

建發物業管理集團有限公司

C&D Property Management Group Co., Ltd

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 2156

2023

INTERIM REPORT



國內一流的城市空間運營服務商
a first class urban service operator in the PRC

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Qiao Haixia (*Chief Executive Officer*)

Mr. Huang Danghui

Non-executive Directors

Mr. Lin Weiguo (*Chairman*)

Mr. Xu Yixuan

Independent Non-executive Directors

Mr. Lee Cheuk Yin Dannis

Mr. Li Kwok Tai James

Mr. Wu Yat Wai

AUDIT COMMITTEE

Mr. Lee Cheuk Yin Dannis (*Committee Chairman*)

Mr. Li Kwok Tai James

Mr. Wu Yat Wai

REMUNERATION COMMITTEE

Mr. Wu Yat Wai (*Committee Chairman*)

Mr. Lin Weiguo

Mr. Lee Cheuk Yin Dannis

Mr. Li Kwok Tai James

NOMINATION COMMITTEE

Mr. Lin Weiguo (*Committee Chairman*)

Mr. Lee Cheuk Yin Dannis

Mr. Li Kwok Tai James

Mr. Wu Yat Wai

COMPANY SECRETARY

Ms. Kam Mei Ha Wendy (*FCG, HKFCG*)

AUTHORISED REPRESENTATIVES

Ms. Qiao Haixia

Ms. Kam Mei Ha Wendy (*FCG, HKFCG*)

REGISTERED OFFICE

2/F, Palm Grove House

P.O. Box 3340

Road Town, Tortola

British Virgin Islands ("BVI")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3517, 35/F

Wu Chung House

213 Queen's Road East

Wan Chai

Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Unit 703, 7th Floor

C&D International Building

No.1699 Huandao East Road

Xiamen, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE BVI

Tricor Services (BVI) Limited

2/F, Palm Grove House

P.O. Box 3340

Road Town, Tortola

BVI

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Grant Thornton Hong Kong Limited

LEGAL ADVISER AS TO HONG KONG LAWS

King & Wood Mallesons

PRINCIPAL BANKER

Bank of China

COMPANY'S WEBSITE

www.cndservice.com
(the contents of which do not form part of this report)

STOCK CODE

2156

* The English translation of the name of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “Board”) of directors (the “Directors”) of C&D Property Management Group Co., Ltd (the “Company”) is pleased to announce the following unaudited interim consolidated results of the Company and its subsidiaries (collectively, the “Group” or “We”) for the six months ended 30 June 2023 (the “Period”).

| | Notes | For the six months ended 30 June 2023 RMB'000 (Unaudited) | For the six months ended 30 June 2022 RMB'000 (Unaudited) |
|--|-------|---|---|
| Revenue | 3 | 1,372,997 | 997,018 |
| Cost of sales | | (1,021,258) | (741,369) |
| Gross profit | | 351,739 | 255,649 |
| Other income | | 6,211 | 5,973 |
| Selling and marketing expenses | | (2,440) | (306) |
| Administrative and other operating expenses | | (153,835) | (112,795) |
| Provision for expected credit losses allowance on trade and other receivables, net | | (5,259) | (3,638) |
| Finance income, net | | 39,614 | 34,300 |
| Share of results of associates | | (677) | (3) |
| Profit before income tax | | 235,353 | 179,180 |
| Income tax expense | 4 | (59,490) | (45,845) |
| Profit for the period | | 175,863 | 133,335 |
| Other comprehensive income | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation of financial statements of foreign operations | | 34,175 | 20,941 |
| Total comprehensive income for the period | | 210,038 | 154,276 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | For the six months ended 30 June 2023 RMB'000 (Unaudited) | For the six months ended 30 June 2022 RMB'000 (Unaudited) |
|--|-------|--|--|
| Profit for the period attributable to: | | | |
| — Equity holders of the Company | | 171,907 | 130,420 |
| — Non-controlling interests | | 3,956 | 2,915 |
| | | 175,863 | 133,335 |
| Profit and total comprehensive income attributable to: | | | |
| — Equity holders of the Company | | 206,082 | 151,361 |
| — Non-controlling interests | | 3,956 | 2,915 |
| | | 210,038 | 154,276 |
| Earnings per share attributable to the equity holders of the Company (expressed in RMB per share) | | | |
| Basic | 6(a) | 0.13 | 0.10 |
| Diluted | 6(b) | 0.13 | 0.10 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--|-------|--|--|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 35,905 | 35,572 |
| Right-of-use assets | | 29,469 | 21,527 |
| Interests in associates | | 659 | 1,337 |
| Goodwill | | 59,634 | 59,634 |
| Intangible assets | | 14,578 | 16,564 |
| Deferred tax assets | | 17,311 | 15,023 |
| | | 157,556 | 149,657 |
| Current assets | | | |
| Inventories | | 212,435 | 39,602 |
| Trade and other receivables | 7 | 637,344 | 358,102 |
| Amounts due from related parties | 10(a) | 31,746 | 23,164 |
| Restricted bank deposits | 8 | 19,813 | 32,929 |
| Cash and cash equivalents | 8 | 2,651,826 | 2,703,119 |
| | | 3,553,164 | 3,156,916 |
| Current liabilities | | | |
| Trade and other payables | 9 | 1,040,957 | 941,180 |
| Contract liabilities | 3(a) | 1,092,349 | 990,085 |
| Amounts due to related parties | 10(b) | 7,963 | 126 |
| Income tax payables | | 73,043 | 68,963 |
| Interest-bearing borrowings | | 1,500 | 1,500 |
| Lease liabilities | | 7,191 | 3,607 |
| | | 2,223,003 | 2,005,461 |
| Net current assets | | 1,330,161 | 1,151,455 |
| Total assets less current liabilities | | 1,487,717 | 1,301,112 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|---|--|
| Non-current liabilities | | |
| Interest-bearing borrowings | 8,500 | 8,500 |
| Lease liabilities | 17,296 | 11,972 |
| Deferred tax liabilities | 7,452 | 7,937 |
| | 33,248 | 28,409 |
| Net assets | 1,454,469 | 1,272,703 |
| CAPITAL AND RESERVES | | |
| Share capital | 11 11,348 | 11,286 |
| Reserves | 1,413,467 | 1,234,471 |
| Equity attributable to the equity holders of the Company | 1,424,815 | 1,245,757 |
| Non-controlling interests | 29,654 | 26,946 |
| Total equity | 1,454,469 | 1,272,703 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Items disclosed | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|--|---------------------------|---|---------------------------|-------------------------------|------------------------------|------------------------------|----------------------|--------------------------------------|-------------------------|
| | Share capital RMB'000 | Shares held for restricted shares incentive scheme* RMB'000 | Share premium* RMB'000 | Share-based payment reserve* RMB'000 | Other reserve* RMB'000 | Statutory reserve* RMB'000 | Exchange reserve* RMB'000 | Retained profits* RMB'000 | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| Balance at 1 January 2022 | 11,286 | (56,086) | 500,084 | 2,607 | 85,775 | 62,235 | 530 | 404,978 | 1,011,409 | 19,849 | 1,031,258 |
| Total comprehensive income | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | 130,420 | 130,420 | 2,915 | 133,335 |
| Other comprehensive income | | | | | | | | | | | |
| — Exchange differences on translation of financial statements of foreign operations | - | - | - | - | - | - | - | 20,941 | 20,941 | - | 20,941 |
| Profit and total comprehensive income for the period | - | - | - | - | - | - | - | 151,361 | 151,361 | 2,915 | 154,276 |
| Transactions with owners | | | | | | | | | | | |
| — 2021 final dividend approved | - | - | (68,565) | - | - | - | - | - | (68,565) | - | (68,565) |
| — Capital contribution from non-controlling interests | - | - | - | - | - | - | - | - | - | 2,480 | 2,480 |
| — Recognition of share-based payment, net of taxation | - | - | - | 7,600 | - | - | - | - | 7,600 | - | 7,600 |
| — Repurchase of shares | - | 985 | - | - | - | - | - | - | 985 | - | 985 |
| | - | 985 | (68,565) | 7,600 | - | - | - | - | (59,980) | 2,480 | (57,500) |
| Balance at 30 June 2022 (unaudited) | 11,286 | (55,101) | 431,519 | 10,207 | 85,775 | 62,235 | 530 | 556,339 | 1,102,790 | 25,244 | 1,128,034 |

* The total of these amounts as at each reporting date represent "Reserves" in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|----------------|------------------------------|----------------|--------------------|-------------------|-------------------|-----------|---------------------------|--------------|
| | Share capital | Shares held for restricted shares incentive scheme* | Share premium* | Share-based payment reserve* | Other reserve* | Statutory reserve* | Exchange reserve* | Retained profits* | Sub-total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2023 | 11,286 | (53,637) | 433,192 | 18,143 | 87,798 | 62,235 | 34,550 | 652,190 | 1,245,757 | 26,946 | 1,272,703 |
| Total comprehensive income | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | 171,907 | 171,907 | 3,956 | 175,863 |
| Other comprehensive income | | | | | | | | | | | |
| — Exchange differences on translation of financial statements of foreign operations | - | - | - | - | - | - | 34,175 | - | 34,175 | - | 34,175 |
| Profit and total comprehensive income for the year | - | - | - | - | - | - | 34,175 | 171,907 | 206,082 | 3,956 | 210,038 |
| Transactions with owners | | | | | | | | | | | |
| — Issue of restricted shares under the restricted shares incentive scheme | 62 | (14,880) | 14,818 | - | - | - | - | - | - | - | - |
| — Recognition of share-based payment, net of taxation | - | - | - | 7,878 | - | - | - | - | 7,878 | - | 7,878 |
| — 2022 final dividend approved | - | - | (34,902) | - | - | - | - | - | (34,902) | - | (34,902) |
| — Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | (1,248) | (1,248) |
| | 62 | (14,880) | (20,084) | 7,878 | - | - | - | - | (27,024) | (1,248) | (28,272) |
| Balance at 30 June 2023 (unaudited) | 11,348 | (68,517) | 413,108 | 26,021 | 87,798 | 62,235 | 68,725 | 824,097 | 1,424,815 | 29,654 | 1,454,469 |

