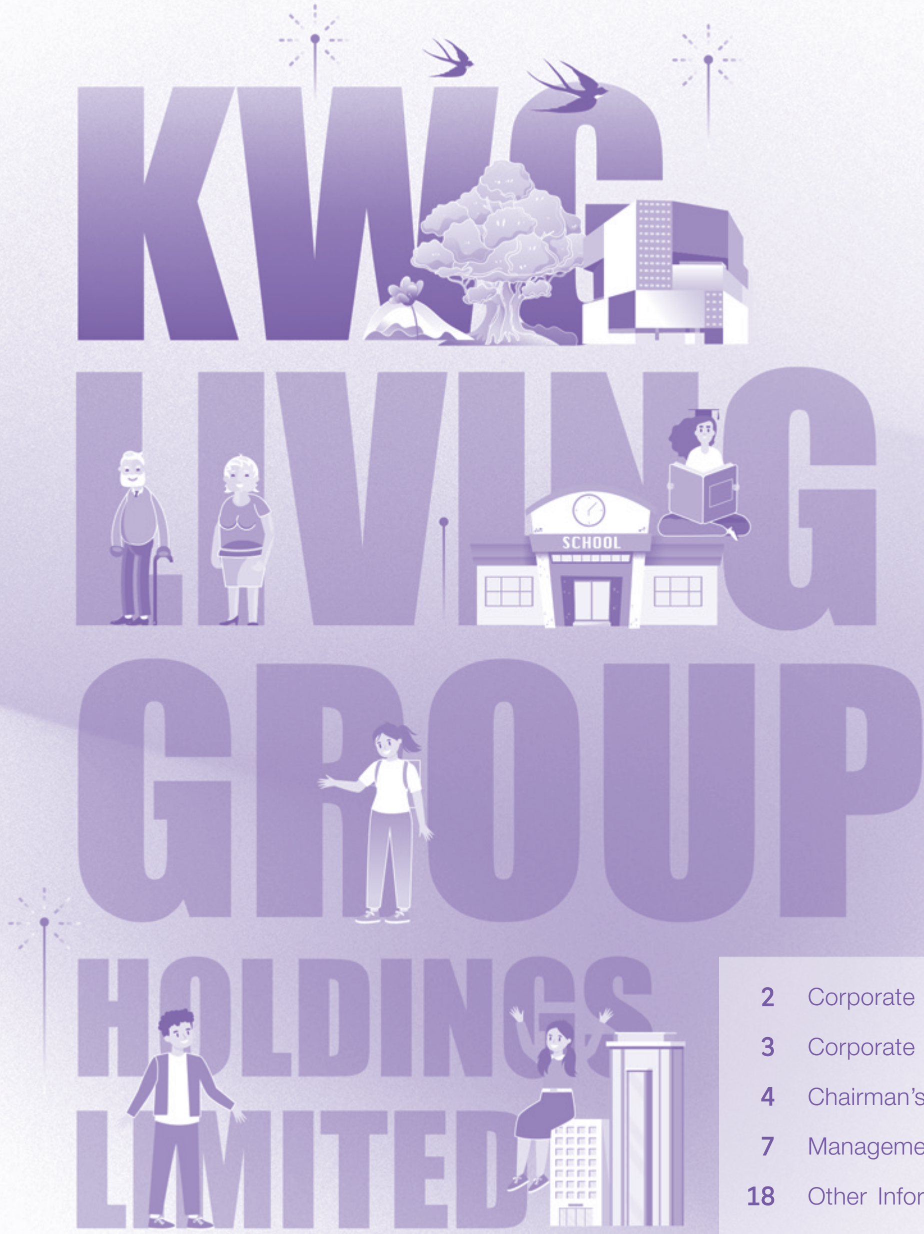

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors
KONG Jiannan
YANG Jingbo

Non-executive Director
KONG Jianmin *(Chairman)*

Independent Non-executive Directors
LIU Xiaolan
FUNG Che Wai, Anthony
NG Yi Kum

Audit Committee
LIU Xiaolan
FUNG Che Wai, Anthony
NG Yi Kum *(Chairperson)*

Remuneration Committee
KONG Jiannan
FUNG Che Wai, Anthony
NG Yi Kum *(Chairperson)*

Nomination Committee
KONG Jianmin *(Chairperson)*
FUNG Che Wai, Anthony
NG Yi Kum

Company Secretary
CHAN Ching Nga (Resigned on 29 August 2023)
YAU Kam Chuen (Appointed on 29 August 2023)

Authorised Representatives
KONG Jiannan
CHAN Ching Nga (Resigned on 29 August 2023)
YAU Kam Chuen (Appointed on 29 August 2023)

Auditor
Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisors
As to Hong Kong law: Sidley Austin
As to Cayman Islands law: Conyers Dill & Pearman

Registered Office
Cricket Square, Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111, Cayman Islands

Principal Place of Business in Hong Kong
Units 8503-05A, Level 85, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

Principal Share Registrar
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111, Cayman Islands

Hong Kong Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

Principal Bankers
Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
China Everbright Bank Co., Limited
China Merchants Bank Co., Limited
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Limited

Website
www.kwgliving.com

Stock Code
3913

CORPORATE PROFILE

The history of KWG Living Group Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**") can be traced back to 2004. Its shares (the "**Shares**") were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 3913) on 30 October 2020.

The Group is a leading full-scale smart service operator in China. Over more than 20 years, the Group has formulated a regional layout with core regions including the Greater Bay Area, Yangtze River Delta and Midwestern China, and its services cover diversified businesses involving residence, shopping malls, office buildings, hospitals, schools, institutions and city services. At the same time, leveraging on the high quality development and market performance, the Group was awarded the "2023 TOP 10 Leading Enterprise in High Quality Development of China Property Management Listed Company" by CRIC Property Management (克而瑞物管) and the title of "2023 Property Enterprise Service Excellence — TOP 8" by Guandian Index Academy.

Looking forward, the Group will fully leverage every industry opportunity to realize the full-scale quality development to further consolidate its scalable effects and market position through proactive developer cooperation, third-party market expansion and mergers and acquisition strategies. On the other hand, through efficient post-investment management, refined operations and leading digital management capabilities, the Group will achieve the collaboration and organic integration of multiple business formats, thereby building a positive cycle of high-quality and high-speed corporate development.

CHAIRMAN'S STATEMENT

Dear Shareholders,

With heartfelt thanks for your continuous support to the development of the Group, I am pleased to present the interim report of the Group for the six months ended 30 June 2023.

In 2023, the domestic economic growth rate fluctuated, and the fundamentals of the real estate industry have not yet recovered significantly. The property management industry was affected by the downturn of the macro environment and the sharp decline in sales in the upstream industry. The valuation of the sector declined sharply, and the growth of property management companies faced challenges. Property management companies explored independent development paths and developed towards marketization, branding, quality and specialization. The Group also grasped the changes of the industry, actively responded to challenges, returned to the original aspiration of service, reviewed the shortcomings in operation, and pursued high-quality and sustainable development.

During the first half of 2023, the Group's revenue decreased by 8.5% year-on-year to approximately RMB1,888.1 million as compared with the corresponding period of 2022. The decrease in revenue was mainly due to, on one hand, the slight decrease in the Group's gross floor area (the "**GFA**") under management as we proactively managed our project portfolios and withdrew from high-risk projects and optimized operations in the first half of this year; and on the other hand, the revenue from pre-sale management services and community value-added services decreased. In response to the fluctuations in the real estate market, we prudently approached the real estate sales-related business on the premise of fully evaluating the project risks, so as to manage the business risks of the Group in a more forward-looking manner. The Group achieved a gross profit of approximately RMB596.1 million during the first half of 2023. With the continuous improvement of management efficiency, gross profit margin was approximately 31.6% for the six months ended 30 June 2023, representing an increase of 1.5 percentage points as compared with the corresponding period of last year, and the core net profit reached approximately RMB257.8 million.

2023 is a year of adjustment for the Group. The Group continues to make efforts in risk elimination, diversification and efficiency improvement. Facing the dynamic changes in the era, the Group timely reduced its business risk exposure and proactively adjusted high-risk and low-efficiency projects; meanwhile, the Group also optimized its business direction to focus on the non-residential market and existing residential market; in addition, with the help of digital tools, the Group fully empowers employees so as to maintain and increase the value of customers' assets while achieving high-quality growth.

1. Optimizing structure to achieve sustainable development and firmly upholding market-oriented principle

As an important customer of the property management services company, property developers have contributed to the prosperity of the property management companies market and capital market. However, with the shrinking supply of new residential housing, real estate industry has entered a new cycle. In line with the current market environment, the Group actively optimized its business structure, reduced the business of developers such as sales office services and sales agency services, and increased the proportion of third-party business. During the first half of 2023, the Group's revenue reached RMB1,888.1 million, of which the proportion of revenue from third parties increased from 77.3% in the same period last year to 81.4%.

As the industry enters a period of differentiation and consolidation, property management companies are no longer engaged in competition on the scale of operation. Instead, the Group pays close attention to brand foundation and business quality, and optimizes the portfolio of projects under management, which are specifically reflected in the following three strategies: firstly, the Group firmly adheres to the market-oriented path and reduces its reliance on traditional developer customers. Secondly, the Group continued to carry out a comprehensive business layout, and learned and accumulated the best practice cases in the industry to provide customized service solutions for residential buildings, office buildings, shopping malls, municipal authorities, hospitals, schools, etc.; thirdly, in terms of regions, the Group focused on key regions and paid attention to first-tier and second-tier cities with higher level of commercial activity to achieve more efficient resources integration and intensive operation.

