Excellence

卓越商企服務集團有限公司

EXCELLENCE COMMERCIAL PROPERTY & FACILITIES MANAGEMENT GROUP LIMITED

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 6989

2023 INTERIM REPORT

CONTENTS

Corporate Information

DIRECTORS

Executive Directors

Mr. Li Xiaoping *(Chairman)*
Mr. Yang Zhidong *(appointed with effect from 15 August 2023)*

Non-executive Directors

Ms. Guo Ying *(redesignated from an executive Director to a non-executive Director with effect from 15 August 2023)*
Mr. Wang Yinhu
Mr. Wang Dou *(resigned with effect from 15 August 2023)*

Independent non-executive Directors

Mr. Huang Mingxiang
Mr. Kam Chi Sing
Ms. Liu Xiaolan

COMPANY SECRETARIES

Mr. Jia Jie
Mr. Cheung Kai Cheong Willie

AUDIT COMMITTEE

Mr. Kam Chi Sing *(Chairman)*
Ms. Guo Ying *(appointed with effect from 15 August 2023)*
Mr. Huang Mingxiang
Ms. Liu Xiaolan
Mr. Wang Dou *(resigned with effect from 15 August 2023)*

REMUNERATION COMMITTEE

Mr. Huang Mingxiang *(Chairman)*
Mr. Li Xiaoping
Mr. Kam Chi Sing
Ms. Liu Xiaolan

NOMINATION COMMITTEE

Mr. Li Xiaoping *(Chairman)*
Mr. Huang Mingxiang
Mr. Kam Chi Sing
Ms. Liu Xiaolan

STRATEGY & ESG COMMITTEE

Mr. Li Xiaoping *(Chairman)*
Ms. Guo Ying
Mr. Wang Yinhu
Ms. Liu Xiaolan

AUTHORIZED REPRESENTATIVES

Mr. Li Xiaoping
Mr. Cheung Kai Cheong Willie

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Corporate Information

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Management Discussion and Analysis

REVIEW OF INTERIM RESULTS

I. Business Overview

Analysis of the Principal Activities

(I) Principal Activities of Excellence Commercial Property & Facilities Management Group Limited (the "Company") and its subsidiaries (collectively the "Group" or "we" or "our") during the six months ended 30 June 2023 (the "Reporting Period")

The Group is a leading commercial real estate service operator in China, which is dedicated to the provision of full-life cycle asset maintenance and full-chain service solutions to fulfil customers' comprehensive value expectations and assist enterprises in achieving business visions.

In the first half of 2023, faced with the pressure of economic downturn in the overall environment, the Group has been adhering to its long-term development strategy, responding flexibly to market changes, strengthening business independence planning and reducing reliance on related businesses. The Company upheld the business philosophy of steady development with a customer-oriented approach, aiming to optimise business structure, deepen digital transformation, focus on value creation, and foster its independent, healthy and sustainable development capability.

The Group's main businesses included basic property management services, value-added services and other relevant businesses.

1. *Basic Property Management Services*
   The Group's basic property management services are provided to various types of businesses, including commercial properties, public and industrial properties and residential properties.

   (1) Commercial Property Management Services
   With its management experience accumulated over two decades, the Group has focused on the development of commercial properties as its main business activities, and has formed a complete commercial property service model.

   - **Property management ("PM") Commercial Office Services**
     The Group serves a large number of Central Business District ("**CBD**") landmark office buildings and high-tech enterprises to gain the brand advantages from the high-end commercial projects in the PM business segment and build the capability strength by integrating asset services and corporate services.

     The scope of services covers businesses such as preliminary consultation, marketing management, space management, asset leasing and sales agency, smart platform construction, facility maintenance and property comprehensive services.

     Signature projects: Shenzhen Excellence Century Centre, Shenzhen One Excellence, Excellence City of ShenZhen (深圳卓越城), Qingdao Excellence Century Center, Excellent Broadway of ShenZhen (深圳卓越大百滙)

Management Discussion and Analysis

- **Facility Management (“FM”) Comprehensive Facility Management Services**
  The customers the Group serves are mainly Fortune 500 companies and high-tech enterprises. We are dedicated to providing customers with full-life cycle asset maintenance and full-chain comprehensive service solutions, constructing a sound and systematic back-office support system, and forming a matrix of quality customers mainly in the Internet, high-tech, finance, modern service and manufacturing industry.

  We provide a customised model of comprehensive facility management for enterprises and customise strategic long-term planning. The Group applies IoT, big data, AI and other advanced technologies to create an E+ smart two-pronged platform. Leveraging on digital operation management technology, the Group establishes solutions for the full-life cycle of facilities such as operation and maintenance management, project management, space management, energy consumption management, environmental management, security management and integrated services to enhance project management efficiency, thereby creating maximum value for corporate customers.

  Signature projects: Sky City of DJI, Dongguan OPPO Headquarters, Huawei Suzhou Research Institute

(2) Public and Industrial Property Services

The Group has established an integrated market-oriented organisation framework, and developed government public infrastructures, urban services businesses, and other functional bodies following the marketisation of education and healthcare by multiple channels, so as to continuously develop new tracks in pursuit of joint development through multiple business momentum.

We provide a full range of operational services in the public sector. In addition to basic property services, the Group also offers special services for different public projects. We continue to enhance our business capabilities in the areas of government and public property services through professionalism, internationalisation, innovation and technology.

Signature projects: Shenzhen Railway Property Tanglang City and Langlu Home (深鐵物業塘朗城及朗麓家園), Chengdu Metro Section A (成都地鐵A標段)

(3) Residential Property Services

Relying on over two decades of real estate development experience, Excellence Group has developed a model of high-end residential property services in many cities across China, including pre-intervention and takeover acceptance, decoration management, customer management, environmental management, equipment and facilities maintenance, fire management and other systematic services. The Group spearheaded to introduce international service standards and launched “Five-heart” excellent butler (五心“悦”管家) services and “4INS Good Life” (4INS美好生活) services to reshape the physical space, cultural space and digital space of the community regarding the customers’ satisfaction as the origin and centre. We provide individuals and families with safe, convenient, comfortable and joyful living experience.