* The total of these amounts as at the reporting date represent "Reserves" in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | For the six months ended 30 June 2023 RMB'000 (Unaudited) | For the six months ended 30 June 2022 RMB'000 (Unaudited) |
|---|-------|--|--|
| Net cash used in operating activities | | (56,890) | (312,486) |
| Net cash from investing activities | | 10,144 | 9,427 |
| Net cash used in financing activities | | (4,547) | (1,388) |
| Net decrease in cash and cash equivalents | | (51,293) | (304,447) |
| Cash and cash equivalents as at 1 January | | 2,703,119 | 2,261,445 |
| Cash and cash equivalents as at 30 June | 8 | 2,651,826 | 1,956,998 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

C&D Property Management Group Co., Ltd (the “Company”) was incorporated as a company with limited liability in the British Virgin Islands (“BVI”) on 4 May 2016. The address of the registered office of the Company is 2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, BVI and its principal place of business in Hong Kong is located at Room 3517, 35/F, Wu Chung House, 213 Queen’s Road East, Wan Chai, Hong Kong.

The Company is an investment holding company and has not carried out any business since its incorporation. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of property management services, community value-added and synergy services, the value-added services to non-property owners and commercial property operation management services in the People’s Republic of China (the “PRC”).

On 31 December 2020, the Company had its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (“the Listing”).

The Company’s immediate holding company is C&D International Investment Group Limited (“C&D International”), a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange; Well Land International Limited (“Well Land”), a company incorporated in BVI with limited liability, and C&D Real Estate Corporation Limited* (建發房地產集團有限公司) (“C&D Real Estate”) which was incorporated in the PRC with limited liability are the Company’s intermediate holding companies, whereas the directors of the Company regard Xiamen C&D Corporation Limited* (廈門建發集團有限公司) (“Xiamen C&D”), a state-owned enterprise incorporated in the PRC with limited liability, as the Company’s ultimate holding company and controlling party (the “Controlling Party”).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

2. BASIS OF PREPARATION

The Interim Financial Information is prepared in accordance with Hong Kong Accounting Standards (“HKASs”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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.

(i) Adoption of new and amended HKFRS (“HKFRSs”)

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2023

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2022, except for the adoption of the following new and amended HKFRSs effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

| | |
|---|--|
| 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 |
| HKFRS 17 | Insurance contracts and related amendment |

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

2. BASIS OF PREPARATION *(Continued)*

(ii) Issued but not yet effective HKFRSs

The Group has not early applied the following new and amended HKFRSs which have been issued but are not yet effective.

| | |
|------------------------------------|---|
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or Joint Venture ² |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹ |

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective date not yet determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the Period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

During the six months ended 30 June 2023 and 2022, the Group is principally engaged in the provision of property management services, value-added services and commercial property operation management services in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is monitored to make strategic decision.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue mainly comprises proceeds from property management services, value-added services and commercial property operation management services. An analysis of the Group's revenue by category for the six months ended 30 June 2023 and 2022 is as follows:

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Revenue from customers and recognised over time | | |
| Property management services | 653,946 | 475,113 |
| Value-added services | | |
| — Community value-added and synergy services | 217,723 | 84,482 |
| — Value-added services to non-property owners | 331,005 | 338,641 |
| Commercial property operation management services | 31,880 | — |
| | 1,234,554 | 898,236 |
| Revenue from customers and recognised at point in time | | |
| Value-added services | | |
| — Community value-added and synergy services | 138,443 | 98,782 |
| | 1,372,997 | 997,018 |

Information about major customers

For the six months ended 30 June 2023, revenue from entities controlled by Xiamen C&D and its associates contributed to 36.6% (For the corresponding period of the previous year: 33.2%) of the Group's revenue. Other than entities controlled by Xiamen C&D and associates of Xiamen C&D, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The principal operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the six months ended 30 June 2023 and 2022. As at 30 June 2023 and 2022, substantially all of the specified non-current assets (other than deferred tax assets and financial assets at FVTPL) of the Group were located in the PRC.

(a) Contract liabilities

The Group recognises the following revenue-related contract liabilities:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|--|--|
| Property management services | 416,648 | 262,506 |
| Community value-added and synergy services | 671,625 | 722,625 |
| Value-added services to non-property owners | 3,751 | 4,713 |
| Commercial property operation management services | 325 | 241 |
| | 1,092,349 | 990,085 |

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

(b) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the six months ended 30 June 2023 brought-forward from contract liabilities:

| | For the six months ended 30 June 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
|--|---|--------------------------------|
| Revenue recognised that was included in contract liabilities at the beginning of the period | | |
| Property management services | 225,963 | 165,920 |
| Community value-added and synergy services | 76,141 | 11,295 |
| Value-added services to non-property owners | 4,337 | – |
| Commercial property operation management services | 241 | – |
| | 306,682 | 177,215 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(c) *Unsatisfied performance obligations*

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. For value-added services to non-property owners, the Group expects that the majority of the contract amounts allocated to unsatisfied performance obligations will be recognised as revenue from providing services during the next reporting period.

For community value-added and synergy services, the transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 30 June 2023 is as follows:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 30 June 2022 RMB'000 (Unaudited) |
|--------------------|---|--|
| Within one year | 783,097 | 159,858 |
| More than one year | 31,815 | 700,220 |
| | 814,912 | 860,078 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. INCOME TAX EXPENSE

| | For the six months ended 30 June | |
|-----------------------------------|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Current income tax | | |
| PRC Enterprise Income Tax ("EIT") | 62,264 | 47,403 |
| Deferred tax | (2,774) | (1,558) |
| Total income tax expense | 59,490 | 45,845 |

Notes:

(a) BVI Income tax

Pursuant to the relevant rules and regulations of the BVI, the Group is not subject to any income tax in the BVI during the six months ended 30 June 2023 and 2022.

(b) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the six months ended 30 June 2023 and 2022.

(c) PRC EIT

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2023 and 2022, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the six months ended 30 June 2023 and 2022.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group's PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% from 1 January 2023 to 31 December 2023. The portion of annual taxable income amount, which does not exceed RMB1,000,000, shall be computed at a reduced rate of 12.5%, and be subject to EIT at 20%. And the portion of annual taxable income, which exceeds RMB1,000,000 but does not exceed RMB3,000,000, shall be computed at a reduced rate of 25%, and be subject to EIT at 20%.

5. DIVIDENDS

The Board has resolved not to declare interim dividend for the Period (corresponding period of the previous year: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

6. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022. The earnings per share is calculated by using the weighted average number of ordinary shares of 1,309,162,211 (30 June 2022: 1,336,261,106) shares issued during the Period as follows:

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Profit for the period attributable to equity holders of the Company (RMB'000) | 171,907 | 130,420 |
| Weighted average number of ordinary shares in issue (thousands) | 1,309,162 | 1,336,261 |
| Basic earnings per share (RMB) | 0.13 | 0.10 |

(b) Diluted earnings per share

The restricted shares granted by the Company have potential dilutive effect on earnings per share. Diluted earnings per shares is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption on the conversion of all potential dilutive shares arising from restricted shares granted by the Company (collectively forming the denominator for computing the diluted earnings per share).

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Profit for the period attributable to equity holders of the Company (RMB'000) | 171,907 | 130,420 |
| Weighted average number of ordinary shares in issue (thousands) | 1,309,162 | 1,336,261 |
| Adjustments for restricted shares (thousands) | 33,950 | – |
| Weighted average number of ordinary shares for the calculation of diluted earnings per shares (thousands) | 1,343,112 | 1,336,261 |
| Diluted earnings per share (RMB) | 0.13 | 0.10 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7. TRADE AND OTHER RECEIVABLES

| | Notes | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--|-------|--|--|
| Trade receivables | | | |
| — Third parties | | 291,299 | 169,563 |
| — Related parties | | 215,183 | 81,561 |
| | | 506,482 | 251,124 |
| Less: Provision for ECL allowance of trade receivables | | (12,615) | (10,301) |
| | (a) | 493,867 | 240,823 |
| Other receivables | | | |
| Deposits | | 26,378 | 17,787 |
| Prepayments | | 33,881 | 34,587 |
| Other receivables | | 26,221 | 29,113 |
| Payment on behalf of property owners | | 52,667 | 30,643 |
| Value-added tax receivables | | 10,983 | 8,857 |
| | | 150,130 | 120,987 |
| Less: Provision for ECL allowance of other receivables | | (6,653) | (3,708) |
| | (b) | 143,477 | 117,279 |
| | | 637,344 | 358,102 |

(a) Trade receivables

Trade receivables mainly arise from property management services managed under lump-sum basis and value-added services.

Property management services income under lump-sum basis are received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by property owners upon rendering of services.