Currently, the Group has entered 134 cities in 22 provinces, autonomous regions and municipalities across the country, with GFA under management and contracted GFA of 205.4 million sq.m. and 278.1 million sq.m., respectively. Among them, the GFA under management of third-party projects reached 179.2 million sq.m., accounting for 87.3% of the GFA under management; the residential GFA and non-residential GFA under management were 51:49.

2. Seizing the opportunity of consumption recovery and refining operation and management of commercial assets

After the pandemic, as China's economy has entered into a state of normalization where the development of domestic industries has been characterized by rapid changes in demand, slowdown in the growth of commercial asset supply, and intensified competition in the operation of existing commercial assets. The business also faces growth challenges after experiencing industry vantage period. The Group is also in the process of transformation and entering a period of normalized growth. In the first half of 2023, the total retail sales of consumer goods in China increased by 8.2% year-on-year, of which, the growth trend of social retail sales in the second quarter slightly slowed down, which was affected by the short-term impact of the pandemic, and challenges brought by the transformation and upgrading of consumption structure and the structure and level of residents' income distribution. Looking ahead to the whole year, however, the National Development and Reform Commission has recently issued the "Measures on Recovery and Expansion of Consumption", followed by the measures in promoting consumption in various regions. The Group will seize the opportunity of consumption recovery, and fully stimulate the resilience of commercial assets through the cycle by innovation and reform.

During the existing properties dominated period, the ultimate goal of commercial asset operation is to preserve and increase the value of assets. As a terminal for consumption scenarios, under the premise of limited profit margins, the core competence of commercial asset operators is to focus on the best scenarios of value creation and achieve the best service delivery. In terms of shopping malls, the Group leveraged the insight of the operation team on consumers to obtain, retain, explore and analyze the effective data of related scenarios, and adjusted some of the vulnerable business segments in advance. The Group also actively deployed strong business segments and brands, and made periodic adjustments to ensure that there are consumers' favorite and dynamic brands in the scenarios, so as to fully enhance consumer experiences. In terms of office buildings, subject to the downturn of some industries and the pressure from both supply and demand sides, the Group actively optimized the tenant structure, strived to consider both short-term and long-term demands, and grasped the operating growth bonus in the stock era through refined operation.

3. Adhering to digital and intelligent transformation to improve operation efficiency with innovation

The core of digitization and intelligence is data-driven, which is the reconstruction, migration and switching of infrastructure construction. The Group strives to build a new business system and design a new service system, and reconstruct a consumer-oriented digital business ecosystem. In May 2023, the Group entered into a strategic cooperation with Tencent Cloud Computing (Beijing) Co., Ltd ("**Tencent Cloud**"), a subsidiary of Tencent Holdings Limited (Stock Code: 700), pursuant to which the Group will cooperate in the digital transformation of property services to build a "future community". Focusing on the original intention of providing property management services, the Group will continue to improve quality and build user trust. With the help of Internet of Things (IoT), cloud computing, big data and artificial intelligence (AI) to improve quality and efficiency, the Group will promote the transformation and upgrading of enterprises, provide customers with high-quality service experience, and allow them to enjoy the happiness of asset appreciation; fully empower employees, improve their capabilities, and help them integrate into the community and even the city.

Over the past three years, we have witnessed the resilience of the property management industry. As a maintenance and value-adding provider of real estate space, property services not only provide customers with a safe, convenient and comfortable living and working environment, but also enable the real estate value to shine continuously through professional facility and equipment maintenance and management. Based on the property rights and value attributes of the real estate, tens of thousands of grassroots employees in the property management industry can connect with the real estate space and property owners by providing cleaning, maintenance, security, engineering and other services; their sensitivity to the lives and needs of community residents is an important tool for property management companies to serve customers and a valuable asset for property management companies. How to pass on the experience and let more customers obtain high-quality property management service experience are the topics that we have been thinking about. With the help of advanced digital tools, the Group tries to incorporate high-quality customer service experience training into algorithm models to ensure a full closed-loop chain from service portal to cases classification, work order identification and processing, forming an automatic work order transfer and enabling employees to better serve customers. Through service design, we created customer value in use, response value and care value, and continued to perform on the way of quality growth.

4. Future Outlook

2023 is destined to be an extraordinary year. Market changes and evolving consumer behavior have brought new challenges to our business operations. However, we firmly believe that opportunities always coexist with challenges. In the second half of 2023, the Group will continue to build its business foundation; properly handle the relationships between self-improvement and open cooperation, scale expansion and quality growth, as well as short-term returns and long-term development; and promote high-quality and healthy development.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In the first half of 2023, we stayed strong and faced the challenging market environment, grasped the trends of economic development and changes in consumer habits, actively reduced potential business risks, continued to enhance operational efficiency, and rapidly accelerated the pace of integration with member companies. We adhere to our original aspiration and are always committed to our long-term development strategy of quality service, efficiency enhancement with intelligence, enterprise integration and quality growth.

As at 30 June 2023, we provided property management services, commercial operational services and value-added services in 134 cities in China, with an aggregate contracted GFA of approximately 278.1 million sq.m., of which an aggregate GFA of approximately 205.4 million sq.m. is under our management. The scale under management slightly decreased as compared to the total GFA under management of approximately 215.5 million sq.m. as at 31 December 2022. In the first half of 2023, we actively managed our project portfolio. For projects with high risks and potential safety hazards, we took the initiative to withdraw from such projects so as to realize the optimization of the overall operation of the Group as a whole. Under the current management scale, we focus more on the quality and optimization of our project portfolio instead of simply pursuing the growth in the number and area scale of projects, which is in line with our long-term development strategy.

In the first half of 2023, the Group achieved total revenue of RMB1,888.1 million, representing a year-on-year decrease of 8.5%, mainly due to the decrease in revenue from pre-sale management services and community value-added services. In the past few years, the pandemic had a great impact on China's economic development and all industries were affected to varying degrees, and the real estate market was no exception which will take time to recover. The pressure on the real estate market posed challenges to our pre-sale management services and community value-added services businesses. In order to effectively cope with this challenge, we actively manage risks, adjust the scale of sales offices for the real estate projects, and prudently approach the business of sales offices with adequate evaluation of project risks, thereby managing business risks in a more forward-looking manner. We firmly believe that only by doing so can an enterprise achieve sustainable development.

As a comprehensive smart service operator, efficiency enhancement with digital intelligence has always been an important part of the Group's strategic layout. In May 2023, the Group and Tencent Cloud announced a strategic cooperation under which both parties jointly built the first innovation laboratory for the property management industry and carried out cooperation with the focus on digital transformation of property management services so as to explore the application of cutting-edge technologies in the property management sector, thereby building a "future community". We are also honored to be awarded the title of "2023 Property Enterprise Service Excellence — TOP 8" by Guandian Index Academy, which fully demonstrates our strength in providing high-quality services. At the same time, with our forward-looking digital and intelligent layout and leading environmental, social and corporate governance concepts, we were awarded the honorary titles of "2023 China's Leading Smart City Services Companies" and "2023 China's Outstanding Property Service Enterprise in terms of ESG Development" by China Index Academy.

Adhering to the philosophy of "achieving long-term development with stability and moving towards new strengths", we are committed to providing customers with a worry-free and happy experience. Service is the nature of the property management industry. In response to diversified service demands nowadays, we uphold the original aspiration of returning to high-quality development by regarding quality as the core force, integrating more space and businesses to continuously explore new ways for development and growth points, and innovating with heart to create "warm" services. Focusing on every touch point of customers' needs for life scenarios, we have established a service matrix covering the whole life cycle from multiple dimensions such as smart technology, service quality, and humanistic care. We continuously expand service space, explore more service possibilities based on big data, and constantly improve service quality to create differentiated, refined and professional quality services for customers. Looking forward, we will continue to work hard to forge ahead with our customers and move towards a better tomorrow.

Business Model

The Group generates revenue primarily from two principal business segments: (i) residential property management services; and (ii) non-residential property management and commercial operational services.

Residential property management services

The Group provides residential property management services to afford various services meeting the needs of households and residents in the community under different daily-living scenarios, including:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices, to property developers during their pre-sale activities. The Group charges a fixed service fee for such services;

- property management services such as cleaning, security, gardening and repair and maintenance services to (i) property developers for undelivered portion of the properties; and (ii) property owners, property owners' associations or residents for properties sold and delivered. The Group collects property management fees for such services; and

- community value-added services such as (i) home-living services — the provision of a wide range of services catered to the personalized needs of owners through the integration of industrial and ecological resources; (ii) property agency services — property agency services provided to property owners, residents and property developers; and (iii) common area value-added services — aiming to provide daily-living convenience to property owners and residents and enhance the owners' sense of pleasant accommodation by utilising the community space. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

Non-residential property management and commercial operational services

The Group manages and operates a diversified portfolio of non-residential properties, provides property management and commercial operational services to commercial properties such as shopping malls, office buildings and industrial parks, and provides property management services to schools, hospitals, government authorities and other public properties. The Group's services include:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers. The Group charges a fixed service fee for such services;

- property management services such as file management, cleaning, security, gardening and repair and maintenance services provided to property owners or tenants. The Group charges property management fees for such services;

  — property management services for commercial properties: the Group charges property management fees for property management services provided to commercial properties (including shopping malls and office buildings);

  — public property services and urban services: the Group charges corresponding management fees for property management services provided to public properties (including schools, hospitals, government authorities, industrial parks and transportation hubs) and for urban cleaning services provided to urban spaces (including urban roads and rivers);

- commercial operational services such as preliminary planning and consultancy services, tenancy sourcing services, tenancy management services and marketing and promotion services to property owners and property developers. The Group typically charges (i) a commission-based fee with respect to the operation of shopping malls; (ii) a profit mark-up on top of the costs with respect to the operation of office buildings; and (iii) a fixed service fee on a per sq.m. basis for its preliminary planning and consultancy services and tenancy sourcing services; and

- other value-added services such as primarily common area value-added services. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

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

	Six months ended 30 June			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Residential property management services				
Pre-sale management services	**98,912**	**5.2**	134,361	6.5
Property management services	**653,398**	**34.6**	625,844	30.3
Community value-added services	**97,320**	**5.2**	191,596	9.3
Sub-total	**849,630**	**45.0**	951,801	46.1
Non-residential property management and commercial operational services				
Pre-sale management services	**11,746**	**0.6**	18,144	0.9
Property management services				
— Commercial properties	**224,517**	**11.9**	236,272	11.4
— Public property and urban area	**684,056**	**36.2**	752,210	36.4
Commercial operational services	**60,709**	**3.2**	61,186	3.0
Other value-added services	**57,415**	**3.1**	44,718	2.2
Sub-total	**1,038,443**	**55.0**	1,112,530	53.9
Total	**1,888,073**	**100.0**	2,064,331	100.0

Business Development

As at 30 June 2023, the Group's total GFA under management reached 205.4 million sq.m., representing a slight decrease as compared with the total GFA under management of approximately 215.5 million sq.m. as at 31 December 2022. This was mainly due to our active management of project portfolios by withdrawing from high-risk projects and optimizing operations. We adopted the strategies of "focus on key regions + expansion of third-party projects + wide service presence" to optimize project portfolio and structure.