Signature projects: Shenzhen Cote d’Azur (深圳蔚藍海岸), Shenzhen Excellence Victoria Harbour (深圳卓越維港), Shenzhen Dongguan Qingxi Yuncui (東莞晴熙雲翠), Shenzhen Queen’s Road (深圳皇后道)

Management Discussion and Analysis

2. *Value-added Services*

The Group has continued to provide customers with personalised, customised and digitalised value-added service innovation, explored the multi-dimensional needs of customers, and realised the change from a single service to diversified services, with development focuses on assets services, Zhuopin business services, construction and mechanical and electrical services, and other types of professional value-added services.

(1) Asset Services

The Group provides preliminary property consulting services, and offers reasonable suggestions on pre-intervention in project planning and design, construction management and acceptance handover so as to save construction costs, meet customer expectations regarding the use of functions, improve post-property operation efficiency, and avoid operational risks.

In addition, we provide customers with professional leasing and second-hand housing asset management services, and offer whole-process leasing value-added services to ensure maximised property occupancy rates and asset investment returns.

(2) Zhuopin Business Services

"Zhuopin Business", a high-end service brand of the Group, integrates "Internet+", "self-built supply chain" and "concierge high-end services" capabilities to provide one-stop business office supporting services for high-tech and Fortune 500 companies with the B to B for C model, mainly including high-end business services, corporate value-added services, enterprise digital empowerment and other various solutions.

(3) Construction and Mechanical and Electrical Services

Cooperating with its subsidiary, Shenzhen Shenghengda Electrical Equipment Co., Ltd. ("**Shenghengda Electrical Equipment**"), the Group has developed the "green & smart electromechanical" special service, built a community ecosystem by integrating the comprehensive "hardware + software + platform + service" solution, and achieved systematic development across multiple sectors, thus defining a large electromechanical ecosystem and driving performance growth by capturing technology and green development.

Management Discussion and Analysis

3. *Joint Venture and Mergers and Acquisitions (“**M&A**”)*

   Through the establishment of joint ventures with various governments and state-owned platforms, the Group has integrated the government’s resource advantages and fully leveraged on its strengths in the commercial property sector to jointly develop the market.

   Meanwhile, the Group positions and focuses on the advantageous economic zones and actively promotes the implementation of joint venture and M&A strategy by interpreting policies. We actively review and enhance our existing development by promoting our presence in first-tier and emerging first-tier cities and tapping into various arenas to help drive market development, thereby improving the competitive industry chain and building our competitive advantages in the industry.

   The Group is currently joining hands with Huangjin Property and Beijing Global Wealth Property Management Co., Ltd. (“**Beijing Global**”) to share resources and achieve win-win cooperation for sustainable development.

(II) Performance Overview

The Group has been adhering to the business development strategy of “focusing on growth”, actively responding to market fluctuations, and making continuous efforts in third-party business development to maintain its business resilience. The overall results for the first half of 2023 remained stable, with operations in line with expectations.

With respect to the main business development, we continued to maintain advantages in the commercial property sector and the independence of third-party business through the in-depth cultivation of strategic customers and the accumulation of strength. In terms of the development of new businesses, we built up the second growth curve through strategic acquisitions. In regard to the value-added business, we consolidated the leading position in high-end commercial property services by integrating multi-industry service scenarios, building a unified service platform, and carrying out in-depth development of sub-sectors. For the core competency development, we strengthened internal and external digital operation capabilities to improve business decision-making efficiency and facilitate business expansion. At the same time, we focused on cultivating key business talent to support the healthy and sustainable business development based on our agile talent pool.

Of the Group’s total revenue by business type during the Reporting Period, commercial properties, public and industrial properties, residential properties, value-added services and other services accounted for 57.1%, 13.4%, 14.6%, 14.3% and 0.6%, respectively. Among which, basic property service income from the third party business accounted for 51.5% of the total revenue.

Management Discussion and Analysis

1. *Stable Growth in Business Scale*

   Focusing on the "1+1+X" strategy, the Group has developed two core advantageous regions of the Greater Bay Area and the Yangtze River Delta Region, and has focused on the development in first-tier, emerging first-tier and other high-value cities, achieving balanced development in key regions nationwide. With respect to the GFA under management, first-tier and emerging first-tier cities such as Beijing, Shanghai, Shenzhen, Guangzhou, Chengdu, Hangzhou and Chongqing accounted for 77.2%, and the two core economic zones of Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta accounted for 63.6%.

   For the Reporting Period, the Group's contracted GFA was approximately 73.30 million sq.m., representing an increase of approximately 6.3% over the corresponding period in 2022, with 688 contracted projects. The GFA under management amounted to approximately 60.42 million sq.m., representing an increase of approximately 20.6% as compared with the corresponding period in 2022 with 605 projects under management. Among which, GFA under management from the third party business accounted for 63.6%.

   The following table sets forth the changes in GFA under management for the six months ended 30 June 2023 and 2022, respectively:

	For the six months ended 30 June	
	2023	2022
	sq.m.'000	sq.m.'000
At the beginning of the period	**53,760**	36,635
New engagements	**6,494**	11,493
New acquisitions	**2,825**	4,251
Terminations	**(2,661)**	(2,295)
At the end of the period	**60,419**	50,084

Management Discussion and Analysis

2. *Steady Expansion of Main Businesses*

In the first half of 2023, the Group continued to leverage its core competitiveness in the commercial property sector, focusing on and cultivating the commercial property segment. In addition, we continued our efforts in third-party business development to maintain resilient business growth. The Group adopted the development strategy of cultivating strategic customers and strengthening its efficient operation and management capabilities on an ongoing basis. We secured new customer groups in diverse areas across high-tech, the Internet, smart vehicles and other industries, which demonstrated a good development trend, laying a solid foundation for our market development in sub-segments.

For the Reporting Period, we entered into a total of 90 new third-party business property contracts, with a total contract value of RMB762.51 million and an annualised contract value of RMB309.77 million.

For the Reporting Period, the revenue from commercial property services accounted for 67.1% of the revenue from basic property services, and the basic property service income from third parties business accounted for 60.5% of the revenue of basic property services.