Income from value-added services other than smart community services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice. Smart community services income are received in accordance with the terms of the relevant service agreements, and the Group normally allows credit period ranged from 5 days to 60 days to its customers.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The ageing analysis of trade receivables, net of ECL allowance, based on invoice date, is as follows:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--------------|--|--|
| 0–180 days | 388,797 | 185,661 |
| 181–365 days | 85,141 | 34,226 |
| 1–2 years | 12,810 | 16,597 |
| 2–3 years | 4,568 | 3,301 |
| 3–4 years | 2,175 | 755 |
| 4–5 years | 376 | 283 |
| | 493,867 | 240,823 |

(b) Other receivables

The balances mainly represent the payments on behalf of property owners in respect of utilities and maintenance costs of the properties.

8. CASH AND CASH EQUIVALENTS

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---------------------------------------|--|--|
| Cash at banks and on hand | 2,671,639 | 2,736,048 |
| Less: Restricted bank deposits (note) | (19,813) | (32,929) |
| | 2,651,826 | 2,703,119 |

Note: As at 30 June 2023 and 31 December 2022, restricted bank deposits mainly represent the deposits in banks as the maintenance fund held on behalf of the residents according to the requirements of local government authorities and designated bank account for the operation of elderly-care centre.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

8. CASH AND CASH EQUIVALENTS *(Continued)*

As at 30 June 2023, included in cash and cash equivalents of the Group of RMB1,476,772,000 (31 December 2022: RMB2,384,359,000) is denominated in RMB and placed with banks in the PRC.

RMB is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

9. TRADE AND OTHER PAYABLES

| | Note | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|------|--|--|
| Trade payables | | | |
| — Third parties | | 189,637 | 152,897 |
| — Related parties | | 4,326 | 938 |
| | (a) | 193,963 | 153,835 |
| Other payables | | | |
| Accrued charges and other payables | | 92,998 | 95,227 |
| Dividend payables | | 34,902 | – |
| Amounts collected on behalf of property owners | | 183,358 | 133,264 |
| Deposit received | | 188,529 | 156,144 |
| Value-added tax payable | | 84,459 | 94,846 |
| Other tax payables | | 2,121 | 3,380 |
| Staff costs and welfare accruals | | 184,747 | 235,177 |
| Payable in relation to the restricted shares incentive scheme | | 75,880 | 69,307 |
| | | 846,994 | 787,345 |
| | | 1,040,957 | 941,180 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

9. TRADE AND OTHER PAYABLES *(Continued)*

(a) Trade payables

The credit terms of trade payables vary according to the terms agreed with different suppliers. The ageing analysis of the trade payables based on invoice date, is as follows:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---------------|---|--|
| 0 to 30 days | 137,870 | 88,057 |
| 31 to 60 days | 15,644 | 12,380 |
| 61 to 90 days | 16,333 | 6,608 |
| Over 90 days | 24,116 | 46,790 |
| | 193,963 | 153,835 |

10. AMOUNTS DUE FROM/(TO) RELATED PARTIES

(a) Amounts due from related parties

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|------------------------------------|---|--|
| Companies controlled by Xiamen C&D | 31,746 | 23,164 |
| | 31,746 | 23,164 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

10. AMOUNTS DUE FROM/(TO) RELATED PARTIES *(Continued)*

(b) Amounts due to related parties

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|------------------------------------|--|--|
| Companies controlled by Xiamen C&D | 7,963 | 126 |
| | 7,963 | 126 |

As at 30 June 2023 and 31 December 2022, the amounts due from/(to) related parties (except prepayments for amount of underwritten inventory property) are non-trade nature, unsecured, interest-free and repayable on demand.

11. SHARE CAPITAL

| | Number of shares | Nominal value of shares HK\$0.01 | |
|--|---------------------|--|---|
| Authorised | | | |
| As at 31 December 2022 (audited) and 30 June 2023 (unaudited) | 3,000,000,000 | 30,000,000 | |
| | | | |
| | Number of shares | Nominal value of shares HK\$0.01 | Equivalent nominal value of shares RMB'000 |
| Issued and fully paid | | | |
| As at 31 December 2022 (audited) | 1,336,261,106 | 13,362,611 | 11,286 |
| Issue of restricted shares under the restricted shares incentive scheme | 7,050,000 | 70,500 | 62 |
| As at 30 June 2023 (unaudited) | 1,343,311,106 | 13,433,111 | 11,348 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions.

- (a) During the six months ended 30 June 2023 and 2022, the transactions with related parties of the Group carried in the ordinary course of business are as follows:

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Revenue gained from services rendered | | |
| Ultimate holding company | 4,791 | 5,109 |
| Companies controlled by immediate holding company | 382,736 | 251,936 |
| Companies controlled by Xiamen C&D | 61,578 | 44,422 |
| Associates of Xiamen C&D | 54,023 | 29,058 |
| Interest income received from related parties | | |
| Companies controlled by immediate holding company | 22,428 | 22,502 |
| Rentals paid for short-term lease | | |
| Ultimate holding company | – | 898 |
| Rentals paid for lease liabilities | | |
| Ultimate holding company | 1,731 | 1,071 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

- (b) Other than the balances with related parties set out in note 10, the Group also had the following related party balance as at 30 June 2023 and 31 December 2022:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--------------------------|--|--|
| Lease liabilities | | |
| Ultimate holding company | 8,358 | – |

(c) Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Salaries and allowances | 957 | 895 |
| Retirement benefit scheme contributions | 57 | 52 |
| | 1,014 | 947 |

13. EVENTS AFTER THE REPORTING DATE

Save as disclosed elsewhere in this report, no significant events took place subsequent to 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

1. MARKET REVIEW

Constantly driven by economic growth policies following a stable transition of pandemic prevention and control policies in the first half of 2023, the economy as a whole showed a trend of recovery. During the post pandemic era, however, the property management industry continues to face ongoing challenges. On the one hand, as the real estate development and first-hand residential supply have slowed down, existing residential and non-residential properties have become a fiercely contested arena for the industry, making external expansion competition more intense. On the other hand, after experiencing the peak of mergers and acquisitions in the past few years, the industry has returned to rationality, and the business logic has also undergone a transformation: from “pursuing area and scale” to “pursuing quality growth”. Most property management companies began to return to the core of their services, and strengthened the quality of their services by actively listening to customer needs to enhance their brand reputation. Additionally, by focusing on core business, strengthening technology investment, emphasizing refined operations, they strive to become an efficiency-driven property management company.

2. BUSINESS REVIEW

(1) Overview

In April 2023, we were awarded “Top 100 Property Management Companies in China* (中國物業服務百強企業)” by China Index Academy and ranked 25th, with five places improved as compared with 2022. In May 2023, we were also awarded the title of “Leading Enterprise of Listed Property Management Companies in China — the 2nd in Growth Potential* (中國物業管理上市公司領先企業發展潛力第2位)” by CRIC Property Management (克而瑞物管). Through upholding our service philosophy of “exploring new service values to make a better living experience (開拓服務新價值，讓生活更美好)”, we envisage to become an outstanding property management services provider in the PRC and are committed to becoming “a first class urban service operator in the PRC (國內一流的 城市空間運營服務商)”.

As at 30 June 2023, (i) our property management portfolio covered 61 cities across 16 province(s), municipality(ies) and autonomous region(s) in the PRC, representing an increase of 1 city from 60 cities covered as at 31 December 2022; (ii) our contracted GFA was approximately 94.0 million sq.m., among which, the GFA under management reached approximately 50.6 million sq.m.; and (iii) we provided services to over 300,000 households.

Our four main business lines, namely, (i) property management services; (ii) community value-added and synergy services; (iii) value-added services to non-property owners; and (iv) commercial property operation management services, have formed an integrated service offering to our customers and have covered the entire value chain of property management.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Property Management Services

During the Period, our Group’s revenue from property management services was approximately RMB653.9 million, representing an increase of approximately 37.6% from approximately RMB475.1 million for the corresponding period of the previous year. The increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management.

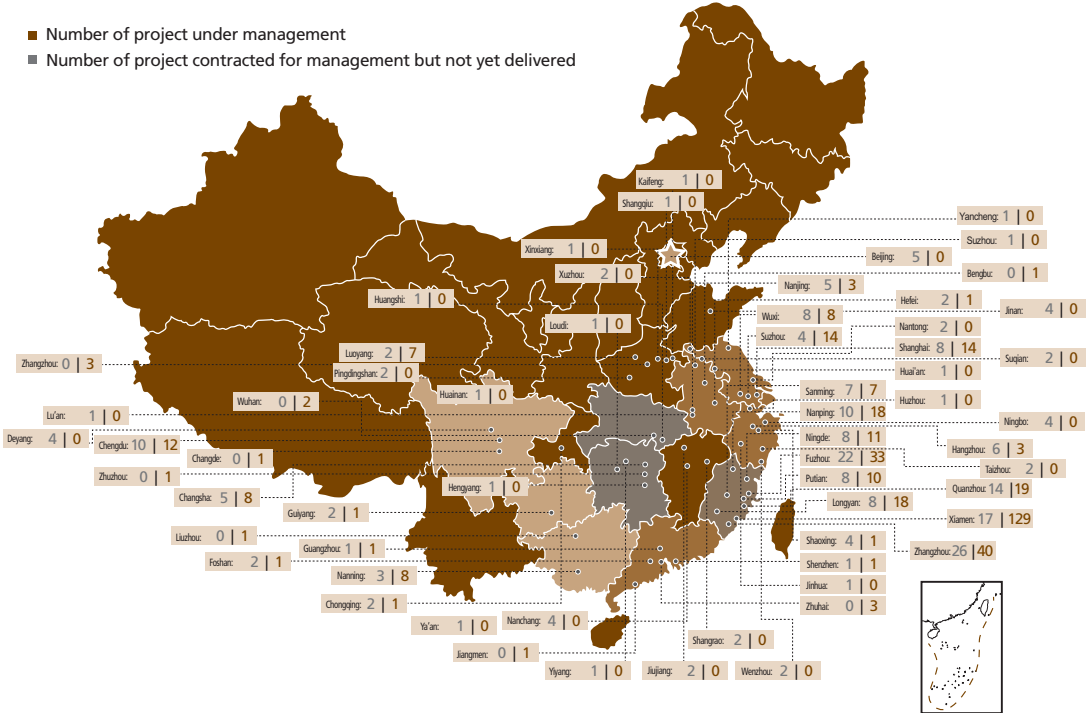
GFA and the number of projects

As at 30 June 2023, we had contracted GFA of approximately 94.0 million sq.m., and our number of contracted projects was 619, representing an increase of approximately 3.8% and 6.0% respectively as compared with those as at 31 December 2022 (as at 31 December 2022: approximately 90.6 million sq.m., and 584). As at 30 June 2023, the GFA under management reached approximately 50.6 million sq.m., and number of projects under management was 382, representing an increase of approximately 9.5% and 8.2% respectively as compared with those as at 31 December 2022 (as at 31 December 2022: approximately 46.2 million sq.m., and 353).