We firmly focused on and continued to penetrate key regions such as the Greater Bay Area and the Yangtze River Delta. As at 30 June 2023, the Group's GFA under management in the Greater Bay Area and the Yangtze River Delta accounted for 58.9%.

Expansion to the independent third-party market is an important development strategy of the Group and an important means for the Group's business to mitigate the cyclical risks of the real estate market. In the first half of 2023, the Group managed to continue expanding the third-party market by virtue of its high-quality services, keen market insights and efficient execution of market expansion. Benefiting from the Group's market reputation and standing, as at 30 June 2023, the GFA under management of the Group's third-party projects accounted for 87.3%.

The Group's diversified business layout strategy has safeguarded the stable and long-term development of its business. As at 30 June 2023, the Group has realized a diversified business layout of "residential properties + commercial properties + public properties". In the first half of 2023, we secured high-quality residential projects such as Shibo Huacheng and Changling Yaju by leveraging our high-quality residential property service quality. Meanwhile, we continued to provide high-quality property management and operation services for commercial projects such as various shopping malls and office buildings with our high-standard integrated commercial property services and operation capabilities; With our professional, refined and standardized service capabilities in the public construction sector, we have also obtained high-quality public construction projects such as the property management projects of the Eighth Affiliated Hospital of Guangzhou Medical University, Qingyuan Maternity and Child Healthcare Hospital, and the Youth Palace of China Welfare Association.

Residential Property Management Services

Overview

The Group provides management services to residential properties developed by a number of property developers and actively taps into third-party residential properties. As at 30 June 2023, the scale of GFA under management of residential properties was 105.3 million sq.m. Among them, the GFA under management of third-party residential properties accounted for 79.0% of the GFA under management of residential properties. In the first half of 2023, the Group's revenue from the residential property management services segment decreased by 10.7% year-on-year to approximately RMB849.6 million from approximately RMB951.8 million for the corresponding period of last year. The decrease was mainly due to the pressure on the real estate market, which led to the decrease in the number of sales offices of residential properties under the Group's management and the decrease in revenue from community value-added services in the residential segment.

Geographic Presence

In the first half of 2023, the Group continued to focus on its residential property management services, concentrated on its existing advantageous region, replicated successful project experience in surrounding areas and optimised its national geographic presence. As at 30 June 2023, the scale of GFA under management of residential properties was 105.3 million sq.m., representing a year-on-year increase of 3.7% from approximately 101.5 million sq.m. for the corresponding period in last year. Among which, the GFA under management in the Yangtze River Delta increased by 11.0% from 22.1 million sq.m. as at 30 June 2022 to 24.5 million sq.m. as at 30 June 2023, mainly due to the Group's brand effect in the local area which facilitated market expansion.

In the first half of 2023, revenue from the residential property management services segment in each of the four regions experienced different degrees of decline, mainly due to the pressure on the real estate market, which led to the decrease in the number of sales offices of residential properties under the Group's management and the decrease in revenue from community value-added services in the residential segment. Revenue from property management services in the residential segment increased by 4.4% from RMB625.8 million for the first half of 2022 to RMB653.4 million for the first half of 2023. The growth rate of revenue from property management services was similar to that of GFA under management.

The table below sets forth a breakdown of the Group's total GFA under management with respect to residential properties as at the dates indicated, and total revenue generated from residential property management services for the periods indicated by regions:

	Six months ended 30 June					
	2023			2022		
	Revenue RMB'000	**%**	**GFA under management sq.m.'000**	Revenue RMB'000	%	GFA under management sq.m.'000
Greater Bay Area	**317,268**	**37.3**	**25,062**	361,297	38.0	25,106
Yangtze River Delta[1]	**166,520**	**19.6**	**24,520**	199,087	20.9	22,061
Midwest China and Hainan[2]	**321,896**	**37.9**	**51,911**	329,713	34.6	50,995
Bohai Economic Rim[3]	**43,946**	**5.2**	**3,773**	61,704	6.5	3,322
Total	**849,630**	**100.0**	**105,266**	951,801	100.0	101,484

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Yunnan Province, Hubei Province, Hunan Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Guizhou Province, Henan Province, Fujian Province, Hainan Province, Xinjiang Uygur Autonomous Region and Chongqing Municipality.

(3) Include Beijing Municipality, Tianjin Municipality and Shandong Province.

Non-residential Property Management and Commercial Operational Services

Overview

The Group provides property management services to non-residential properties, including commercial properties and public properties, as well as commercial operational services to commercial properties, including shopping malls and office buildings. As at 30 June 2023, the scale of GFA under management of non-residential properties was 100.1 million sq.m. Among which, the GFA under management of third-party non-residential properties accounted for 96.0% of the GFA under management of non-residential properties. In the first half of 2023, the Group's revenue from the non-residential property management services segment decreased by 6.7% year-on-year to approximately RMB1,038.4 million from approximately RMB1,112.5 million for the corresponding period of last year. Among which, revenue from property management services of the non-residential property segment decreased by 8.1% year-on-year to approximately RMB908.6 million from approximately RMB988.5 million for the corresponding period last year. The decrease was mainly due to the adjustment of the terms of certain management service contracts from gross basis to net basis upon renewals.

As for commercial property management and operation sector, leveraging on years of experience in commercial management and operation, the Group continued to explore business opportunities and create value for commercial properties with differentiated market positioning, high-quality services and professional commercial operation capabilities.

As for public property and urban services sector, the Group was committed to building local benchmark public property projects, and taking this as the starting point to promote the development of local markets. The Group further deepened the integration of its member companies, and shared resources and channels between the Group and its member companies to continuously enhance the Group's project acquisition potential. At present, the Group has established its presence in diversified businesses such as universities, hospitals, government properties, urban public facilities, rail and transportation properties.

Geographic Presence

In the first half of 2023, the Group continued to focus on its non-residential property management and commercial operational services business, deepened its regional advantages, and established its presence in regions with high growth potential. As at 30 June 2023, the scale of GFA under management for non-residential properties was 100.1 million sq.m., representing a year-on-year decrease of 11.2% from approximately 112.7 million sq.m. for the corresponding period of last year. Among which, the GFA under management in the Greater Bay Area decreased by 17.0% from 53.7 million sq.m. as at 30 June 2022 to 44.6 million sq.m. as at 30 June 2023, and the GFA under management in the Midwest China and Hainan decreased by 23.0% from 13.4 million sq.m. as at 30 June 2022 to 10.3 million sq.m. as at 30 June 2023, mainly due to the withdrawal of some cabin hospitals and quarantine points managed by the Group after the pandemic, as well as our active management of project portfolios by withdrawing from high-risk projects and optimizing operations.

In the first half of 2023, the decrease in revenue from the non-residential property management services segment in the Greater Bay Area was mainly due to the decrease of GFA under management in such region and the adjustment of the terms of certain management service contracts from gross basis to net basis upon renewals. The decrease in revenue from Midwest China and Hainan was mainly due to the decrease in the GFA under management in such region.

The table below sets forth a breakdown of the Group's total GFA under management with respect to non-residential properties as at the dates indicated, and total revenue generated from non-residential property management and commercial operational services as of the periods indicated by regions:

	Year ended 30 June					
	2023			2022		
	Revenue RMB'000	**%**	**GFA under management sq.m.'000**	Revenue RMB'000	%	GFA under management sq.m.'000
Greater Bay Area	**461,250**	**44.5**	**44,557**	527,596	47.4	53,688
Yangtze River Delta(1)	**309,925**	**29.8**	**26,831**	306,830	27.6	27,112
Midwest China and Hainan(2)	**131,312**	**12.6**	**10,315**	141,206	12.7	13,378
Bohai Economic Rim(3)	**135,956**	**13.1**	**18,405**	136,898	12.3	18,553
Total	**1,038,443**	**100.0**	**100,108**	1,112,530	100.0	112,731

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Chongqing Municipality, Hubei Province, Hunan Province, Henan Province, Shaanxi Province, Jiangxi Province, Yunnan Province, Guizhou Province, Guangxi Zhuang Autonomous Region and Hainan Province.

(3) Include Beijing Municipality, Tianjin Municipality and Shandong Province.

Financial Review

Revenue

The Group derived its revenue from two business segments, namely the residential property management service segment and non-residential property management and commercial operational service segment.