In public and industrial properties, the Group developed a number of new government public construction projects in 2023, along with good growth momentum in the medical and education sectors. During the Reporting Period, revenue from public and industrial properties increased by 162.7% as compared to the same period in 2022.

In the residential properties, we mainly provide a number of urban high-end development projects under the Excellence Group with services. During the Reporting Period, revenue from residential properties increased by 32.2% as compared to the same period in 2022.

	For the six months ended 30 June 2023				For the six months ended 30 June 2022			
	GFA under management		Revenue		GFA under management		Revenue	
	(sq.m.'000)	(%)	(RMB'000)	(%)	(sq.m.'000)	(%)	(RMB'000)	(%)
Commercial properties	25,265	41.8	1,050,718	67.1	23,027	46.0	1,061,228	78.1
– Excellence Group	2,914	4.8	359,944	23.0	2,906	5.8	373,918	27.5
– Third-party property developers	22,351	37.0	690,774	44.1	20,121	40.2	687,310	50.6
Public and industrial properties	12,891	21.3	246,189	15.7	8,585	17.1	93,711	6.9
Residential properties	22,263	36.8	268,966	17.2	18,472	36.9	203,449	15.0
Total	60,419	100.0	1,565,873	100.0	50,084	100.0	1,358,388	100.0

Management Discussion and Analysis

3. *In-depth Cultivation of Strategic Customers*

   The Group adhered to the strategy of in-depth cultivation of strategic customers. Through the in-depth development mechanism of strategic customers, we achieved the business objectives of "promoting high performance, contract renewal and growth" in strategic cooperation in the first half of 2023. The contract value from new strategic customers amounted to RMB253.30 million, with 100% retention rate of strategic customers.

   In the first half of 2023, the Group focused on improving its service quality and brand value, deepened its partnership with strategic customers, and added a number of new benchmark cooperation projects in high-tech and other industries. Meanwhile, relying on the demonstration effect and market reputation of strategic customers, the Group commenced cooperation with leading enterprises in new energy, photovoltaic and other emerging sectors, gradually demonstrating the radiation effect of its strategic customers.

   The Group will continue to focus on customer needs, strengthen fundamental operations and optimise talent guarantee to further enhance customer satisfaction, with a view to establishing highly adhesive strategic partnership and promoting vertical expansion of the business development. Through market communications, we aim to attract more quality customers to facilitate business expansion and build a sustainable growth engine.

4. *Second Growth Curve for New Business Development*

   Adhering to the concept of win-win cooperation, the Group established a second growth curve in the development of new businesses through strategic M&A and multi-channel expansion.

   Relying on the medical property service platform, we swiftly built up a high-quality and reliable professional service capability, which helped the medical business to bring extensive market opportunities. At the same time, we also continued our efforts in higher education and other areas. Through the construction of diversified business segments, we were able to leverage on our professional operational experience and capabilities in the commercial property sector, continue to strengthen our competitiveness, and enhance the Company's overall capabilities against risks.

   For the Reporting Period, we achieved a total contract value from the newly expanded businesses of RMB182.94 million, representing an increase of 111.7% year-on-year, with annualised contract value of RMB90.75 million, representing an increase of 216.2% year-on-year.

Management Discussion and Analysis

5. *Provision of Value-added Products and In-depth Expansion of Sub-segments*

In the first half of 2023, the Group actively responded to the downturn of the property industry, optimised its business structure and promoted independent market development. The proportion of property owner value-added services in the overall value-added services increased from 13.7% to 41.4%; we took the initiative to scale down the non-property owner value-added services to 62.2% in order to make the business structure more independent and sustainable.

Based on the high-end service sector, the Group has maintained a growth trend in property owner value-added services, with revenue increasing by 65.1% year-on-year.

"Zhuopin Business", a high-end commercial brand of the Group, focused on the diversified needs of customers, integrated multi-industry service scenarios, created a unified value-added service platform, and provided customers with a more efficient and convenient user experience through in-depth cultivation and expansion in sub-segments, thereby creating sustainable value enhancement and consolidating our leading position in high-end commercial services.

For the Reporting Period, Zhuopin Business recorded a revenue of RMB92.61 million, representing an increase of 26.6% year-on-year. In particular, corporate services have been growing at a high rate for three consecutive years, with an average annual growth rate of approximately 50%.

Analysis of the Core Competence

(I) High-quality Brand Image

The Group serves various corporates from Fortune 500, including many reputed high-tech enterprises, internet enterprises, and financial enterprises. With leading comprehensive strength and service quality ahead of the industry, the Group was awarded "2023 TOP 20 of China Property Management Companies in Comprehensive Strength", "China Leading Enterprise in terms of Office Property Services in 2023", and "2023 Excellent Benchmark Project of Property Management in China – Shenzhen Excellence Century Centre" in the "2023 Research Results on Property Management Enterprises with Comprehensive Strength in China". The Group was named "2023 TOP 100 Property Management Companies in China (TOP12)", "2023 China Office Property Management Exceptional Companies", "2023 China IFM Service Outstanding Enterprise (TOP2)", "2023 China TOP 100 Property Service Enterprises in Business Performance (TOP10)", "2023 China Property Community Value-added Service Excellent Enterprise" and "2023 International Outstanding Enterprise in Sustainable Development of Property Management Services" by China Index Academy; named "2023 TOP 20 Listed Property Management Companies in China (TOP 12)" and "2023 TOP 10 Listed Property Management Companies in China with Leading Enterprises Development Potential" by CRIC.

Management Discussion and Analysis

(II) Comprehensive Service Standards

With years of successful experience in high-end commercial property services, the Group has formed a comprehensive commercial property service operation model and has successively passed a number of management system certifications, including ISO 9001 quality management system, ISO 14001 environmental management system, ISO 45001 occupational health and safety management system, and ISO 50001 energy management system. The standard operation procedures, comprehensive management system and profound management technology provide strong support and guarantee for the daily operation of projects and new projects.

The Group continues to introduce advanced service concepts and keep abreast with international standards. We have become a platinum member of the Building Owners and Managers Association International (BOMA), a member of the International Facility Management Association (IFMA) and a member of the Royal Institution of Chartered Surveyors (RICS).