Geographic Coverage

As at 30 June 2023, we had 619 contracted projects covering 61 cities across 16 province(s), municipality(ies) and autonomous region(s) in the PRC, with 382 projects under management, covering 33 cities, serving over 300,000 households.

The map below illustrates the geographic coverage of the properties under our management as at 30 June 2023 in terms of (i) contracted GFA; and (ii) GFA under management, respectively:



MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out breakdown of the Group's contracted GFA and GFA under management by geographic region as at 30 June 2023 and 31 December 2022:

| | As at 30 June 2023 | | As at 31 December 2022 | |
|-------------------------------------|------------------------------|------------------------------------|------------------------------|------------------------------------|
| | Contracted GFA '000 sq.m. | GFA under management '000 sq.m. | Contracted GFA '000 sq.m. | GFA under management '000 sq.m. |
| Haixi Cluster (Note 1) | 54,263 | 31,645 | 52,379 | 28,898 |
| East China Cluster (Note 2) | 20,110 | 9,487 | 18,891 | 8,208 |
| Southeast China Cluster (Note 3) | 19,637 | 9,476 | 19,288 | 9,098 |
| | 94,010 | 50,608 | 90,558 | 46,204 |

Notes:

- As at 30 June 2023 and 31 December 2022, cities in the Haixi Cluster included Longyan, Putian, Quanzhou, Xiamen, Zhangzhou, Foshan, Guangzhou, Jiangmen, Shenzhen, Zhuhai, Liuzhou, Nanning, Guiyang, Changde, Hengyang, Loudi, Yiyang, Changsha, Zhuzhou, Jiujiang, Nanchang, Shangrao, Chengdu, Deyang, Ya'an and Chongqing.
- As at 30 June 2023, cities in the East China Cluster comprised Kaifeng, Bengbu, Hefei, Huainan, Liu'an, Suzhou (宿州), Beijing, Luoyang, Pingdingshan, Shangqiu, Xinxiang, Zhengzhou, Huangshi, Wuhan, Huai'an, Nanjing, Nantong, Suzhou, Suqian, Wuxi, Xuzhou, Yancheng, Jinan and Shanghai. As at 31 December 2022, cities in the East China Cluster comprised Bengbu, Hefei, Huainan, Liu'an, Suzhou (宿州), Beijing, Luoyang, Pingdingshan, Shangqiu, Xinxiang, Zhengzhou, Huangshi, Wuhan, Huai'an, Nanjing, Nantong, Suzhou, Suqian, Wuxi, Xuzhou, Yancheng, Jinan and Shanghai.
- As at 30 June 2023 and 31 December 2022, cities in the Southeast China Cluster comprised Fuzhou, Ningde, Nanping, Sanming, Hangzhou, Huzhou, Jinhua, Ningbo, Shaoxing, Taizhou and Wenzhou.

Source of Projects

As at 30 June 2023, the contracted GFA for property management services with Xiamen C&D and its subsidiaries, associates and joint ventures (excluding our Group) ("Xiamen C&D Group") was approximately 56.7 million sq.m., representing an increase of approximately 3.6% from approximately 54.8 million sq.m. as at 31 December 2022.

While maintaining close business relationship with Xiamen C&D Group, we also further expanded the scale of our property management service business and market share through the expansion in scale of projects from independent third parties. As at 30 June 2023, our contracted GFA for property management services to independent third parties was approximately 37.3 million sq.m., representing an increase of approximately 4.2% from approximately 35.8 million sq.m. as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out the Group's GFA under management as at 30 June 2023 and 30 June 2022 and the breakdown of our revenue from our property management services derived from property projects of Xiamen C&D Group and independent third parties for each of the six months ended 30 June 2023 and 2022:

| | GFA under management '000 sq.m. | As at 30 June or for the six months ended 30 June | | | 2022 | |
|---------------------------|------------------------------------|---|--------------|------------------------------------|--------------------|--------------|
| | | 2023 | % of revenue | GFA under management '000 sq.m. | Revenue RMB'000 | % of revenue |
| Xiamen C&D Group | 30,758 | 388,176 | 59.4 | 21,802 | 267,945 | 56.4 |
| Independent third parties | 19,850 | 265,770 | 40.6 | 15,457 | 207,168 | 43.6 |
| Total | 50,608 | 653,946 | 100.0 | 37,259 | 475,113 | 100.0 |

Types of the Managed Properties

We focused on providing property management services to residential communities in the PRC, but we also endeavoured to diversify our property management portfolio by actively developing high quality non-residential properties, including commercial and office buildings, industrial parks, government buildings and public facilities, hospitals and schools. As at 30 June 2023, our contracted GFA for non-residential properties was approximately 6.3 million sq.m., representing an increase of approximately 13.4% from approximately 5.5 million sq.m. as at 31 December 2022.

The table below sets out the GFA under management as at 30 June 2023 and 30 June 2022 and the breakdown of our revenue from our property management services by type of property for each of the six months ended 30 June 2023 and 2022:

| | GFA under management '000 sq.m. | As at 30 June or for the six months ended 30 June | | | 2022 | |
|-----------------|------------------------------------|---|--------------|------------------------------------|--------------------|--------------|
| | | 2023 | % of revenue | GFA under management '000 sq.m. | Revenue RMB'000 | % of revenue |
| Residential | 46,350 | 519,746 | 79.5 | 33,807 | 352,609 | 74.2 |
| Non-residential | 4,258 | 134,200 | 20.5 | 3,452 | 122,504 | 25.8 |
| Total | 50,608 | 653,946 | 100.0 | 37,259 | 475,113 | 100.0 |

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue Model

We generally determine the revenue model of property management services based on the following factors, including but not limited to: (i) the type(s), scale(s) and location(s) of properties to be managed; (ii) the nature and scope of the services to be provided; (iii) expected personnel and material inputs; and (iv) arm's length negotiation with our customers. During the Period, we mainly charged property management fees on a lump-sum basis, while a few property management service projects were charged on commission basis.

The table below sets out the GFA under management as at 30 June 2023 and 30 June 2022 and the breakdown of our revenue from our property management services by revenue model for each of the six months ended 30 June 2023 and 2022:

| | As at 30 June or for the six months ended 30 June | | | | | |
|------------------|---|--------------------|--------------|------------------------------------|--------------------|--------------|
| | 2023 | | | 2022 | | |
| | GFA under management '000 sq.m. | Revenue RMB'000 | % of revenue | GFA under management '000 sq.m. | Revenue RMB'000 | % of revenue |
| Lump-sum basis | 49,933 | 640,567 | 98.0 | 36,627 | 461,814 | 97.2 |
| Commission basis | 675 | 13,379 | 2.0 | 632 | 13,299 | 2.8 |
| Total | 50,608 | 653,946 | 100.0 | 37,259 | 475,113 | 100.0 |

(3) Community Value-added and Synergy Services

During the Period, a variety of community value-added and synergy services were provided mainly by ourselves or through third-party sub-contractors or service companies. The services mainly included: (i) home living services, such as housekeeping and cleaning services, repair and maintenance services and retail business; (ii) home beauty services, providing turn-key move-in services (拎包入住服務) with one-stop home beauty solutions for overall design, interior home furnishing and appliances installation and home furniture services, etc.; (iii) real estate brokerage and asset management services, including services for secondary sales or rental transactions of properties and/or car parking spaces, and sales agency services for unsold inventory property units of the property developers; (iv) value-added services for public areas, including leasing out public areas and advertising spots; (v) elderly-care & health value-added services, mainly including the operation of C&D Yibai Elderly Care Centre* (建發溢佰養老中心) which provided community elderly-care services and institutional elderly-care services; and (vi) smart community services, mainly design and construction services of smart property management services and operation of our mobile application "Huishenghuo* (慧生活)".

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group's revenue from community value-added and synergy services was approximately RMB356.2 million, representing an increase of approximately 94.3% from approximately RMB183.3 million for the corresponding period of the previous year. The increase was mainly due to the expansion of our customer base as a result of the increase in the area under management, as well as the diversification of our service offerings. For instance, in respect of home beauty services, the Group managed to draw customers' attention and earn their recognition by creating showrooms in key cities, thereby improving the transaction rate. In respect of retail business, the Group continued to enrich the product portfolio with marketing channels diversified to cater for various requirements of residents and increase the product sales. Meanwhile, the Group introduced the "Housekeeping Services Consultant" to each community, effectively promoting housekeeping and cleaning services and maintaining customer relationships, and both order and repurchase rates improved as a result. In respect of smart community services, the Group continued to refine its strength to promote the progress of existing smart projects.