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

	Six months ended 30 June			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Residential property management services	**849,630**	**45.0**	951,801	46.1
Non-residential property management and commercial operational services	**1,038,443**	**55.0**	1,112,530	53.9
Total	**1,888,073**	**100.0**	2,064,331	100.0

Residential Property Management Services

The following table sets forth a breakdown of the Group's revenue from residential property management services by service line for the periods indicated:

	Six months ended 30 June			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Pre-sale management services	**98,912**	**11.6**	134,361	14.1
Property management services	**653,398**	**76.9**	625,844	65.8
Community value-added services	**97,320**	**11.5**	191,596	20.1
Total	**849,630**	**100.0**	951,801	100.0

Pre-sale Management Services

Revenue generated from pre-sale management services under the Group's residential property management service segment decreased from approximately RMB134.4 million for the six months ended 30 June 2022 to approximately RMB98.9 million for the six months ended 30 June 2023. This decrease was primarily due to the decrease in the number of sales offices of residential properties under the Group's management, as a result of the continuous downturn of the real estate market.

Property Management Services

Revenue generated from property management services under the Group's residential property management service segment increased from approximately RMB625.8 million for the six months ended 30 June 2022 to approximately RMB653.4 million for the six months ended 30 June 2023. This increase was primarily due to the increase in the Group's GFA under management for residential properties.

Community Value-added Services

Revenue generated from community value-added services under the Group's residential property management service segment decreased from approximately RMB191.6 million for the six months ended 30 June 2022 to approximately RMB97.3 million for the six months ended 30 June 2023. This decrease was primarily due to the continuous downturn of the real estate market.

Non-residential Property Management and Commercial Operational Services

The following table sets forth a breakdown of the Group's revenue from non-residential property management and commercial operational services by service line for the periods indicated:

	Six months ended 30 June			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Pre-sale management services	**11,746**	**1.1**	18,144	1.6
Property management services	**908,573**	**87.5**	988,482	88.9
Commercial operational services	**60,709**	**5.9**	61,186	5.5
Other value-added services	**57,415**	**5.5**	44,718	4.0
Total	**1,038,443**	**100.0**	1,112,530	100.0

Pre-sale Management Services

Revenue generated from pre-sale management services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB18.1 million for the six months ended 30 June 2022 to approximately RMB11.7 million for the six months ended 30 June 2023. This decrease was primarily due to the decrease in the number of sales offices of non-residential properties under the Group's management as a result of the continuous downturn of the real estate market.

Property Management Services

Revenue generated from property management services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB988.5 million for the six months ended 30 June 2022 to approximately RMB908.6 million for the six months ended 30 June 2023. The decrease was mainly due to the terms of certain management service contracts had been adjusted from gross basis to net basis upon renewals.

Commercial Operational Services

Revenue generated from commercial operational services under the Group's non-residential property management and commercial operational service segment slightly decreased from approximately RMB61.2 million for the six months ended 30 June 2022 to approximately RMB60.7 million for the six months ended 30 June 2023.

Other Value-added Services

Revenue generated from other value-added services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB44.7 million for the six months ended 30 June 2022 to approximately RMB57.4 million for the six months ended 30 June 2023. This increase was primarily due to the increase in business diversification of the Group.

Cost of Sales

The Group's cost of sales represents costs and expenses directly attributable to the provision of its services, which comprises (i) labor costs; (ii) subcontracting costs; (iii) utility costs; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory and car parks; (vii) security expenses; and (viii) others. For the six months ended 30 June 2023, the total cost of sales of the Group was approximately RMB1,292.0 million, which was decreased by approximately RMB150.3 million or 10.4% as compared to approximately RMB1,442.3 million for the corresponding period in 2022. The decrease in cost of sales was higher than the decrease in revenue during the six months ended 30 June 2023, it mainly reflected the Group's continuous improvement in terms of operation as well as project portfolio and structure.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately RMB26.0 million or 4.2% to approximately RMB596.1 million for the six months ended 30 June 2023 from approximately RMB622.1 million for the six months ended 30 June 2022. The Group reported gross profit margin of 31.6% for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 30.1%).

Other Income and Gains

The other income and gains of the Group decreased by approximately RMB10.9 million or 29.2% to approximately RMB26.4 million for the six months ended 30 June 2023 from approximately RMB37.3 million for the six months ended 30 June 2022, and mainly comprised government grants and tax incentives on value-added tax of approximately RMB13.7 million and RMB6.5 million, respectively.

Administrative Expenses

Administrative expenses mainly consist of (i) salaries and allowances for the Group's administrative and management personnel; (ii) depreciation and amortisation costs; and (iii) office expenses. For the six months ended 30 June 2023, the administrative expenses of the Group were approximately RMB262.1 million, which increased by approximately RMB29.5 million or 12.7% as compared to approximately RMB232.6 million for the corresponding period in 2022. Such increase mainly reflected that the first half of 2023 was the first full half year during which amortisation of intangible assets arising from acquisition of subsidiaries prior to or during 2022 was charged in the condensed consolidated statement of profit or loss.

Other Expenses, Net

For the six months ended 30 June 2023, other expenses of the Group increased by approximately RMB209.3 million or 2,012.5% to approximately RMB219.7 million from approximately RMB10.4 million for the six months ended 30 June 2022, and mainly comprised impairment losses on trade receivables and impairment losses on goodwill of approximately RMB119.0 million and RMB79.7 million, respectively. The increase was primarily due to the increase in impairment losses made by the Group for trade receivables, based on the principle of prudence, as compared to that for the six months ended 30 June 2022, taking into consideration the change in the credit risk resulting from the continuous downturn of the real estate industry for the six months ended 30 June 2023. Due to the continuous downturn in real estate and property management market environment in the six months ended 30 June 2023, the Group recorded appropriate impairment provisions on goodwill arising from acquisitions based on the principle of prudence during the six months ended 30 June 2023.

Income Tax

For the six months ended 30 June 2023, the income tax of the Group was approximately RMB41.6 million (for the six months ended 30 June 2022: approximately RMB86.0 million).

Financial Position and Capital Structure

Total Assets, Total Liabilities and Current Ratio

As at 30 June 2023, the total assets of the Group was approximately RMB7,149.8 million (as at 31 December 2022: approximately RMB6,944.7 million), and the total liabilities was approximately RMB3,400.2 million (as at 31 December 2022: approximately RMB3,516.2 million). As at 30 June 2023, the current ratio of the Group was 1.71 (as at 31 December 2022: 1.48).

Cash and Cash Equivalents

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB1,652.2 million, representing an decrease of approximately 10.6% as compared with approximately RMB1,847.5 million as at 31 December 2022. All of the Group's cash and cash equivalents were denominated in RMB except for approximately RMB0.4 million and approximately RMB0.4 million which were denominated in Hong Kong dollar ("**HK$**") and United States dollar, respectively.

Borrowings and Charges on the Group's Assets

As at 30 June 2023, the Group's total borrowings were approximately RMB642.2 million. Among which, approximately RMB151.8 million will be repayable within 1 year, approximately RMB393.2 million will be repayable between 2 and 5 years and approximately RMB97.2 million will be repayable over 5 years. The Group's bank and other borrowings were secured by certain of the Group's revenue of certain service contracts and property, plant and equipment of the Group with total carrying value of approximately RMB536.7 million, and equity interest of a subsidiary of the Group. The carrying amounts of all the Group's bank and other borrowings were denominated in RMB. All of the Group's bank and other borrowings were charged at fixed interest rates except for loan balance of approximately RMB38.8 million which were charged at floating interest rates as at 30 June 2023.

Trade Receivables

The Group's trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. The Group's trade receivables as at 30 June 2023 amounted to approximately RMB2,319.2 million, representing an increase of approximately RMB266.8 million or 13.0% as compared to approximately RMB2,052.4 million as at 31 December 2022.

Trade Payables

The Group's trade payables as at 30 June 2023 amounted to approximately RMB567.5 million, representing a slight reduction of approximately RMB7.9 million or 1.4% as compared to approximately RMB575.4 million as at 31 December 2022.

Gearing Ratio

Gearing ratio is calculated by the net debt (total debt net of cash and cash equivalents and restricted cash) divided by total equity. As the Group was in a net cash position as at 30 June 2023 and 31 December 2022, the gearing ratio was not applicable to the Group.

Contingent Liabilities

As at 30 June 2023 and 31 December 2022, the Group did not have any material contingent liabilities.

Foreign Exchange Risk

The Group mainly operates in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. During the first half of 2023, the Group had not engaged in hedging activities for managing foreign exchange rate risk.

OTHER INFORMATION

Interests of Directors and chief executive

As at 30 June 2023, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("**SFO**")) which were required to be (i) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), were as follows:

Long positions in the Shares and underlying Shares

	Number of Shares held				
Name	**Personal interests (beneficial owner)**	**Corporate interests (interests of Controlled corporation)**	**Other interests**	**Total**	**% of the Issued voting Shares**(1)
Executive Directors					
— KONG Jianmin	2,300,000	849,718,661(2)	219,635,885(4)	1,071,654,546	52.90
— KONG Jiannan	—	81,827,772(3)	988,977,774(4)	1,070,805,546	52.86
— YANG Jingbo	61,000(5)	—	67,000(6)	128,000	0.01
Chief Executive Officer					
— WANG Jianhui *(Appointed on 2 June 2023)*	380,000	—	—	380,000	0.02

Notes:

(1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,025,858,916 Shares) as at 30 June 2023.

(2) Plus Earn Consultants Limited ("**Plus Earn**") and Hero Fine Group Limited ("**Hero Fine**") are wholly-owned and controlled by Mr. KONG Jianmin. By virtue of the SFO, Mr. KONG Jianmin is deemed to be interested in the Shares in which Plus Earn and Hero Fine are interested.