(III) Strategic Talent Cultivation and Development

While maintaining stable business operations, the Group has commenced in-depth strategic talent cultivation and reserve for the future, so as to continue to build up its core competitiveness in the medium to long term.

The rapid expansion of scale and performance growth has resulted in higher requirements for our talent cultivation and reserve. The Group has long attached great importance to talent cultivation and reserve in order to fully support the rapid expansion of our business. We regard our management trainees as strong power in the new generation, and continuously export comprehensive management talent with the characteristics of the Group to improve the echelon construction. We also combine the growth of key talent with project development through the "Excellent Talent and Excellence Performance Scheme", integrating personnel development, personal leadership and corporate vitality, in order to form a strong synergy of talent and business development within the enterprise and fully support rapid business development.

(IV) Continuous Digital Reform and Innovation

The Group is committed to building its core competencies based on science and technology, and has been unwaveringly accelerating digital construction to improve the efficiency of business decision-making, facilitate diversified operations, and enhance its core competitiveness.

With respect to operations and management, the Group uses the management platform of "integrating industry and finance" to conduct one-stop digitalised management of all financial and business procedures. Through the digital system that connects the whole business procedures, data can be collected and timely analysed to generate statistical reports so as to quickly support business analysis and decision-making, and improve the risk control capability throughout the full-life cycle of projects.

In terms of business operation, we have constructed a main data platform covering the entire business network to enhance the foundation of data interconnectivity, and formed a multi-dimensional business data analysis dashboard through BI analysis tools to quickly form business insights, realizing standardised management through data-driven approach and improving overall management efficiency.

In regard to customer services, we have promoted the application of "smart park" and built a unified value-added service platform to enhance customer experience and create a service platform that meets the needs of multi-industry scenarios in an attempt to facilitate more online consumption.

Management Discussion and Analysis

Outlook

(I) Strategic Planning

Looking ahead, the Group will continue to focus on the vision of being "a leading commercial real estate service operator in China", adhere to the strategic direction of "three major constructions and two drivers", solidify its foundation through "team building, business building and competence building", and support growth with its two main drivers of "value distribution and culture management" to facilitate business development, aiming to exert continuous efforts in developing our three main businesses and three extended businesses.

(II) Business Development Strategy

The Group adheres to long-term strategic planning, upholds the management idea of steady growth, actively promotes independent market development, and continues to strengthen our independent, healthy and sustainable development capability.

In the second half of 2023, the Group will continue to implement its external strategy of "focusing on growth" and enhance its organisational efficiency through internal drive, aiming to form a strong synergy, continue to focus on the Group's medium- and long-term strategic development objectives and build a stable moat.

1. Focus on Growth

The Group will insist on its strategy of pursuing joint development through multiple business momentum, fully leverage on the synergies of internal and external resources, and adhere to the business strategy of "three main businesses + three extended business" and jointly promote business development.

1) Main business development

In the FM sector, the Group will continue to carry out in-depth development of strategic customers and promote the steady expansion of the main businesses through good reputation and benchmarking. The Group has always been focusing on continuous customer satisfaction and working closely with its customers to establish strong partnership. At the same time, the Group will focus on the talent cultivation needs of its strategic customers, and provide sufficient talent support for strategic businesses through the launch of outstanding project activation teams and talent reserve cultivation programs.

Secondly, in terms of market expansion, we will commence reforms to expand reliable customer resources through multiple channels and increase the bidding rate. In order to further expand the market share, we will adopt innovative market expansion development strategies to stimulate internal and external marketing and multi-channel resource development by our staff. In addition, the Group will establish a solution centre to support each bid in a comprehensive manner so as to fully demonstrate our professional capabilities and strengths and win the trust and recognition of customers.

In the PM sector, we are led by the Bay Area and deeply introduce strategic partners through existing office buildings and property investment operation platforms, fully leveraging on the comprehensive capabilities in high-end office and commercial aspects, and promoting the development of the joint venture model for property investment and office platforms in an efficient operating manner.

Management Discussion and Analysis

In the residential sector, our core objective is to ensure timely delivery and enhance customer satisfaction. From the perspective of customers interests, we have established standardised operation procedures and a responsible team covering the whole cycle in order to promote the project delivery quality and service quality and ensure that every property owner can move in and live without worries.

2) Extended business development

In terms of new business development, the Group has recorded achievements in the new business segments through the strategic mergers and acquisitions. In the second half of the year, the Group will capitalise on its advantageous resources in commercial properties, fully integrate platform companies and focus on advantageous subjects, so as to build up new starting points for business growth and enhance the Company's overall risk-resistant capability.

With respect to value-added services, we will facilitate the provision of value-added products by focusing on the high-frequency needs of multi-industry customers, integrating and launching a unified value-added services platform, achieving the restructuring from functions to scenarios, satisfying the needs of multi-industry scenarios, improving customer experience, and promoting the growth of online consumption.

2. *Enhancement in Organisational Efficiency*

In order to better facilitate business reforms, the Group will promote organisational reforms in phases in an orderly manner, enhance the level of organisational governance, further stimulate the vitality of the organisation and enhance its effectiveness through motivation and resource integration, and build a stronger organisational capacity to achieve lean management.

1) Enhancement of organisational governance

The key to organisational reform lies in the precise management and control of responsibilities and rights. Through process restructuring, the Group will optimise the effectiveness of internal governance to achieve more comprehensive authorisation and more reasonable control.

Based on organisational reforms, the Group will steadily promote regional integration and homogeneous business integration to enhance the overall operational capability of its business units and strengthen the operational accountability system. At the same time, we will promote a comprehensive transformation of functions and centre, as well as adopt a flexible and efficient matrix management. While the headquarters will focus on strengthening internal control, organisational effectiveness and core competitiveness, the regional functions and centre will explore businesses and grant strong functional autonomy to the business, so as to accelerate business response to customers and the market.

Management Discussion and Analysis

2) Enhancement of organisational vitality and efficiency
The Group will establish a value allocation and traction mechanism based on business results, covering all core businesses to drive continuous value creation within the organisation.

The Group will adopt various incentives, including the project partnership system of "more contributions and more compensation", the market expansion model together with the remuneration system reform, so that the income and personal development of employees will be closely linked to the development of the Company.