The table below sets out the breakdown of our revenue derived from the provision of different types of community value-added and synergy services for each of the six months ended 30 June 2023 and 2022:

| | For the six months ended 30 June | | | |
|---|----------------------------------|--------------|--------------------|-------|
| | 2023 | | 2022 | |
| | Revenue RMB'000 | % | Revenue RMB'000 | % |
| Home living services | 96,019 | 27.0 | 62,413 | 34.0 |
| Smart community services | 79,408 | 22.3 | 37,778 | 20.6 |
| Real estate brokerage and asset management services | 42,424 | 11.9 | 31,503 | 17.2 |
| Value-added services for public areas | 33,072 | 9.3 | 23,944 | 13.1 |
| Elderly-care & health value-added services | 20,160 | 5.7 | 16,793 | 9.2 |
| Home beauty services | 85,083 | 23.8 | 10,833 | 5.9 |
| Total | 356,166 | 100.0 | 183,264 | 100.0 |

MANAGEMENT DISCUSSION AND ANALYSIS

(4) Value-added Services to Non-property Owners

During the Period, we mainly provided (i) consultancy services to property developers and other non-property owners during the property development and construction stages on aspects such as project design and construction materials from the perspective of property management and operation and requirement of the property owners; and (ii) reception, order maintenance and cleaning services to property developers and other non-property owners at the pre-sales centres.

During the Period, the Group's revenue from value-added services to non-property owners was approximately RMB331.0 million, representing a decrease of approximately 2.3% from approximately RMB338.6 million for the corresponding period of the previous year. The decrease was mainly due to a decrease in the number of pre-sales centres required by cooperative property developers for cost-saving.

The table below sets out the breakdown of our revenue from our value-added services to non-property owners for each of the six months ended 30 June 2023 and 2022:

| | For the six months ended 30 June | | | |
|---|----------------------------------|-------|--------------------|-------|
| | 2023 | | 2022 | |
| | Revenue RMB'000 | % | Revenue RMB'000 | % |
| Consultancy services | 2,912 | 0.9 | 2,412 | 0.7 |
| Reception, order maintenance and cleaning services | 328,093 | 99.1 | 336,229 | 99.3 |
| Total | 331,005 | 100.0 | 338,641 | 100.0 |

(5) Commercial Property Operation Management Services

Since September 2022, we have been providing commercial property operation management services to promote complementary advantages, making the Group an asset-light service provider of "property management + commercial operation", as well as broaden and enrich our business foundation. We provided commercial property operation management services to owners of various types of commercial properties such as office buildings and shopping malls. We provided commercial property operation management services to: (i) commercial properties during pre-opening stage, such as positioning, planning and design consultancy services, etc.; and (ii) established commercial properties, such as provision of tenant and lease management, operation management and planning and marketing services.

During the Period, our revenue from commercial property operation management services was approximately RMB31.9 million. As at 30 June 2023, we provided services to 21 business projects and the area of the commercial properties under management of the Group was 1.01 million sq.m..

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL REVIEW

Revenue

During the Period, due to our continuous business development, the Group's revenue was approximately RMB1,373.0 million, representing an increase of approximately 37.7% from approximately RMB997.0 million for the corresponding period of the previous year.

The table below sets out the revenue of the Group by business line for each of the six months ended 30 June 2023 and 2022:

| | For the six months ended 30 June | | | |
|---|----------------------------------|--------------|---------|-------|
| | 2023 | | 2022 | |
| | RMB'000 | % | RMB'000 | % |
| Property management services | 653,946 | 47.7 | 475,113 | 47.6 |
| Community value-added and synergy services | 356,166 | 25.9 | 183,264 | 18.4 |
| Value-added services to non-property owners | 331,005 | 24.1 | 338,641 | 34.0 |
| Commercial property operation management services | 31,880 | 2.3 | – | – |
| Total | 1,372,997 | 100.0 | 997,018 | 100.0 |

Property management services was our largest source of revenue. During the Period, the revenue from property management services was approximately RMB653.9 million, accounting for approximately 47.7% of the Group's total revenue. The revenue from property management services increased by approximately 37.6% from approximately RMB475.1 million for the corresponding period of the previous year, which was primarily driven by the fast growth of our total GFA under management. During the Period, our total GFA under management increased from approximately 46.2 million sq.m. as at 31 December 2022 to approximately 50.6 million sq.m. as at 30 June 2023, which was resulted from both our steady cooperation with cooperative property developers and our efforts to expand the third-party customer base.

The revenue from community value-added and synergy services increased by approximately 94.3% from approximately RMB183.3 million for the corresponding period of the previous year to approximately RMB356.2 million for the Period, which was mainly due to the increase of our management area which led to the expansion of our customer base, as well as the diversification of service offerings.

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue from value-added services to non-property owners decreased by approximately 2.3% from approximately RMB338.6 million for the corresponding period of the previous year to approximately RMB331.0 million for the Period, which was mainly due to a decrease in the number of pre-sales centres required by cooperative property developers for cost-saving.

Since September 2022, we have been providing commercial property operation management services to broaden and enrich our business foundation. During the Period, the revenue from the commercial property operation management services was approximately RMB31.9 million (corresponding period of the previous year: RMB Nil).

Cost of sales

Cost of sales increased by approximately 37.8% from approximately RMB741.4 million for the corresponding period of the previous year to approximately RMB1,021.3 million for the Period, which was primarily due to the increase of the business scale.

Gross profit

As a result of the above principal factors, the Group's gross profit increased by approximately 37.6% from approximately RMB255.6 million for the corresponding period of the previous year to approximately RMB351.7 million for the Period, with gross profit margin of approximately 25.6%, which remained stable as compared with approximately 25.6% of the corresponding period of the previous year.

Other income

Other income was approximately RMB6.2 million for the Period, representing an increase of approximately 4.0% from approximately RMB6.0 million for the corresponding period of the previous year.

Selling and marketing expenses

During the Period, the Group's selling and marketing expenses were approximately RMB2.4 million, representing an increase of approximately RMB2.1 million from approximately RMB0.3 million for the corresponding period of the previous year, which was mainly due to the increase of the planning and promotion expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and other operating expenses

The Group's administrative and other operating expenses mainly included staff cost (including costs of the 2021 restricted share incentive scheme), travelling and entertainment expenses, consultancy fee, telecommunication and utilities, depreciation, office expenses and other expenses (mainly including bank handling fees, gains and losses on disposal of assets and insurance fees).

During the Period, the Group's total administrative and other operating expenses amounted to approximately RMB153.8 million, representing an increase of approximately 36.4% from approximately RMB112.8 million for the corresponding period of the previous year, which was mainly due to the growth of our business volume and new commercial property operation management services, increase in headcount and average wages of administration staff as well as increase in office expenses, travelling and entertainment expenses, consultancy fee due to expansion of our business scale and new commercial property operation management services.

Net provision for expected credit losses ("ECL") allowance on trade and other receivables

The Group's net provision for ECL allowance on trade and other receivables increased from approximately RMB3.6 million for the corresponding period of the previous year to approximately RMB5.3 million for the Period, representing an increase of approximately RMB1.7 million, which was mainly due to an increase in trade receivables.

Net finance income

The Group's net finance income mainly included interest income on bank deposit, interest income on amounts due from related parties, and lease liability interest relating to lease liabilities arising from leased properties used for office. During the Period, the Group's net finance income was approximately RMB39.6 million, representing an increase of approximately 15.5% as compared with approximately RMB34.3 million for the corresponding period of the previous year, which was mainly due to the increase in interest income on bank deposit.

Profit before income tax

Due to the combined effect of the abovementioned factors, the profit before income tax for the Period was approximately RMB235.4 million, representing an increase of approximately 31.3% as compared with approximately RMB179.2 million for the corresponding period of the previous year.

Income tax expense

Income tax expense increased from approximately RMB45.8 million for the corresponding period of the previous year to approximately RMB59.5 million for the Period, representing an increase of approximately 29.8%. The increase was mainly attributable to an increase in the Group's profit before income tax due to its business growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period attributable to equity holders of the Company

The profit for the Period attributable to equity holders of the Company was approximately RMB171.9 million, representing an increase of approximately 31.8% as compared with approximately RMB130.4 million for the corresponding period of the previous year.

Property, plant and equipment

Property, plant and equipment of the Group mainly consisted of leasehold improvement, office equipment and other fixed assets. As at 30 June 2023, the Group's property, plant and equipment amounted to approximately RMB35.9 million, representing an increase of approximately 0.9% from approximately RMB35.6 million as at 31 December 2022, which was mainly due to the increase of the demand for office equipment as a result of the scale-up of the business.

Trade and other receivables

The Group's trade and other receivables were mainly from property management services income from properties managed on a lump-sum basis and trade receivables of value-added services as well as other receivables from payments on behalf of property owners and residents in respect of utilities and maintenance costs. As at 30 June 2023, the Group's trade and other receivables were approximately RMB637.3 million, representing an increase of approximately 78.0% as compared with approximately RMB358.1 million as at 31 December 2022, which was mainly due to the expansion of our management scale and part of the income from the value-added services to non-property owners had not reached the agreed settlement period.