(3) Peace Kind Investments Limited ("**Peace Kind**") and Expert Vision International Limited ("**Expert Vision**") are wholly-owned and controlled by Mr. KONG Jiannan. By virtue of the SFO, Mr. KONG Jiannan is deemed to be interested in the Shares in which Peace Kind and Expert Vision are interested.

(4) On 14 October 2020, Plus Earn, Hero Fine, Right Rich Consultants Limited ("**Right Rich**"), Excel Wave Investments Limited ("**Excel Wave**"), Wealth Express Investments Limited ("**Wealth Express**") and Peace Kind entered into a shareholders' agreement (the "**Shareholders' Agreement**"), pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Mr. KONG Jianmin and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.

(5) These Shares represent (i) the 1st tranche of 33,500 Shares awarded to such Director which were vested on 19 April 2022 pursuant to the Share Award Scheme (as defined hereinafter), out of which, 4,000 Shares were sold at an average price of HK$3.24 on the same date to cover the PRC withholding tax; and (ii) the 2nd tranche of 33,500 Shares awarded to such Director which were vested on 17 April 2023 pursuant to the Share Award Scheme (as defined hereinafter), out of which, 2,000 Shares were sold at an average price of HK$1.16 on 18 April 2023 to cover the PRC withholding tax.

(6) These Shares represent the interests in the Shares granted to such Director by the Company under the Share Award Scheme (as defined hereinafter), which remain unvested.

Long position in the shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	% of the Issued voting Shares
KONG Jianmin	Plus Earn	Beneficial owner	1,000	100

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**"), which was approved by the shareholders of the Company (the "**Shareholders**") by passing an ordinary resolution at the annual general meeting of the Company held on 3 June 2021.

The number of Shares in respect of which options ("**Option(s)**") are available for grant under the Share Option Scheme as at 1 January 2023 and 30 June 2023 were 201,349,023 and 201,470,523, respectively.

During the six months ended 30 June 2023, no Options were granted under the Share Option Scheme. Particulars of the outstanding Options granted to certain eligible participants ("**SO Grantees**") and their movements during the period are as follows:

				Number of Options						
Categories of SO Grantees	Date of grant	Exercise price per Share (HK$)	Exercise period[1]	Balance as at 01.01.2023	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Balance as at 30.06.2023	Closing price per Share[2] (HK$)
Employees	23.07.2021	8.964	15.04.2022 to 14.04.2026	432,000	–	–	(40,500)	(121,500)	270,000	8.78
Total				432,000	–	–	(40,500)	(121,500)	270,000	

Notes:

(1) Subject to the vesting conditions (namely, the net profit of the Group for the financial year 2021 achieved its expected target amount set in early 2021) being met, the vesting period of the Options is as follows: up to 25% of the Options granted shall become exercisable from 15 April 2022, up to 50% of the Options granted shall become exercisable from 15 April 2023; and 100% of the Options granted shall become exercisable from 15 April 2024. If any of such days falls on a Saturday, a Sunday or a public holiday, then the next business day following it.

(2) This represented the closing price of the Shares immediately before the dates on which the Options were granted.

(3) These Options granted are not subject to any other exercising conditions nor any performance targets.

OTHER INFORMATION

The following inputs were used to calculate the fair values of the Options granted:

	Options granted on 23 July 2021
Dividend yield (%)	1.16
Expected volatility (%)	60.22
Risk-free interest rate (%)	0.35
Expected life of options (year)	4
Weighted average share price (HK$ per share)	8.964

HK$1.00 is payable for acceptance of grant of Options by each grantee. The fair value of the Options granted on 23 July 2021 determined at the date of grant using the Binomial models (the "**Models**") was approximately RMB1,968,000.

The Models have been used to estimate the fair value of the Options. The variables and assumptions used in computing the fair value of the Options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the Options.

The fair value of the Options, determined at the grant date is recognized in "administrative expenses" in the condensed consolidated statement of profit or loss on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest.

Share Award Scheme

The Company has adopted a share award scheme (the "**Share Award Scheme**"), which was approved by the Board at the Board meeting held on 23 July 2021. A summary of the Share Award Scheme was set out in the announcement of the Company dated 23 July 2021 headed "Adoption of Share Award Scheme and Grant of Awarded Shares".

The number of awarded Shares (the "**Awarded Share(s)**") available for grant under the Share Award Scheme as at 1 January 2023 and 30 June 2023 were 99,953,011 and 99,985,011, respectively. No purchase price needs to be paid by the selected participant ("**SA Grantee**") upon the vesting of the Awarded Shares.

During the six months ended 30 June 2023, no Awarded Share was granted under the Share Award Scheme. Details of the Awarded Shares granted to certain SA Grantees and their movements during the period are as follows:

			Number of Awarded Shares						
Categories of SA Grantees	Date of grant	Vesting Period[1]	Balance as at 01.01.2023	Granted during the period	Vested during the period[2]	Cancelled during the period	Lapsed during the period	Balance as at 30.06.2023	Closing price per Share[6] (HK$)
Executive Director – YANG Jingbo	23.07.2021	15.04.2022 to 15.04.2024	100,500	–	(33,500)[3]	–	–	67,000	8.78
Directors of certain subsidiaries of the Company	23.07.2021	15.04.2022 to 15.04.2024	249,000	–	(83,000)[4]	–	–	166,000	8.78
Other Employees	23.07.2021	15.04.2022 to 15.04.2024	292,500	–	(97,500)[4]	–	(32,000)[5]	163,000	8.78
Total			642,000	–	(214,000)	–	(32,000)	396,000	

Notes:

(1) Subject to the vesting conditions (namely, the net profit of the Group for the financial year 2021 achieved its expected target amount set in early 2021) being met, the Awarded Shares shall be vested in accordance with the following dates: (i) 25% of which shall be vested on 15 April 2022; (ii) another 25% of which shall be vested on 15 April 2023; and (iii) the remaining 50% of which shall be vested on 15 April 2024. If any of such days falls on a Saturday, a Sunday or a public holiday, then the next business day following it.

(2) The purchase price of the underlying Shares vested during the period was HK$1.1855 per Share, with the weighted average closing price of the underlying Shares immediately before the date on which the Awarded Shares were vested being HK$1.15 per Share.

(3) Out of these 33,500 Awarded Shares vested during the period, 2,000 Awarded Shares were sold at an average price of HK$1.16 per Share to cover PRC withholding tax pursuant to the rules of the Share Award Scheme.

(4) Out of these 180,500 Awarded Shares vested during the period, 11,000 Awarded Shares were sold at an average price of HK$1.16 per Share to cover PRC withholding tax pursuant to the rules of the Share Award Scheme.

(5) These unvested Awarded Shares have lapsed upon the resignation of the relevant employee.

(6) This represented the closing price of the Shares immediately before the date on which the Awarded Shares were granted.

(7) These Awarded Shares granted are not subject to any other exercising conditions nor any performance targets.

(8) The fair value of the Awarded Shares at the grant date approximated to the market value of the shares, which is calculated based on the closing price of the shares as at the date of grant of the Awarded Shares, and is recognized in "Administrative expenses" in the condensed consolidated statement of profit or loss on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest.

Interests of substantial Shareholders and other persons

As at 30 June 2023, so far as the Directors or chief executive of the Company were aware of, persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Long positions in the Shares

	Number of Shares held				
Name of substantial Shareholder	Personal interests (beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Total	% of the issued voting Shares[1]
Plus Earn[4]	678,390,949	–	390,963,597[3]	1,069,354,546	52.79
Hero Fine[4]	171,327,712	–	898,026,834[3]	1,069,354,546	52.79
Peace Kind[4]	80,376,772	–	988,977,774[3]	1,069,354,546	52.79
KONG Jiantao	–	139,259,113[2]	930,095,433[3]	1,069,354,546	52.79
Right Rich	136,667,833	–	932,686,713[3]	1,069,354,546	52.79
Excel Wave	2,079,450	–	1,067,275,096[3]	1,069,354,546	52.79
Wealth Express	511,830	–	1,068,842,716[3]	1,069,354,546	52.79

Notes:

(1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,025,858,916 Shares) as at the 30 June 2023.

(2) Right Rich, Excel Wave and Wealth Express are wholly-owned and controlled by Mr. KONG Jiantao. By virtue of the SFO, Mr. KONG Jiantao is deemed to be interested in the Shares in which Right Rich, Excel Wave and Wealth Express are interested.

(3) On 14 October 2020, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind entered into the Shareholders' Agreement, pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.

(4) Mr. KONG Jianmin (a non-executive Director) is the sole director of Plus Earn and Hero Fine, and Mr. KONG Jiannan (an executive Director) is the sole director of Peace Kind.

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023.

Corporate Governance

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. During the six months ended 30 June 2023, the Company has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, save for the deviations for reasons set out below. The Company will continue to review and monitor its corporate governance practices to ensure the compliance of the CG Code.

Code provision C.1.6 of Part 2 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and code provision F.2.2 of Part 2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. KONG Jianmin, a non-executive Director and the chairman of the Board, was unable to attend an extraordinary general meeting of the Company held on 13 January 2023 and the annual general meeting of the Company held on 1 June 2023, respectively due to his other business engagements.

Updated Information on Directors and chief executive of the Company pursuant to Rule 13.51B(1) of the Listing Rules

Save for the change in the information of Directors and chief executive of the Company as set out below, since the date of the Company's 2022 annual report and up to the date of this interim report, there is no other change in the information of Directors and chief executive of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. KONG Jiannan has stepped down as the Chief Executive Officer of the Company with effect from 2 June 2023, whilst remaining his present role as an executive Director.

- Mr. WANG Jianhui has been appointed as the Chief Executive Officer of the Company with effect from 2 June 2023.