The Group attaches great importance to improving human resources efficiency and nurturing key talent. We will create an employee efficiency baseline and conduct multi-dimensional analyses to quickly eliminate inefficient staff in order to enhance overall efficiency. Meanwhile, the Group will step up its efforts in the cultivation and development of strategic talent, complemented by the "Talents Plan" and enhanced training for senior management. Based on the business needs, we will be agile in pooling talent resources to form a strong synergy between talent and businesses in order to support business stable growth in an effective manner.

Looking ahead, the Group will continue to adhere to customer-oriented approach, optimise corporate governance structure, deepen digital transformation, and continue to focus on value creation in an attempt to overcome the complex and volatile external environment, enhance cohesiveness, and achieve sustainability in steady steps.

II. Financial Review

Revenue

For the six months ended 30 June 2023, the revenue of the Group amounted to RMB1,839.34 million (the corresponding period in 2022: RMB1,862.93 million), representing a decrease of 1.3% as compared with the corresponding period last year.

The revenue of the Group was derived from three main businesses: (i) basic property management services; (ii) value-added services; and (iii) other business.

	For the six months ended 30 June					
	2023		2022		Change	
	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)	Amount (RMB'000)	Percentage
Revenue						
Basic property management services	1,565,873	85.1	1,358,388	72.9	207,485	15.3
Value-added services	262,845	14.3	475,632	25.5	-212,787	-44.7
Other business	10,621	0.6	28,913	1.6	-18,292	-63.3
Total revenue	1,839,339	100.0	1,862,933	100.0	-23,594	-1.3

Basic Property Management Services

During the Reporting Period, the revenue from basic property management services was RMB1,565.87 million (the corresponding period in 2022: RMB1,358.39 million), representing an increase of 15.3% as compared with the same period of last year.

Management Discussion and Analysis

Value-added Services

During the Reporting Period, the revenue from value-added services decreased by 44.7% to RMB262.85 million from RMB475.63 million in the corresponding period of 2022, accounting for approximately 14.3% (for the six months ended 30 June 2022: 25.5%) of the total revenue.

The decrease in value-added services was mainly due to the impact of the downturn in the real estate economic environment. Non-property owner value-added services has taken the initiative to scale down, recording a decrease in revenue of 62.2% compared with the corresponding period of last year, while revenue from property owner value-added services recorded a significant increase of 65.1% as compared with the same period of last year.

Other Business

The revenue from other businesses mainly arose from financial services and apartment leasing services.

During the Reporting Period, the revenue from other businesses decreased to approximately RMB10.62 million from RMB28.91 million for the corresponding period of 2022, mainly attributable to the decrease of revenue from financial services by approximately RMB17.07 million compared with the corresponding period of last year.

Cost of Sales

The Group's cost of sales mainly consisted of staff costs, subcontracting costs, cleaning costs, repair and maintenance costs, utility costs, carpark expenses, office expenses, depreciation and amortization, rental expenses and others.

During the Reporting Period, the Group's cost of sales amounted to RMB1,445.86 million (the corresponding period in 2022: RMB1,333.18 million), representing an increase of 8.5% over the corresponding period of 2022, which was primarily due to an increase in staff costs, subcontracting costs and cleaning costs.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of the gross profit and gross profit margin of the Group by business line for the periods indicated:

	For the six months ended 30 June				
	2023		2022		
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)	Change in gross profit margin
Basic Property Management Services	307,793	19.7	318,421	23.4	-3.7 percentage points
Value-added Services	81,174	30.9	190,244	40.0	-9.1 percentage points
Other Businesses	4,510	42.5	21,093	73.0	-30.5 percentage points
Total	393,477	21.4	529,758	28.4	-7.0 percentage points

During the Reporting Period, the Group's gross profit was RMB393.48 million, representing a decrease of 25.7% from RMB529.76 million for the corresponding period in 2022. The gross profit margin decreased to 21.4% in the Reporting Period from 28.4% for the corresponding period in 2022, which remains at a good level.

The gross profit margin of basic property management services was 19.7% (the corresponding period in 2022: 23.4%), representing a decrease of 3.7 percentage points from the corresponding period last year, mainly due to the decrease in gross profit margin of the Group's third-party development business as a result of fierce competition in the extended development market.

The gross profit margin of value-added services was 30.9% (the corresponding period in 2022: 40.0%), representing a decrease of 9.1 percentage points from the corresponding period of last year, mainly attributable to the Group's initiative to scale down non-property owner value-added services during the Reporting Period. The gross profit margin of property owner value-added services remained at a high level of over 33%.

The gross profit margin of other businesses was 42.5% (the corresponding period in 2022: 73.0%), representing a decrease of 30.5 percentage points from the corresponding period of last year, mainly attributable to the decrease in gross profit margin as a result of losses in the apartment leasing business and downsizing of financial services.

Other Revenue

The Group's other revenue mainly consisted of interest income and government grants.

During the Reporting Period, other revenue was RMB25.46 million (the corresponding period in 2022: RMB30.74 million), representing a decrease of 17.2% from the corresponding period of last year, mainly attributable to the decrease of interest income from bank deposit.

Management Discussion and Analysis

Impairment Losses on Receivables and Contract Assets

During the Reporting Period, impairment losses on receivables and contract assets amounted to RMB24.57 million (the corresponding period in 2022: RMB13.04 million), which was mainly due to the increase in impairment loss from the expansion of receivables during the Reporting Period.

Selling and Marketing Expenses

During the Reporting Period, the selling and marketing expenses amounted to RMB23.04 million (the corresponding period in 2022: RMB10.88 million), representing an increase of 111.8% from the corresponding period of last year, which was mainly due to the increase in development staff costs for searching better business targets, as well as the increase in expenses for business development.

Administrative Expenses

During the Reporting Period, administrative expenses amounted to RMB111.64 million (the corresponding period in 2022: RMB84.49 million), representing an increase of 32.1% from the corresponding period last year, which was mainly due to the increase in the Group's staff costs during the Reporting Period as well as the impact of the Group's acquisition of the equity interest in Shanghai Yaozhan Enterprise Management Co., Ltd. ("**Yaozhan Management**").