Cash and cash equivalents

As at 30 June 2023, the Group's cash and cash equivalents were approximately RMB2,651.8 million, representing a decrease of approximately 1.9% from approximately RMB2,703.1 million as at 31 December 2022, which was mainly due to the fact that the advance receipts from home beauty services for home furniture services in previous years were utilised during the Period to finance the related business costs for conducting such services.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other payables

The Group's trade and other payables mainly included dividends payable, trade payables, amounts collected on behalf of property owners, received deposits (保證金) and accrued staff costs and welfares. As at 30 June 2023, our trade and other payables were approximately RMB1,041.0 million, representing an increase of approximately 10.6% from approximately RMB941.2 million as at 31 December 2022, which was mainly due to the expansion of property management scale and declaration of the final dividend for the year ended 31 December 2022 on 30 March 2023.

Contract liabilities

Contract liabilities of the Group were service prepayment paid by customers for the services which had not been provided and not been recognised as revenue. As at 30 June 2023, our contract liabilities amounted to approximately RMB1,092.3 million, representing an increase of approximately 10.3% from approximately RMB990.1 million as at 31 December 2022, which was primarily due to the increase in projects under management during the Period.

Liquidity and financial resources

The Group continued to satisfy its requirement for working capital, capital expenditure and other capital requirement through cash generated from its operation. During the Period, the Group's net cash inflow from operating activities was approximately RMB(56.9) million, representing an increase of approximately RMB255.6 million from approximately RMB(312.5) million for the corresponding period of the previous year, which was mainly due to the increased return on capital resulting from increased scale of property management and business offerings.

As at 30 June 2023, the net current assets of the Group was approximately RMB1,330.2 million, representing an increase of approximately RMB178.7 million from net current assets of approximately RMB1,151.5 million as at 31 December 2022, which was mainly due to the increase of accounts receivables as a result of the increase of business scale. As at 30 June 2023, the Group's current ratio was approximately 1.6x (total current assets divided by total current liabilities) (as at 31 December 2022: approximately 1.6x).

As at 30 June 2023, the Group's gearing ratio (sum of current liabilities and non-current liabilities divided by sum of current assets and non-current assets) was 60.8% (as at 31 December 2022: approximately 61.5%).

As at 30 June 2023, the borrowings of the Group were RMB10.0 million (as at 31 December 2022: RMB10.0 million). Saved as disclosed herein, as at 30 June 2023, the Group did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans (as at 31 December 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Risks and Uncertainties

Government Policy Risk

The Company's business growth is, and will likely continue to be affected by the PRC government regulations or policies of our industry. The PRC government may introduce regulations or policies to restrict or reduce property development activities and affect the delivery schedule and occupancy rates of the properties which the Group provides services to. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations. The Group will continue to enrich the business structure to ensure a stable property management revenue, thereby minimizing the impact.

Future Acquisition or Expansion Risk

When suitable opportunities arise, the Company will also explore selective investments or acquisitions of other property management companies in the PRC. However, there can be no assurance that the Company will be able to identify suitable opportunities. Acquisitions involve uncertainties and risks, including but not limited to, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve the intended objectives, benefits or revenue-enhancing opportunities, and diversion of resources and management attention. Even if the Company manages to identify suitable opportunities, the Company may not be able to complete the acquisitions on terms favourable or acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects. Given the above, the Company will identify acquisition targets in a cautious manner.

Contingent liabilities

As at 30 June 2023, the Group had no significant contingent liabilities.

Charge of assets

As at 30 June 2023, the Group's assets were not charged to third parties.

Interest rate risk

As the Group had no significant interest-bearing assets and liabilities for the Period, the Group was not exposed to material risk directly relating to changes in market interest rate.

Foreign exchange risk

The principal activities of the Group were conducted in the PRC, and a majority of the Group's income and expenses were denominated in Renminbi. Therefore, the Group was not exposed to material risk directly relating to foreign exchange rate fluctuation except certain bank balances were denominated in Hong Kong dollars. During the Period, the Group did not enter into forward contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

Significant investments

During the Period, the Group did not hold any significant investment or significant securities investment as part of its asset portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

Material acquisitions and disposals of subsidiaries, joint ventures and associates

During the Period, the Group had no material acquisition or disposal of subsidiaries, joint ventures and associates.

Events after the Period

As of the date of this announcement, the Group did not have material subsequent events after the reporting period.

Employment and remuneration policy

The Group adopted remuneration policies similar to its peers in the industry. The remuneration payable to our staff was fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessments was paid to employees to reward their contributions. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for our employees. A restricted share incentive scheme was adopted by the Group to motivate the management and core staff of the Company.

The same remuneration philosophy is applicable to the Directors. Apart from benchmarking against the market, the Company reviews individual competence, contributions and the affordability of the Company in determining the exact level of remuneration for each Director.

As at 30 June 2023, the Group had 13,558 employees (as at 31 December 2022: 13,897 employees).

4. OUTLOOK AND PROSPECT

In the second half of 2023, the Company will continue to uphold the service philosophy of “developing new value of service, making life better” and strive for high-quality development. With the core tasks of “market breakthrough, quality enhancement and operational efficiency improvement”, the Company aims to accelerate the expansion of its market share in property management, continuously advance the deep development of value-added services in communities, and enhance the quality and efficiency of property management services through lean management and digital and intelligent empowerment. The Company is committed to creating a better living environment and value for its customers.

1. Adhering to the foundation of quality, focusing on refined management, and comprehensively improving operational efficiency

The Company firmly pursues high-quality growth driven by the long-term doctrine, and will continue to focus on the improvement of operation and service quality through refined service system. The Company will consolidate the main business of service, and strengthen service awareness by adhering to the service concept of “customer-centric” as well as timely feedback and effective treatment of customer requirements, so as to comprehensively improve service quality and customer satisfaction. Furthermore, through the empowerment of information technology tools and training systems, the Company aims to promote development through quality and achieve quality-driven efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Firmly deepening the cultivation of urban development, increasing project concentration and promoting large-scale development

The Company will continuously deepen its presence in high-quality regions and core business sectors, consolidate the concentration of core cities, strengthen differentiated advantages in specific market segments, promote large-scale development to a higher level, and further optimize business structure. In terms of concentration improvement, the Company will adopt the strategy of “based in Xiamen, going out of Fujian and facing the whole country”. With the residential business as the core, the Company will invest balanced efforts into the high-quality diversified business types such as medium to high-end commercial office buildings, industrial parks, hospitals and schools, and vigorously expand quality, structured and sustainable incremental business. The Company will improve its bidding capability, facilitate effective execution and transformation of market expansion, and promote large-scale development by strengthening team building, enhancing market research and analysis, and developing benchmark projects.

3. Focusing on research and development to achieve digital management and improve management efficiency

The Company will continuously drive technology-enabled property by utilizing digital means to achieve refined management and operation. Focusing on technological innovation and further upgrading intelligent information technology systems, the Company aims to improve operational efficiency and enhance customer experience. In terms of management efficiency, attention will be paid to the integration of business processes through system upgrades and development, which will contribute to smoother daily operations, reduced labor costs, maximized operational benefits, and ultimately, improved profitability.

4. Extending the boundaries of property management services and vertically building a specialized service value chain

In the second half of 2023, the Company will accelerate the replication and promotion of mature business models. We will continue to focus on core value-added services by leveraging product strength, service capabilities and marketing power to convert customer demand, and make it closely align with the core business through integrating supply resources. For community value-added services, we will continue to focus on the experience of property owners to further improve the service system, and seek to speed up the transformation of its business advantages from resources to a combination of products and services by refining specialized products and developing self-operated supply capabilities.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the Shares of the Company

| Name of Director | Capacity/Nature of interests | Number of issued Shares/ underlying Shares held | Approximate percentage of interest in the Company (Note 1) |
|-------------------|---|--|---|
| Mr. Lin Weiguo | Interest of controlled corporation | 52,412,000 (Note 2) | 3.90% |
| Ms. Qiao Haixia | Beneficiary of a trust | 770,561 (Note 2) | 0.06% |
| | Beneficiary of a trust (other than a discretionary interest) | 600,000 (Note 3) | 0.04% |
| | Beneficial owner | 32,000 | 0.002% |
| Mr. Huang Danghui | Beneficiary of a trust | 513,690 (Note 2) | 0.04% |
| | Beneficiary of a trust (other than a discretionary interest) | 600,000 (Note 3) | 0.04% |
| Mr. Xu Yixuan | Beneficiary of a trust | 1,541,070 (Note 2) | 0.11% |

Notes:

1. The percentage of shareholding was calculated based on the Company's total number of 1,343,311,106 Shares in issue as at 30 June 2023.
2. These Shares were registered in the name of Diamond Firetail Limited ("Diamond Firetail"), a company incorporated in the BVI and a wholly-owned subsidiary of Tricor Equity Trustee Limited ("Tricor Equity Trustee"). Tricor Equity Trustee is a trustee of a discretionary trust, while Mr. Lin Weiguo is one of the protectors of the said discretionary trust. Ms. Qiao Haixia, Mr. Huang Danghui and Mr. Xu Yixuan are beneficiaries of the said discretionary trust. Therefore, Mr. Lin Weiguo is deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO. As a beneficiary of the trust, each of Ms. Qiao Haixia, Mr. Huang Danghui and Mr. Xu Yixuan is deemed to be beneficially interested in the portion of the Shares held by Diamond Firetail corresponding to their respective beneficial interest.
3. The 2021 restricted share incentive scheme (the "Incentive Scheme") of the Company was approved at the extraordinary general meeting of the Company on 27 September 2021 and 35,300,000 ordinary shares of the Company were issued to the trustee of the Incentive Scheme, who shall hold the ordinary shares of the Company on behalf of the incentive recipients of the Incentive Scheme. Being the incentive recipients of the Incentive Scheme, each of Ms. Qiao Haixia and Mr. Huang Danghui is interested in 600,000 and 600,000 ordinary shares of the Company held on trust by the trustee respectively, which are subject to vesting.