- Mr. FUNG Che Wai, Anthony has resigned as an independent non-executive director of FY Financial (Shenzhen) Co., Ltd. with effect from 25 August 2023.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. In response to the specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2023.

Purchase, Sale or Redemption of Listed Securities

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

Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises three members who are independent non-executive Directors.

The Audit Committee has reviewed the interim report.

Employees and Remuneration Policy

As at 30 June 2023, the Group has approximately 18,000 employees (as at 31 December 2022: approximately 18,000 employees). Compensation for employees of the Group is made with reference to the market as well as individual performance and contributions, and extensive use of bonuses to link performance with reward is adopted. The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the Group also provides a comprehensive benefit package and career development opportunities, including performance-based bonus payments, share options, retirement schemes, medical benefits, and both internal and external training appropriate to individual needs.

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorised by the Board for other material investments or additions of capital assets during the six months ended 30 June 2023.

Use of Net Proceeds from the Listing

The Share of the Company were listed on the Main Board of the Stock Exchange on 30 October 2020 by way of Global Offering (as defined in the prospectus of the Company dated 19 October 2020, the "**Prospectus**"), raising the total net proceeds (after deducting professional fees, underwriting commissions and other related listing expenses) of approximately HK$2,913.1 million (the "**Net Proceeds**"). For details of the original proposed allocation of the Net Proceeds, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

On 29 June 2021, the Group resolved to revise the allocation of the Net Proceeds to apply the unutilised and unplanned Net Proceeds as follows: (i) approximately HK$705.7 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately HK$241.3 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately HK$145.6 million for further diversifying its value-added services; and (iv) approximately HK$72.8 million for its general corporate purposes and working capital. Details of the re-allocation are set out in the Company's announcement dated 29 June 2021.

OTHER INFORMATION

On 10 January 2022, the Board resolved to further adjust the allocation proportion of the Net Proceeds as set out in the announcement of the Company dated 10 January 2022 (the "**Announcement**"), and the unutilised and unplanned Net Proceeds were intended to be allocated and used as follows: (i) approximately HK$250 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately HK$120.6 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately HK$36.4 million for further diversifying its value-added services; and (iv) approximately HK$52.7 million for its general corporate purposes and working capital.

As at 30 June 2023, an analysis of the utilisation of the Net Proceeds is as follows:

Use of the Net Proceeds as set out in the Announcement	**Revised allocation as stated in the Announcement** HK$ million	**Unutilised or unplanned Net Proceeds as at 1 January 2023** HK$ million	**Utilised Net Proceeds during the six months ended 30 June 2023** HK$ million	**Unutilised or unplanned Net Proceeds as at 30 June 2023** HK$ million
To pursue strategic acquisitions and investment opportunities	2,703.4	—	—	—
To upgrade the intelligent service systems:				
— to purchase and upgrade hardware, establish smart terminal equipment and Internet of Things Platform	84.2	75.1	0.3	74.8
— to develop and upgrade the intelligence service systems	36.4	4.6	4.6	—
Diversification into value-added services:				
— to cooperate with companies that provide complementary community products and services	36.4	36.4	—	36.4
For general corporate purposes and working capital	52.7	—	—	—
Total	2,913.1	116.1	4.9	111.2

Barring unforeseen circumstances, based on the Directors' best estimation, the unutilised or unplanned Net Proceeds will be applied according to the intentions disclosed above before 31 December 2023. However, the actual timing for utilising the Net Proceeds may change.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	4	**1,888,073**	2,064,331
Cost of sales		**(1,291,961)**	(1,442,265)
Gross profit		**596,112**	622,066
Other income and gains	4	**26,404**	37,258
Selling and distribution expenses		**(1,980)**	(978)
Administrative expenses		**(262,081)**	(232,627)
Other expenses, net		**(219,678)**	(10,357)
Finance costs	6	**(17,647)**	(1,443)
Share of profit of:			
A joint venture		**781**	392
Associates		**1,222**	1,345
PROFIT BEFORE TAX	5	**123,133**	415,656
Income tax expense	7	**(41,576)**	(86,024)
PROFIT FOR THE PERIOD		**81,557**	329,632
Attributable to:			
Owners of the parent		**62,570**	313,873
Non-controlling interests		**18,987**	15,759
		81,557	329,632
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (expressed in RMB cents per share)	9	**3**	16
Diluted (expressed in RMB cents per share)	9	**3**	16

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	**81,557**	329,632
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(45,938)**	(95,132)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(45,938)**	(95,132)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**75,147**	103,496
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**75,147**	103,496
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**29,209**	8,364
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**110,766**	337,996
Attributable to:		
Owners of the parent	**91,779**	322,237
Non-controlling interests	**18,987**	15,759
	110,766	337,996

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2023	31 December 2022
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**79,080**	87,868
Investment properties		**6,300**	6,300
Right-of-use assets		**10,163**	14,807
Goodwill	10	**1,520,021**	1,599,744
Other intangible assets	11	**632,679**	698,583
Investment in a joint venture		**3,559**	2,778
Investment in associates		**8,900**	7,438
Deferred tax assets		**180,666**	141,243
Other non-current assets		**—**	1,725
Total non-current assets		**2,441,368**	2,560,486
CURRENT ASSETS			
Trade receivables	12	**2,319,223**	2,052,449
Prepayments, other receivables and other assets		**720,326**	464,843
Restricted cash		**16,636**	19,412
Cash and cash equivalents		**1,652,200**	1,847,501
Total current assets		**4,708,385**	4,384,205
CURRENT LIABILITIES			
Trade payables	13	**567,492**	575,369
Other payables and accruals		**1,377,800**	1,397,325
Contract liabilities	4	**256,887**	225,945
Lease liabilities		**6,122**	8,571
Interest-bearing bank and other borrowings	14	**151,826**	174,244
Tax payable		**389,640**	367,044
Financial liabilities at fair value through profit or loss		**—**	211,809
Total current liabilities		**2,749,767**	2,960,307
NET CURRENT ASSETS		**1,958,618**	1,423,898
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,399,986**	3,984,384

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		3,998	6,221
Interest-bearing bank and other borrowings	14	490,395	377,306
Deferred tax liabilities		156,070	172,338
Total non-current liabilities		650,463	555,865
Net assets		3,749,523	3,428,519
EQUITY			
Share capital	16	17,568	17,568
Reserves		3,426,062	3,124,045
Equity attributable to owners of the parent		3,443,630	3,141,613
Non-controlling interests		305,893	286,906
Total equity		3,749,523	3,428,519

Kong Jiannan
Director

Yang Jingbo
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Employee share-based compensation reserve RMB'000 (Unaudited)	Statutory surplus funds RMB'000 (Unaudited)	Exchange reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
At 1 January 2023	**17,568**	**2,189,462**	**(221,220)**	**9,969**	**104,657**	**(33,210)**	**1,074,387**	**3,141,613**	**286,906**	**3,428,519**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**62,570**	**62,570**	**18,987**	**81,557**
Other comprehensive income for the period:										
Exchange differences on translation into presentation currency	**–**	**–**	**–**	**–**	**–**	**29,209**	**–**	**29,209**	**–**	**29,209**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**29,209**	**62,570**	**91,779**	**18,987**	**110,766**
Contribution from a shareholder	**–**	**–**	**595**	**–**	**–**	**–**	**–**	**595**	**–**	**595**
Payment of share-based compensation expenses	**–**	**–**	**–**	**(2,166)**	**–**	**–**	**–**	**(2,166)**	**–**	**(2,166)**
Derecognition of the obligation of acquisition of the non-controlling interests of a subsidiary	**–**	**–**	**211,809**	**–**	**–**	**–**	**–**	**211,809**	**–**	**211,809**
At 30 June 2023	**17,568**	**2,189,462**	**(8,816)**	**7,803**	**104,657**	**(4,001)**	**1,136,957**	**3,443,630**	**305,893**	**3,749,523**
At 1 January 2022	17,493	2,415,003	(25,419)	3,414	64,147	(119,615)	1,111,485	3,466,508	49,378	3,515,886
Profit for the period	–	–	–	–	–	–	313,873	313,873	15,759	329,632
Other comprehensive income for the period:										
Exchange differences on translation into presentation currency	–	–	–	–	–	8,364	–	8,364	–	8,364
Total comprehensive income for the period	–	–	–	–	–	8,364	313,873	322,237	15,759	337,996
Contribution from a shareholder	–	–	594	–	–	–	–	594	–	594
Transfer to statutory surplus funds	–	–	–	–	9,373	–	(9,373)	–	–	–
2021 final dividend declared	–	(242,053)	–	–	–	–	–	(242,053)	–	(242,053)
Proceeds from capital injection from a non-controlling shareholder	–	–	–	–	–	–	–	–	150	150
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	168,438	168,438
Dividend declared to non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	(4,732)	(4,732)
Share-based compensation expenses	–	–	–	1,474	–	–	–	1,474	–	1,474
At 30 June 2022	17,493	2,172,950	(24,825)	4,888	73,520	(111,251)	1,415,985	3,548,760	228,993	3,777,753

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		123,133	415,656
Adjustments for:			
Finance costs	6	17,647	1,443
Share of profit of:			
A joint venture		(781)	(392)
Associates		(1,222)	(1,345)
Interest income	4	(1,788)	(4,338)
Income from wealth management financial products		(697)	(521)
Gain on disposal of items of property, plant and equipment, net	5	(185)	(94)
Depreciation of property, plant and equipment	5	11,083	9,895
Depreciation of right-of-use assets	5	4,733	4,266
Amortisation of other intangible assets	5	66,341	40,718
Impairment losses on financial assets, net		128,754	6,755
Impairment losses on goodwill	5	79,723	—
Share-based compensation expenses		1,564	2,068
Cash flows from operations before changes in working capital		428,305	474,111
Changes in working capital		(567,498)	(208,824)
Cash (used in)/generated from operations		(139,193)	265,287
Interest received		1,788	4,338
Interest paid		(385)	(1,443)
Income tax paid		(74,671)	(109,181)
Net cash flows (used in)/from operating activities		(212,461)	159,001