Share of Profits of Joint Ventures

During the Reporting Period, the share of profits of joint ventures amounted to RMB1.43 million (the corresponding period in 2022: RMB0.89 million), representing an increase of 60.7% from the corresponding period of last year.

Share of Profits of Associates

During the Reporting Period, the share of profits of associates amounted to RMB0.85 million (the corresponding period in 2022: RMB0.43 million), representing an increase of 97.7% from the corresponding period of last year.

Income Tax

During the Reporting Period, income tax was RMB70.81 million (the corresponding period in 2022: RMB124.27 million), representing a decrease of 43.0% from the corresponding period of last year, mainly due to a decrease of profit before tax during the Reporting Period as compared with the corresponding period of last year.

Profit for the Period

During the Reporting Period, the Group's net profit amounted to RMB187.29 million (the corresponding period in 2022: RMB328.39 million), representing a decrease of 43.0% from the corresponding period of last year.

During the Reporting Period, the profit attributable to shareholders of the Company (the "**Shareholders**") amounted to RMB170.34 million (the corresponding period in 2022: RMB311.01 million), representing a decrease of 45.2% from the corresponding period of last year.

During the Reporting Period, the net profit margin was 10.2% (the corresponding period in 2022: 17.6%).

Management Discussion and Analysis

Investment Properties

The Group's investment properties mainly included two apartment leasing projects (for long-term rental) in Shenzhen, which gained rental income from apartment operation and leasing. As of 30 June 2023, the Group's investment properties amounted to RMB96.05 million, representing a decrease of RMB5.45 million from RMB101.50 million as of 31 December 2022, which was mainly due to the depreciation and amortization during the Reporting Period.

Property, Plant and Equipment

The property, plant and equipment of the Group mainly consisted of leasehold improvement, right-of-use assets, office equipment and furniture, machinery equipment and other fixed assets. As of 30 June 2023, the Group's net book value of property, plant and equipment amounted to RMB44.59 million, representing a decrease of RMB9.16 million from RMB53.75 million as of 31 December 2022, which was mainly due to the depreciation and amortisation during the Reporting Period.

Intangible Assets

The Group's intangible assets mainly consisted of property management contracts and software arising from corporate mergers and acquisitions. The Group's intangible assets decreased by RMB12.58 million from RMB367.46 million as of 31 December 2022 to RMB354.88 million as of 30 June 2023, which was primarily due to the amortisation amount arising during the term of the property management contract recognised by the acquired companies.

Goodwill

The Group's goodwill increased by RMB18.23 million from RMB225.29 million as of 31 December 2022 to RMB243.52 million as of 30 June 2023, which was primarily due to the Group's completion of the acquisition project of Yaozhan Management during the Reporting Period.

The Group's goodwill was mainly related to the acquisitions of the equity interests in Wuhan Huanmao Property Management Co., Ltd., Henan Huangjin Property Management Co., Ltd. ("**Henan Huangjin**") and Beijing Global and Yaozhan Management. As of 30 June 2023, the management was not aware of any significant risk of impairment of goodwill.

Interests in associates

During the Reporting Period, the Group acquired 32% equity interest in both Guizhou Zaixing Business Service Co., Ltd. (貴州在行商務服務有限公司, "**Guizhou Zaixing**") and Chongqing Frequent Surprise Business Information Consulting Co., Ltd. (重慶頻頻出奇商務資訊諮詢有限公司, "**Chongqing Frequent Surprise**") at total consideration of RMB66.21 million through capital injections. The Group determined that it has significant influence over Guizhou Zaixing and Chongqing Frequent Surprise and these two companies are treated as associates of the Group. In accordance with the acquisition agreements, the Group has the rights to sell the equity interests held by the Group to the vendors at fixed price ("**Put Options**") and entitled to minimum profits payments guaranteed by the acquired associates or compensated by the vendor in cash ("**Profit Guarantees**") in the three-year performance guarantee period. At the respective acquisition dates, the Group assessed the total fair value of Put Options and Profit Guarantees were not significant.

Management Discussion and Analysis

Trade and Other Receivables

Trade and other receivables mainly consisted of trade receivables and other receivables.

As of 30 June 2023, the Group's net trade and other receivables (including current and non-current receivables) amounted to approximately RMB1,497.05 million, representing an increase of approximately RMB182.90 million from approximately RMB1,314.15 million as of 31 December 2022, mainly due to (i) the net trade receivables increased by approximately RMB174.76 million as compared with 31 December 2022, resulting from the growth in the scale of the Group's revenue; (ii) the decrease in the Group's net other receivables by approximately RMB38.06 million as compared with 31 December 2022.

Trade and Other Payables

As of 30 June 2023, the Group's trade and other payables (including current and non-current payables) amounted to RMB1,043.62 million, representing an increase of approximately RMB137.11 million from approximately RMB906.51 million as of 31 December 2022, mainly due to (i) the increase in the Group's total procurement volume resulted in an increase of trade payables of approximately RMB29.26 million as compared with 31 December 2022; (ii) the Group's additional 2022 final equity dividend payable of RMB68.52 million.

Financial Guarantee Issued

Financial guarantee issued represents the expected payments to reimburse the loan holder for a credit loss that it incurs less any amount that the Group expects to receive from the realisation of pledged assets.

As of 30 June 2023, the financial guarantee issued by the Group was RMB62.37 million (as of 31 December 2022: RMB62.37 million), mainly due to the fact that Beijing Global, a non wholly-owned subsidiary of the Company, had provided a financial guarantee in respect of the seller's borrowings in the principal amount of RMB183,433,000. On 20 June 2023, Beijing Global received a statement of claim, the notice of response and other documents from Beijing Financial Court in relation to a dispute of the outstanding loan. For the Reporting Period, the Group assessed the expected credit loss allowance and loss allowance of financial guarantee issued was appropriate. For further details, please refer to the announcement of the Company dated 12 July 2023.

Lease Liabilities

During the Reporting Period, the increase in lease liabilities was recognised according to new leasing standards. The lease liabilities payable within one year of RMB12.73 million were recognised in current liabilities, and the lease liabilities payable over one year of RMB108.03 million were recognised in long-term lease liabilities.