OTHER INFORMATION

Long positions in the shares of the Company's associated corporation

| Name of Director | Name of associated corporation | Capacity/Nature of interests | Number of issued shares/underlying shares held | Approximate percentage of shareholding in issued share capital (Note 1) |
|-------------------|--------------------------------|--|--|---|
| Mr. Lin Weiguo | C&D International | Interest of controlled corporation | 31,010,506 (Note 2) | 1.78% |
| | C&D International | Beneficiary of a trust (other than a discretionary interest) | 774,000 (Note 3) | 0.04% |
| Ms. Qiao Haixia | C&D International | Beneficial owner | 116,000 (Note 4) | 0.01% |
| | C&D International | Beneficiary of a trust | 455,916 (Note 2) | 0.03% |
| | C&D International | Beneficial owner | 32,000 | 0.002% |
| Mr. Huang Danghui | C&D International | Beneficiary of a trust | 303,934 (Note 2) | 0.02% |
| Mr. Xu Yixuan | C&D International | Beneficiary of a trust | 911,802 (Note 2) | 0.05% |
| | C&D International | Beneficiary of a trust (other than a discretionary interest) | 698,000 (Note 3) | 0.04% |
| | C&D International | Beneficial owner | 112,000 (Note 4) | 0.01% |

Notes:

- The percentage of shareholding was calculated based on C&D International's total number of 1,738,020,891 ordinary shares in issue as at 30 June 2023.
- These ordinary shares of C&D International were registered in the name of Diamond Firetail, a company incorporated in the BVI and a wholly-owned subsidiary of Tricor Equity Trustee. Tricor Equity Trustee is a trustee of a discretionary trust, while Mr. Lin Weiguo is one of the protectors of the said discretionary trust. Ms. Qiao Haixia, Mr. Huang Danghui and Mr. Xu Yixuan are beneficiaries of the said discretionary trust. Therefore, Mr. Lin Weiguo is deemed to be interested in the ordinary shares of C&D International held by Diamond Firetail by virtue of the SFO. As a beneficiary of the trust, each of Ms. Qiao Haixia, Mr. Huang Danghui and Mr. Xu Yixuan is deemed to be beneficially interested in the ordinary shares of C&D International held by Diamond Firetail.
- 35,300,000 ordinary shares of C&D International were allotted and issued to the trustee of the 2021 restricted share incentive scheme of C&D International (the "CDI 2021 Incentive Scheme"), who held ordinary shares of C&D International on behalf of the incentive recipients of the CDI 2021 Incentive Scheme. Being the incentive recipients of the CDI 2021 Incentive Scheme, each of Mr. Lin Weiguo and Mr. Xu Yixuan is interested in 174,000 and 168,000 ordinary shares of C&D International held on trust by the trustee, respectively, which are subject to vesting. 100,000,000 ordinary shares of C&D International were allotted and issued to the trustee of the 2022 restricted share incentive scheme of C&D International (the "CDI 2022 Incentive Scheme"), who held ordinary shares of C&D International on behalf of the incentive recipients of the CDI 2022 Incentive Scheme. Pursuant to the CDI 2022 Incentive Scheme, being the incentive recipients of the 2022 Incentive Scheme, each of Mr. Lin Weiguo and Mr. Xu Yixuan is interested in 600,000 and 530,000 ordinary shares of C&D International held on trust by the trustee, respectively, which are subject to vesting.
- Pursuant to the CDI 2021 Incentive Scheme, 116,000 and 112,000 ordinary shares of C&D International were vested to Mr. Lin Weiguo and Mr. Xu Yixuan on 29 June 2023, respectively, after the vesting conditions were fulfilled.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, so far as it was known to any Directors or the chief executive of the Company, the following parties (other than a Director or the chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued Shares and underlying Shares:

| Name of substantial Shareholder | Capacity/Nature of interests | Number of issued Shares/ underlying Shares held | Approximate percentage of interest in the Company (Note 1) |
|--|------------------------------------|--|---|
| C&D International | Beneficial owner | 506,652,388 | 37.72% |
| Well Land | Beneficial owner | 299,499,718 (Note 2) | 22.30% |
| Well Honour International Limited (益鴻國際有限公司) ("Well Honour") | Interest of controlled corporation | 806,152,106 (Note 2) | 60.01% |
| C&D Real Estate | Interest of controlled corporation | 806,152,106 (Note 2) | 60.01% |
| Xiamen C&D Inc. (廈門建發股份有限公司) | Interest of controlled corporation | 806,152,106 (Note 2) | 60.01% |
| Xiamen C&D | Interest of controlled corporation | 806,152,106 (Note 2) | 60.01% |
| Mr. Richard Li | Interest of controlled corporation | 94,711,000 (Note 3) | 7.05% |
| OLP Capital Management Limited | Investment manager | 94,711,000 (Note 3) | 7.05% |
| RCWL Inc. | Interest of controlled corporation | 94,711,000 (Note 3) | 7.05% |
| Mr. Shen Di Fan | Interest of controlled corporation | 94,711,000 (Note 3) | 7.05% |
| Cederberg Capital (Cayman) | Interest of controlled corporation | 91,189,000 (Note 4) | 6.79% |
| Cederberg Capital (Cayman) GP | Interest of controlled corporation | 91,189,000 (Note 4) | 6.79% |
| Mr. Dawid Krige | Interest of controlled corporation | 91,189,000 (Note 4) | 6.79% |
| Dr. Michelle Beatrice Wright Bowie Krige | Interest of controlled corporation | 91,189,000 (Note 4) | 6.79% |

OTHER INFORMATION

Notes:

1. The percentage was calculated based on the Company's total number of 1,343,311,106 Shares in issue as at 30 June 2023.
2. As at 30 June 2023, C&D International held 506,652,388 Shares and C&D International was held as to 56.19% by Well Land. Therefore, Well Land is deemed to be interested in the Shares held by C&D International by virtue of the SFO. Pursuant to the voting rights entrustment agreement dated 29 March 2022, Well Land entrusted C&D International to exercise voting rights of 213,801,777 Shares directly held by Well Land, representing 15.92% of the issued share capital of the Company, while Well Land continues to beneficially own the said Shares and have rights to the dividends, distributions and all other rights and benefits attaching thereto. Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is owned as to 54.65% and 45.35% by Xiamen C&D Inc., a company listed on the Shanghai Stock Exchange (stock code: 600153) and Xiamen C&D, a state-owned group of companies under the supervision of State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government* (廈門市人民政府國有資產監督管理委員會), respectively. Xiamen C&D is interested in Xiamen C&D Inc. as to 45.15%. Therefore, Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in the Shares held by Well Land by virtue of the SFO.
3. As at 30 June 2023, OceanLink Partners Fund, LP and Cassini Partners, L.P. were interested in 64,062,454 and 30,648,546 Shares, respectively. As at 30 June 2023, OLP Capital Management Limited is the investment manager of OceanLink Partners Fund, LP and Cassini Partners, L.P.. OLP Capital Management Limited is owned by Mr. Shen Di Fan and RCWL Inc. as to 65% and 35%, respectively. RCWL Inc. is a company wholly-owned by Mr. Richard Li. Therefore, each of Mr. Shen Di Fan, Mr. Richard Li, RCWL Inc., and OLP Capital Management Limited is deemed to be interested in the Shares held by OceanLink Partners Fund, LP and Cassini Partners, L.P..
4. As at 30 June 2023, Cederberg Capital Limited was interested in 91,189,000 Shares. Cederberg Capital Limited is a wholly-owned subsidiary of Cederberg Capital (Cayman), with Mr. Dawid Krige and Dr. Michelle Beatrice Wright Bowie Krige being the only substantial shareholders. Cederberg Capital (Cayman) GP is the general partner of Cederberg Capital (Cayman). Therefore, each of Cederberg Capital (Cayman), Cederberg Capital (Cayman) GP, Mr. Dawid Krige and Dr. Michelle Beatrice Wright Bowie Krige is deemed to be interested in the Shares held by Cederberg Capital Limited.

OTHER INFORMATION

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 10 December 2021, the Company and China International Capital Corporation Hong Kong Securities Limited entered into a placing agreement in order to raise capital for the Company while broadening the shareholder base and capital base of the Company. The net proceeds (after deducting the actual expenses relating to the placing) from the placing of 131,300,000 new ordinary Shares (the aggregate nominal value of which was HK\$1,313,000) to two independent third parties, Cederberg Capital Limited and OceanLink Management Ltd., under general mandate was approximately HK\$546 million (representing a net placing price of approximately HK\$4.15 per placing Share), which was based on the placing price of HK\$4.16 per placing Share (the closing price as quoted on the Stock Exchange as at 10 December 2021 was HK\$4.15 per Share). Such net proceeds from the placing had been or will be used in accordance with the intention disclosed in the announcement of the Company dated 10 December 2021.