	Note	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries		**(49,800)**	190,082
Purchase of items of property, plant and equipment		**(5,065)**	(12,309)
Purchase of other intangible assets	11	**(437)**	(1,673)
Investment in an associate		**(240)**	—
Purchase of wealth management financial products		**(50,000)**	(75,000)
Disposal of wealth management financial products		**50,000**	75,000
Income received from wealth management financial products		**697**	521
Cash advances made to related parties		**(32,190)**	(526,754)
Repayment from related parties		**32,557**	1,820
Proceeds from disposal of items of property, plant and equipment		**2,955**	1,062
Net cash flows used in investing activities		**(51,523)**	(347,251)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of bank and other borrowings		**607,835**	6,000
Repayment of bank and other borrowings		**(517,164)**	(12,205)
Principal portion of lease payments		**(4,761)**	(4,582)
Cash advances from related parties		**—**	490,144
Repayment of cash advances to related parties		**—**	(396)
Dividends paid to non-controlling shareholders of a subsidiary		**—**	(4,732)
Proceeds from capital injection from a non-controlling shareholder		**—**	150
Interest paid		**(17,262)**	—
Net cash flows from financing activities		**68,648**	474,379
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(195,336)**	286,129
Cash and cash equivalents at beginning of the period		**1,847,501**	1,233,598
Effect of foreign exchange rate changes, net		**35**	406
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,652,200**	1,520,133
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,652,200**	1,520,133
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		**1,652,200**	1,520,133

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Corporate and Group Information

KWG Living Group Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 11 September 2019. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2023, the Company and its subsidiaries (collectively the "**Group**") were involved in the provision of residential property management services and non-residential property management and commercial operational services in the People's Republic of China (the "**PRC**").

In the opinion of the directors, the immediate and ultimate holding company of the Company was Plus Earn Consultants Limited ("**Plus Earn**"), which was incorporated in the British Virgin Islands ("**BVI**").

2.1 Basis of Presentation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 (the "**Interim Financial Information**") has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting*.

The Interim 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, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, HKASs and Interpretations).

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Interim 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 HKFRSs for the first time for the current period's financial information.

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

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since January 2023. The amendments did not have any impact on the Group's Interim Financial Information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

2.2 Changes in Accounting Policies and Disclosures (Continued)

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any impact on the Group's Interim Financial Information.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. Operating Segment Information

For management purposes, the Group is organised into two reportable operating segments as below:

(a) Residential property management services; and

(b) Non-residential property management and commercial operational services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, 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, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

The revenue from external customers reported to management is measured as segment revenue, which is the revenue derived from the customers in each segment.

No analysis of segment assets and segment liabilities is presented as this information is not regularly provided to the management for review.

3. Operating Segment Information (Continued)

The following is an analysis of the Group's revenue and results by operating and reportable segment:

Six months ended 30 June 2023

	Residential property management services RMB'000 (Unaudited)	**Non-residential property management and commercial operational services RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Segment revenue	**849,630**	**1,038,443**	**1,888,073**
Segment result	**224,893**	**181,609**	**406,502**
Reconciliation:			
Interest income and unallocated income			**26,404**
Unallocated expenses			**(292,126)**
Finance costs			**(17,647)**
Profit before tax			**123,133**
Income tax expense			**(41,576)**
Profit for the period			**81,557**

Six months ended 30 June 2022

	Residential property management services RMB'000 (Unaudited)	Non-residential property management and commercial operational services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	951,801	1,112,530	2,064,331
Segment result	272,433	221,667	494,100
Reconciliation:			
Interest income and unallocated income			37,258
Unallocated expenses			(114,259)
Finance costs			(1,443)
Profit before tax			415,656
Income tax expense			(86,024)
Profit for the period			329,632

3. Operating Segment Information (Continued)

Geographical information

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

Information about major customers

For the six months ended 30 June 2023 and 2022, approximately RMB350,392,000 and RMB469,417,000 of revenue were derived from KWG Group Holdings Limited ("**KWG Holdings**") and its subsidiaries and its joint ventures, associates and other related parties, respectively.

4. Revenue, Other Income and Gains and Contract Liabilities

Revenue from contracts with customers

Revenue comprised proceeds from residential property management services and non-residential property management and commercial operational services for the six months ended 30 June 2023 and 2022. An analysis of revenue is as follows:

(a) Disaggregated revenue information

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of services by segment		
Residential property management services		
Pre-sale management services	**98,912**	134,361
Property management services	**653,398**	625,844
Community value-added services	**97,320**	191,596
	849,630	951,801
Non-residential property management and commercial operational services		
Pre-sale management services	**11,746**	18,144
Property management services	**908,573**	988,482
Commercial operational services	**60,709**	61,186
Other value-added services	**57,415**	44,718
	1,038,443	1,112,530
Total revenue from contracts with customers	**1,888,073**	2,064,331

4. Revenue, Other Income and Gains and Contract Liabilities (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Revenue from contracts with customers recognised over time	**1,803,293**	1,889,533
Revenue from contracts with customers recognised at a point in time	**84,780**	174,798
	1,888,073	2,064,331

Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at	
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Third parties	**252,656**	223,113
Related parties (note 18)	**4,231**	2,832
	256,887	225,945

Contract liabilities of the Group mainly arise from the advance payments received from customers for services yet to be provided.

4. Revenue, Other Income and Gains and Contract Liabilities (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

For residential property management services and non-residential property management and commercial operational services, the Group recognised revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts because the performance obligation is part of a contract that has an original expected duration of one year or less, and there was unsatisfied performance obligation at the end of the respective periods.

Other income and gains

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	**1,788**	4,338
Government grants	**13,709**	14,259
Gain on disposal of items of property, plant and equipment, net	**185**	94
Late penalty income	**1,492**	2,588
Tax incentives on value-added tax*	**6,458**	10,128
Others	**2,772**	5,851
	26,404	37,258

* There are no unfulfilled conditions or contingencies relating to these incentives.

5. Profit Before Tax

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

	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of services provided	1,291,961	1,442,265
Depreciation of property, plant and equipment*	11,083	9,895
Depreciation of right-of-use assets*	4,733	4,266
Amortisation of other intangible assets**	66,341	40,718
Gain on disposal of items of property, plant and equipment, net	(185)	(94)
Employee benefit expense (excluding directors' and chief executive's remuneration)*		
Wages and salaries	557,153	703,542
Share-based compensation expenses	1,342	1,012
Pension scheme contributions	50,475	76,842
	608,970	781,396
Impairment losses on goodwill***	79,723	—
Net impairment losses recognised/(reversed) on financial assets:		
Trade receivables***	119,038	12,740
Other receivables***	9,716	(5,985)

* The depreciation of property, plant and equipment, depreciation of right-of-use assets and employee benefit expense are included in "Cost of sales" and "Administrative expenses" in the condensed consolidated statement of profit or loss.

** The amortisation of other intangible assets is included in "Administrative expenses" in the condensed consolidated statement of profit or loss.

*** Impairment losses on goodwill and net impairment losses recognised/reversed on trade receivables and other receivables are included in "Other expenses, net" in the condensed consolidated statement of profit or loss.

6. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on bank and other borrowings	17,262	996
Interest on lease liabilities	385	447
	17,647	1,443

7. 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 the Cayman Islands and the BVI, the entities of the Group which were incorporated in the Cayman Islands and the BVI are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2023.

The income tax provision of the Group's subsidiaries established in the PRC in respect of its operation in the PRC was calculated at the tax rate of 25% on their assessable profits for the six months ended 30 June 2023, if applicable, based on the existing legislation, interpretations and practice in respect thereof. Certain subsidiaries of the Group operating in the PRC enjoyed a preferential corporate income tax rate of 15% during the six months ended 30 June 2023.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current	**97,267**	95,065
Deferred	**(55,691)**	(9,041)
	41,576	86,024

8. Dividends

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic and diluted earnings per share amount for the six months ended 30 June 2023, is based on the profit for the six months ended 30 June 2023 attributable to owners of the parent of approximately RMB62,570,000 (for the six months ended 30 June 2022: approximately RMB313,873,000), and the weighted average number of shares of 2,025,858,916 (for the six months ended 30 June 2022: 2,017,110,233) in issue during the six months ended 30 June 2023.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. Goodwill

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
At beginning of the period/year:		
Net carrying amount	1,599,744	699,775
Acquisition of subsidiaries (note 15)	—	1,043,384
Impairment during the period/year	(79,723)	(143,415)
Net carrying amount at end of the period/year	1,520,021	1,599,744
At end of the period/year:		
Cost	1,743,159	1,743,159
Accumulated impairment	(223,138)	(143,415)
Net carrying amount	1,520,021	1,599,744

11. Other Intangible Assets

	Property management contracts RMB'000 (Unaudited)	Customer relationships RMB'000 (Unaudited)	Software RMB'000 (Unaudited)	Non-compete agreements RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
30 June 2023					
Cost at 1 January 2023, net of accumulated amortisation	114,739	563,162	9,585	11,097	698,583
Additions	—	—	437	—	437
Amortisation provided during the period	(28,544)	(34,179)	(1,273)	(2,345)	(66,341)
At 30 June 2023	86,195	528,983	8,749	8,752	632,679
At 30 June 2023					
Cost	203,872	651,567	16,672	22,872	894,983
Accumulated amortisation	(117,677)	(122,584)	(7,923)	(14,120)	(262,304)
Net carrying amount	86,195	528,983	8,749	8,752	632,679