Contract Liabilities

Our contract liabilities mainly represented prepayments from customers of the Group's commercial operation services and residential property management services. As of 30 June 2023, the Group's contract liabilities amounted to approximately RMB164.62 million, representing an increase of approximately RMB0.80 million from RMB163.82 million as of 31 December 2022.

Management Discussion and Analysis

Borrowings

As of 30 June 2023, the Group's bank and other borrowings amounted to RMB24.00 million, with fixed interest rates ranging from 3.5% to 4.8%, which must be repaid within one year. All such borrowings are bank loans managed by Yaozhan Management. (As of 31 December 2022: the Group had no bank or other borrowings).

Asset-liability Ratio (Gearing Ratio)

The asset-liability ratio (gearing ratio) was calculated as the total liabilities divided by total assets of the same date. As of 30 June 2023, the Group's asset-liability ratio was 29.9% (the asset-liability ratio (gearing ratio) as of 31 December 2022 was 28.4%).

Pledged or Charged Assets

As of 30 June 2023, RMB10.00 million of bank loans of subsidiaries of Yaozhan Management were secured by the operating income receivables generated by certain property management contracts with contractual amount of RMB39.04 million (31 December 2022: Nil).

Contingencies

On 9 November 2022, Shenzhen Excellence Property Management Co., Ltd. ("**Excellence Property Management**"), an indirect wholly-owned subsidiary of the Company, has been served with a notice of arbitration issued by the Shanghai Arbitration Commission and the other relevant documents in relation to a dispute in respect of acquisition of 40% equity interest in a project company (the "**Project Company**") which is currently 60% held by a disposed subsidiary of the Group (the "**Disposed Subsidiary**"), involving the Disposed Subsidiary and Excellence Property Management, as the respondents, and the beneficial owners of the 40% equity interest in the Project Company, as the applicants.

The applicants alleged that the Disposed Subsidiary, as an agent of Excellence Property Management, failed to acquire all the 40% equity interest in the Project Company owned by the applicants and claimed against the Disposed Subsidiary and Excellence Property Management to:

(i) pay the applicants RMB20.8 million being damages for the breach of the agreement;

(ii) acquire all the equity interest in the Project Company owned by the applicants at a cash consideration calculated based on 40% of the audited net profit of the Project Company for the year ended 31 December 2020, multiplied by 12; and

(iii) other costs.

The Group has engaged legal advisors to advise on the arbitration. For further details, please refer to the announcement of the Company dated 7 December 2022. Up to the date of this report, no arbitral award was granted. Since the result of the arbitration cannot be estimated reliably as at the date of this report, no provision in respect of the arbitration was recognised.

Management Discussion and Analysis

Liquidity, Reserves and Capital Structures

The Group maintained a good financial position during the Reporting Period. As of 30 June 2023, the Group's cash and equivalents amounted to RMB2,468.68 million, representing a decrease of 3.7% from RMB2,564.43 million as of 31 December 2022, mainly due to the fact that the loans issued externally by Shenzhen Zhuotou Micro-Lending Co., Ltd. have not yet due for repayment.

As of 30 June 2023, the Group's total equity was RMB3,697.49 million, representing an increase of RMB108.19 million or 3.0% from RMB3,589.30 million as of 31 December 2022, primarily due to the profit contribution realized during the year.

Exchange Rate Risks and Treasury Policies

The main business of the Group is conducted in China, and our business is mainly denominated in Renminbi. As at 30 June 2023, non-RMB assets and liabilities were mainly cash and cash equivalents, which were denominated in Hong Kong dollars.

The Group has adopted prudent treasury policies in terms of cash and financial management. As of 30 June 2023, the Group did not use any financial instruments for hedging purposes.

The management of the Group believes that the Group is not exposed to significant foreign exchange risks, and therefore no forward foreign exchange contracts have been entered into to hedge foreign exchange risks. The management will continue to monitor foreign exchange risks and adopt prudent measures to minimize foreign exchange risks.

Corporate Governance/Other Information

USE OF PROCEEDS FROM THE LISTING

The Company issued 300,000,000 new shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 October 2020 (the "**Listing Date**"), and partially exercised the over-allotment options on 11 November 2020 and issued 22,490,000 new shares. After the partial exercise of the over-allotment options and deducting underwriting fees and related expenses, the total net proceeds raised from the listing (the "**Net Proceeds**") are approximately HK$3,359.5 million. As of 30 June 2023, the Company had utilized approximately HK$1,376.5 million of the Net Proceeds, representing approximately 41.0% of the Net Proceeds and the unutilised Net Proceeds amounted to approximately HK$1,983.0 million.

The business objectives and planned use of Net Proceeds as stated in the prospectus of the Company dated 7 October 2020 (the "**Prospectus**") were based on the Group's best estimation of future market conditions at the time of preparing the Prospectus. The actual use of Net Proceeds was based on the actual market development. As disclosed in the Company's announcement dated 29 December 2022, the supplemental announcement dated 10 March 2023 and the clarification announcement dated 10 April 2023 (the "**Change in Use of Proceeds from the Global Offering Announcements**"), having carefully considered the latest business environment and development needs of the Group, the board (the "**Board**") of directors (the "**Directors**") of the Company had resolved to change the proposed use of the unutilised Net Proceeds. Please refer to the Change in Use of Proceeds from the Global Offering Announcements for details of the change in use of the Net Proceeds and the reasons thereof.