The table below sets out the planned applications of the net proceeds and actual usage up to 30 June 2023:

| Use of proceeds | Planned applications (HK\$ million) | Percentage of total net proceeds from the placing | Actual usage up to 30 June 2023 (HK\$ million) | Unutilized net proceeds as at 30 June 2023 (HK\$ million) | Actual usage during the Period (HK\$ million) | Expected timeframe for utilizing the unutilized net proceeds |
|---|--|---|---|--|--|--|
| Salaries and benefits of additional relevant staff and employees to be hired for new projects | 191 | 35% | 191 | – | – | – |
| Acquisition and maintenance of equipment and materials needed for services | 57 | 10.5% | 57 | – | – | – |
| Supporting the Group's exploration of new business development directions and enrichment of service content | 115 | 21% | 115 | – | – | – |
| Improvement of AI equipment in projects currently under the Group's management, improvement of its online shopping platform and additional maintenance of operating software and hardware | 19 | 3.5% | 19 | – | – | – |
| Acquisition(s) | 164 | 30% | 52 | 112 | 8 | On or before 31 December 2023 ^(Note) |

Note: Given the market condition and that the Company insisted on maintaining strict standards for merger and acquisition targets and adhering to prudent merger and acquisition strategies, the Company did not utilise the entire proceeds for acquisition during the Period. The Company will consider acquisitions of appropriate targets that could enhance the concentration and layout of key cities and are in line with its own culture if opportunities arise. The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

OTHER INFORMATION

RESTRICTED SHARE INCENTIVE SCHEME

For the purpose of establishing and improving the Company's medium to long-term incentive mechanism to collectively integrate interests of the Shareholders, the Company and the Company's core team, fully motivate the management and core staff of the Company and achieve high-quality development of the Company, the 2021 Restricted Share Incentive Scheme (the "Incentive Scheme") was approved at the extraordinary general meeting of the Company on 27 September 2021. Pursuant to the Incentive Scheme, the Company could allot and issue up to 35,300,000 Shares to the trustee of the Incentive Scheme, who shall hold the Shares on behalf of the incentive recipients of the Incentive Scheme until such Restricted Shares are vested to the relevant incentive recipient(s) under the Incentive Scheme.

On 4 November 2021, the Company completed the allotment and issue of 28,250,000 Restricted Shares (the "Initial Grant") under the Incentive Scheme. The closing price of the Shares immediately before the grant date of the Initial Grant was HK\$4.17 per Share.

On 15 December 2022, the Board resolved to grant a total of 7,050,000 Restricted Shares (the "Reserved Grant") under the Incentive Scheme, and such Restricted Shares remained available for grant under the scheme mandate on 1 January 2023. Details of the grant were disclosed in the announcement and circular of the Company dated 15 December 2022 and 17 January 2023, respectively. At the extraordinary general meeting of the Company held on 10 February 2023, the resolution approving the grant of 2,630,000 Restricted Shares to 25 directors, supervisors and general managers of the Company's subsidiaries under the Incentive Scheme was passed by the independent shareholders of the Company. On 28 March 2023, the Company completed the allotment and issue of 7,050,000 Restricted Shares. The closing price of the Shares immediately prior to the date of grant of the Reserved Grant was HK\$4.55 per Share.

No awards were available for grant under the scheme mandate as at 30 June 2023. As at 30 June 2023, all Shares available for issue under the Incentive Scheme had been granted and there were no further reserved Shares available for grant under the Incentive Scheme. No further Shares may be issued in respect of awards granted under all schemes of the Company during the Period.

The net proceeds received under the Reserved Grant was approximately HK\$17 million (representing a net price of approximately HK\$2.41 per Restricted Share). Such net proceeds were intended for general working capital and were fully used during the Period in accordance with the intention disclosed in the announcement of the Company dated 15 December 2022.

OTHER INFORMATION

During the Period, details of the movement of the Restricted Shares are as follows:

| Name of the incentive recipient | Position within the Group | Number of Restricted Shares unvested as at 1 January 2023 | Restricted Shares granted or issued during the Period | Price of grant (Subscription price paid by the incentive recipient) | Vested during the Period | Cancelled during the Period | Lapsed during the Period (Note 3) | Number of Restricted Shares unvested as at 30 June 2023 | Vesting Period |
|--|---|---|---|---|--------------------------|-----------------------------|-----------------------------------|---|----------------|
| Ms. Qiao Haixia | Executive Director and Chief Executive Officer of the Company | 600,000 | - | HK\$2.41 per Share | - | - | - | 600,000 | Note 1 |
| Mr. Huang Danghui | Executive Director | 600,000 | - | HK\$2.41 per Share | - | - | - | 600,000 | Note 1 |
| Sub-total | | 1,200,000 | | | | | | 1,200,000 | |
| Senior management of the Company, directors, former directors, supervisors and general managers of the Company's subsidiaries (Note 4) | | 7,010,000 | - | HK\$2.41 per Share | - | - | - | 7,010,000 | Note 1 |
| | | - | 2,630,000 | HK\$2.41 per Share | - | - | - | 2,630,000 | Note 2 |
| Other employees of the Group | | 18,890,000 | - | HK\$2.41 per Share | - | - | 100,000 | 18,790,000 | Note 1 |
| | | - | 4,420,000 | HK\$2.41 per Share | | | 100,000 | 4,320,000 | Note 2 |
| Total | | 27,100,000 | 7,050,000 | | | | 200,000 | 33,950,000 | |

OTHER INFORMATION

Note:

1. The Restricted Shares granted and issued on 4 November 2021 will be vested in three tranches. The lock-up periods are 24 months, 36 months and 48 months from the date of grant of the Restricted Shares, and 40%, 30% and 30% of the Restricted Shares will be released and vested after each of the three lock-up period expires, respectively, subject to the fulfillment of the conditions (including the performance target of the Company and individual performance evaluation of the incentive recipients) pursuant to the terms of Incentive Scheme. No additional exercise price shall be paid by the incentive recipients if the Restricted Shares are released and vested.
2. The Restricted Shares granted and issued on 28 March 2023 will be vested in three tranches. The lock-up periods are 24 months, 36 months and 48 months from the date of grant of the Restricted Shares, and 40%, 30% and 30% of the Restricted Shares will be released and vested after each of the three lock-up period expires, respectively, subject to the fulfillment of the conditions (including the performance target of the Company and individual performance evaluation of the incentive recipients) pursuant to the Incentive Scheme. No additional exercise price shall be paid by the incentive recipients if the Restricted Shares are released and vested.
3. During the Period, a total of 200,000 Restricted Shares lapsed due to the resignation or retirement of incentive recipients.
4. Due to personnel changes within the Group, there are changes in the composition of such employees. Therefore, the relevant composition is referred to the circulars of the Company dated 6 September 2021 and 17 January 2023, respectively.
5. Please refer to Note 2, “2.26 Share-based employee compensation” and Note 36, “EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS” to the Company’s consolidated financial statements as set out in 2022 Annual Report for a discussion of the accounting standards and policies adopted under the Incentive Scheme and the fair value of the Restricted Shares.

Save as mentioned herein, during the Period, the Company did not adopt any new share scheme or grant any options or awards under any share scheme.

CHANGE IN DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Since the date of the 2022 Annual Report of the Company, changes in Directors’ information are as follow:

Mr. Lee Cheuk Yin Dannis has been appointed as an independent non-executive director of Luen Thai Holdings Limited (聯泰控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 311), on 25 May 2023.

Each of the independent non-executive Directors has entered into a service agreement with the Company and each of their emoluments was increased from HK\$120,000 per annum to HK\$150,000 per annum, with retrospective effect from 1 January 2023.

Save as disclosed above, there was no other change to information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

RETIREMENT BENEFIT SCHEMES/PENSION SCHEME

Retirement benefits to employees are provided through defined contribution plans.

The retirement benefits costs charged in the income statement represent the contributions payable in respect of the current year to the retirement benefits scheme managed by the respective local social security bureau in accordance with government regulations in different jurisdictions. The forfeited contributions (by us on behalf of employees who leave the scheme prior to vesting fully in such contributions) will not be used by us to reduce the existing level of contributions.

OTHER INFORMATION

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

Save for the issuance of 7,050,000 Shares of the Company pursuant to the Incentive Scheme, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for dealings in securities of the Company by its Directors. The Company has made specific enquiries to all Directors and each of them confirmed that they have complied with the required standard as set out in the Model Code during the Period.

MATERIAL CHANGES

Save as disclosed in this report, there have been no material change in respect of matters relating to the business developments, financial position and future prospects, and important events affecting, the Group since the publication of the Company's 2022 Annual Report.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Period (corresponding period of the previous year: Nil).

CORPORATE GOVERNANCE

The Company is committed to maintaining high corporate governance standards. It believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the shareholders of the Company (the "Shareholders"), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has complied with all the applicable principles and code provisions as set out in Part 2 of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the Period.

REVIEW BY AUDIT COMMITTEE

The Board has established an audit committee with written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to assist the Board to review financial information and reporting process, risk management and internal control system, effectiveness of internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or any other matters of the Company. The audit committee consists of all three independent non-executive Directors, namely Mr. Lee Cheuk Yin Dannis (committee chairman), Mr. Li Kwok Tai James and Mr. Wu Yat Wai.

OTHER INFORMATION

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and the unaudited consolidated financial statements of the Group for the Period and is of the opinion that such statements comply with the applicable accounting standards and requirements, and that adequate disclosures have been made.

APPRECIATION

The Group would like to take this opportunity to express its sincere gratitude to the Shareholders for their continuing support, and its appreciation to all staff members for the dedication and loyalty to the Group.

By Order of the Board

C&D Property Management Group Co., Ltd

Lin Weiguo

Chairman and Non-executive Director

Hong Kong, 25 August 2023