11. Other Intangible Assets (Continued)

	Property management contracts RMB'000 (Audited)	Customer relationships RMB'000 (Audited)	Software RMB'000 (Audited)	Non-compete agreements RMB'000 (Audited)	Total RMB'000 (Audited)
31 December 2022					
Cost at 1 January 2022, net of accumulated amortisation	34,416	166,795	6,355	15,787	223,353
Additions	—	—	2,343	—	2,343
Acquisition of subsidiaries (note 15)	130,085	455,134	3,100	4,504	592,823
Disposals	—	—	(206)	—	(206)
Amortisation provided during the period	(49,762)	(58,767)	(2,007)	(9,194)	(119,730)
At 31 December 2022	114,739	563,162	9,585	11,097	698,583
At 31 December 2022					
Cost	203,872	651,567	16,235	22,872	894,546
Accumulated amortisation	(89,133)	(88,405)	(6,650)	(11,775)	(195,963)
Net carrying amount	114,739	563,162	9,585	11,097	698,583

12. Trade Receivables

	As at 30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Related parties (note 18)	1,554,782	1,387,036
Third parties	1,470,795	1,255,874
	3,025,577	2,642,910
Less: Allowance for impairment of trade receivables	(706,354)	(590,461)
	2,319,223	2,052,449

12. Trade Receivables (Continued)

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:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	**1,512,279**	1,356,263
1 to 2 years	**641,469**	579,389
2 to 3 years	**138,011**	107,517
Over 3 years	**27,464**	9,280
	2,319,223	2,052,449

13. Trade Payables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Related parties (note 18)	**6,003**	6,665
Third parties	**561,489**	568,704
	567,492	575,369

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	**481,304**	507,502
1 to 2 years	**74,045**	56,755
2 to 3 years	**7,012**	7,277
Over 3 years	**5,131**	3,835
	567,492	575,369

14. Interest-bearing Bank and Other Borrowings

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Current		
Bank and other borrowings — secured	47,396	39,314
Current portion of long-term bank and other borrowings — secured	104,430	134,930
	151,826	174,244
Non-current		
Bank and other borrowings — secured	490,395	377,306
	490,395	377,306
	642,221	551,550

Certain items of the Group's bank and other borrowings are secured by certain of the Group's revenue of certain service contracts and property, plant and equipment of the Group with total carrying value of approximately RMB536,675,000 as at 30 June 2023 (as at 31 December 2022: approximately RMB471,177,000).

As at 30 June 2023 and 31 December 2022, the equity interest of a subsidiary of the Group was pledged to a bank for a loan granted to the Group.

As at 30 June 2023, the bank and other borrowings were denominated in RMB and carried interests at prevailing market rates range from 4.15% to 8.54% per annum (as at 31 December 2022: 4.2% to 7.6%).

15. Business Combination

Acquisition of Living Technology

In March 2022, the Group completed acquisition of 80% equity interests in Living Technology Co., Ltd. ("**Living Technology**") (formerly known as Cedar Technology Group Co., Ltd.), and its holding company, from third parties at a consideration of RMB1,316,000,000. Living Technology is engaged in property management business. The acquisition was made as part of the Group's strategy to expand its operation in the PRC.

The fair values of the identifiable assets and liabilities of Living Technology as at the date of completion were as follows:

	Fair value recognised on completion RMB'000 (Audited)
Property, plant and equipment	9,746
Investment properties	6,300
Right-of-use assets	7,353
Other intangible assets	503,962
Deferred tax assets	44,780
Trade receivables	508,852
Prepayments and other receivables	1,012,403
Restricted cash	2,130
Cash and bank balances	177,685
Trade payables	(432,801)
Other payables and accruals	(292,436)
Contract liabilities	(130,956)
Interest-bearing bank and other borrowings	(623,100)
Lease liabilities	(7,026)
Tax payables	(71,743)
Deferred tax liabilities	(154,677)
Financial liabilities at fair value through profit or loss	(3,985)
Total identifiable net assets at fair value	556,487
Non-controlling interests	(148,193)
	408,294
Goodwill on acquisition	907,706
	1,316,000
Satisfied by cash	1,316,000
Total consideration	1,316,000

15. Business Combination (Continued)

Acquisition of Guangdong Telijie

As at 31 December 2021, the Group held 5% equity interests in Guangdong Telijie Environment Engineering Co., Ltd. ("**Guangdong Telijie**") with a consideration of RMB16,500,000. In January 2022, the Group acquired 50% equity interests in Guangdong Telijie at a consideration of RMB165,000,000. The Group holds 55% equity interests in total upon completion of such acquisition. Guangdong Telijie is engaged in urban and rural environmental sanitation service. The acquisition was made as part of the Group's strategy to expand its operation in the PRC.

The fair values of the identifiable assets and liabilities of Guangdong Telijie as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000 (Audited)
Property, plant and equipment	70,476
Other intangible assets	88,861
Trade receivables	102,701
Prepayments and other receivables	99,446
Restricted cash	792
Cash and bank balances	20,446
Trade payables	(82,056)
Other payables and accruals	(141,099)
Contract liabilities	(5,988)
Interest-bearing bank and other borrowings	(47,153)
Tax payables	(900)
Deferred tax liabilities	(22,215)
Total identifiable net assets at fair value	83,311
Non-controlling interests	(37,489)
	45,822
Goodwill on acquisition	135,678
	181,500
Satisfied by cash as at 31 December 2022	65,370
Unpaid amount included in other payables and accruals	116,130
Total consideration	181,500

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. Share Capital

	As at			
	30 June 2023		31 December 2022	
	No. of shares (Unaudited)	**HK$'000 (Unaudited)**	No. of shares (Audited)	HK$'000 (Audited)
Authorised: Ordinary shares at par value of HK$0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000

	As at					
	30 June 2023			31 December 2022		
	No. of shares (Unaudited)	**HK$'000 (Unaudited)**	**Equivalent to RMB'000 (Unaudited)**	No. of shares (Audited)	HK$'000 (Audited)	Equivalent to RMB'000 (Audited)
Issued and fully paid: Ordinary shares at par value of HK$0.01 each	**2,025,858,916**	**20,259**	**17,568**	2,025,858,916	20,259	17,568

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

	Number of shares in issue (Unaudited)	**Share capital RMB'000 (Unaudited)**
At 31 December 2022 and 1 January 2023	**2,025,858,916**	**17,568**
At 30 June 2023	**2,025,858,916**	**17,568**

	Number of shares in issue (Unaudited)	Share capital RMB'000 (Unaudited)
At 31 December 2021 and 1 January 2022	2,017,110,233	17,493
At 30 June 2022	2,017,110,233	17,493

17. Commitments

At the end of the reporting period, the Group did not have any significant commitments.

18. Related Party Transactions

(a) Transactions with related parties

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Residential property management service income:		
Subsidiaries, joint ventures and associates of KWG Holdings*	**191,894**	314,037
Non-residential property management and commercial operational service income:		
Subsidiaries, joint ventures and associates of KWG Holdings	**157,329**	153,614
Other related parties**	**1,169**	1,766
	158,498	155,380
Rental costs and expenses:		
Subsidiaries of KWG Holdings	**5,050**	4,570
Information technology expenses:		
KWG Holdings	**1,000**	1,000

* KWG Holdings is ultimately controlled by Plus Earn.

** Other related parties are entities that are controlled by Mr. KONG Jiantao, an executive director of KWG Holdings.

The prices for the above services fees and other transactions were determined in accordance with the terms mutually agreed by the contracting parties.

18. Related Party Transactions (Continued)

(b) Outstanding balances with related parties

	As at 30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Receivables from related parties		
Trade receivables		
Subsidiaries, joint ventures and associates of KWG Holdings	1,554,782	1,387,036
Prepayments and other receivables		
Joint ventures and associates of KWG Holdings	25,950	—
Payables to related parties		
Trade payables		
Joint ventures and associates of KWG Holdings	6,003	6,665
Other payables		
Joint ventures and associates of KWG Holdings	10,540	11,951
Lease liabilities		
Subsidiaries of KWG Holdings	941	1,038
Contract liabilities		
Subsidiaries and joint ventures of KWG Holdings	4,231	2,832

(c) Compensation of key management personnel of the Group

	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	5,574	4,371
Share-based compensation expenses	665	1,219
Pension scheme contributions	96	105
	6,335	5,695

19. 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:

	Carrying amounts		**Fair values**	
	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)	**As at 30 June 2023 RMB'000 (Unaudited)**	As at 31 December 2022 RMB'000 (Audited)
Financial liabilities:				
Interest-bearing bank and other borrowings	**642,221**	551,550	**659,293**	552,685
Financial liabilities at fair value through profit or loss	**–**	211,809	**–**	211,809
	642,221	763,359	**659,293**	764,494

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, 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 Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management of the Group. At each reporting date, the corporate finance team 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 management of the Group. The valuation process and results are discussed with the management of the Group 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 following method and assumption were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings and financial liabilities at fair value through profit or loss 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 Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2023 was assessed to be insignificant.

As at 30 June 2023 and 31 December 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

19. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Liabilities measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Financial liabilities at fair value through profit or loss	—	—	211,809	211,809

Liabilities for which fair values are disclosed:

As at 30 June 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	**Significant observable inputs (Level 2) RMB'000 (Unaudited)**	**Significant unobservable inputs (Level 3) RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Interest-bearing bank and other borrowings	**—**	**659,293**	**—**	**659,293**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Interest-bearing bank and other borrowings	—	552,685	—	552,685

20. Approval of the Interim Financial Information

The Interim Financial Information was approved and authorised for issue by the Board on 29 August 2023.