As at 30 June 2023, the Group's planned use and actual use of the net proceeds were as follows:

Major Categories	Specific Plans	% of actual Net Proceeds before re-allocation	Planned use of actual Net Proceeds before re-allocation (HK$ million)	% of actual Net Proceeds after re-allocation	Planned use of actual Net Proceeds after re-allocation (HK$ million)	Actual amount of proceeds utilized as at 30 June 2023 (HK$ million)	Amount of proceeds unutilized as at 30 June 2023 (HK$ million)	Actual amount of proceeds utilized during the six months ended 30 June 2023 (HK$ million)
Business expansion	Strategically acquire or invest in interests in companies with operational scale or profitability prospect Acquire or invest in interests in third party service providers to provide specialized value-added services or to expand the Group's scope of services when opportunities arise Acquire or invest in quality assets with revenue prospects to enhance the Group's profitability when opportunities arise	70.00%	2,351.7	55.00%	1,853.8	614.6	1,239.2	92.2

Corporate Governance/Other Information

Major Categories	Specific Plans	% of actual Net Proceeds before re-allocation	Planned use of actual Net Proceeds before re-allocation (HK$ million)	% of actual Net Proceeds after re-allocation	Planned use of actual Net Proceeds after re-allocation (HK$ million)	Actual amount of proceeds utilized as at 30 June 2023 (HK$ million)	Amount of proceeds unutilized as at 30 June 2023 (HK$ million)	Actual amount of proceeds utilized during the six months ended 30 June 2023 (HK$ million)
Development of information technology system	Develop and optimise smart management information platform and provide other related support for the development and optimisation of smart management information platform; provide technology-enabled services to enhance customer experience and management efficiency	4.00%	134.3	3.00%	91.2	14.8	76.4	3.0
	Develop and optimise "O+" platform and provide other related support for the development and optimisation of "O+" platform. Achieve basic property services (property charges, parking fees, service orders, notices) and value-added services (shopping malls, food delivery, etc.) online	4.00%	134.3					
	Upgrade or introduce new business management systems to enhance internal control and improve management efficiency (e.g., improve automation, reduce error rates and provide timely analysis of operations and effective operational management); provide resources to support IT system upgrades	2.00%	67.2					
Facility upgrades for the properties under our management	Upgrade the facilities in some old residential properties under the Group's management to develop intelligent communities	5.00%	168.0	4.00%	131.1	21.8	109.3	4.8

Corporate Governance/Other Information

Major Categories	Specific Plans	% of actual Net Proceeds before re-allocation	Planned use of actual Net Proceeds before re-allocation (HK$ million)	% of actual Net Proceeds after re-allocation	Planned use of actual Net Proceeds after re-allocation (HK$ million)	Actual amount of proceeds utilized as at 30 June 2023 (HK$ million)	Amount of proceeds unutilized as at 30 June 2023 (HK$ million)	Actual amount of proceeds utilized during the six months ended 30 June 2023 (HK$ million)
Attracting and nurturing talent	Recruit and nurture professional talents strategically to provide the Group's customers with quality services and fully satisfy their needs, thereby enhancing customer satisfaction. The Company will also: (i) provide professional trainings to our employees at key positions and identify and train up our future team leaders; (ii) recruit key personnel (supervisory level and above) strategically to support our business growth; (iii) recruit new employees to improve the strategic talent pool and provide professional functional trainings to the new employees; and (iv) other expenses for providing talent support for the Group.	5.00%	168.0	18.00%	611.7	207.4	404.3	76.0
General corporate purposes	Working capital and general corporate purposes	10.00%	336.0	20.00%	671.7	517.8	153.9	115.1

Note: The estimated timeline for utilisation of the unutilised Net Proceeds after re-allocation is by the end of 31 December 2026.

Corporate Governance/Other Information

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

The Group did not hold any significant investments and did not conduct any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

The Group currently has no specific plan for other major investments or acquisitions for significant capital assets or other businesses. However, the Group will continue to look for such new opportunities for business development.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 20,747 and 44 full-time employees (31 December 2022: 15,676 and 66) in the PRC and India, respectively. The Group provides its employees with competitive remuneration packages such as fees, salaries, allowances and benefits in kind, bonuses and contributions to pension schemes and social benefits. The Group contributes to social insurance such as medical insurance, work-related injury insurance, pension insurance, maternity insurance, unemployment insurance and housing provident fund for its employees.

SHARE OPTION SCHEME

1. Share Option Scheme

The share option scheme of the Company (the "**Share Option Scheme**") was approved and adopted by the written resolutions of our Shareholders on 28 September 2020. The Share Option Scheme is subject to the requirements under Chapter 17 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange. No options have been granted under the Share Option Scheme from the date of its adoption up to the date of this report. For further details on the Share Option Scheme, please refer to "Appendix IV – Statutory and General Information – D. Other Information – 1. Share Option Scheme" in the prospectus of the Company (the "**Prospectus**").

The remaining life of the Share Option Scheme is around 7 years.

2. Pre-IPO Share Option Scheme

The pre-IPO share option scheme of the Company (the "**Pre-IPO Share Option Scheme**") was approved and adopted by the written resolution of our Shareholders on 9 September 2020. For further details on the Pre-IPO Share Option Scheme, please refer to "Appendix IV – Statutory and General Information – D. Other Information – 2. Pre-IPO Share Option Scheme" in the Prospectus.

On 9 September 2020, the Company granted the options in relation to a total of 28,200,000 shares to the eligible persons in accordance with the terms of the Pre-IPO Share Option Scheme.

Corporate Governance/Other Information

For the Reporting Period, details of the movements on the share option under the Pre-IPO Share Option Scheme are set out as follows:

Category and name of the grantee	Date of grant	Vesting period	Exercise period	Outstanding as at 1 January 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 30 June 2023	Exercise price per share (HK$)
Directors										
Mr. Li Xiaoping	9 September 2020	(i) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group for the year ending 31 December 2021; (ii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group for the year ending 31 December 2022; and (iii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group for the year ending 31 December 2023.	Within 5 years after the vesting date	10,800,000	–	–	–	–	10,800,000	5.36
Ms. Guo Ying	9 September 2020	(i) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group for the year ending 31 December 2021; (ii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group the year ending 31 December 2022; and (iii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group the year ending 31 December 2023.	Within 5 years after the vesting date	800,000	–	–	–	–	800,000	5.36
Subtotal				11,600,000	–	–	–	–	11,600,000	

Corporate Governance/Other Information

Category and name of the grantee	Date of grant	Vesting period	Exercise period	Outstanding as at 1 January 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 30 June 2023	Exercise price per share (HK$)
Other participants	9 September 2020	(i) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group for the year ending 31 December 2021; (ii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group the year ending 31 December 2022; and (iii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group the year ending 31 December 2023.	Within 5 years after the vesting date	4,016,000	–	–	1,008,000	–	3,008,000	5.36
Total				15,616,000	–	–	1,008,000	–	14,608,000	

3. Summary of the Share Option Schemes and Pre-IPO Share Option Scheme

	Pre-IPO Share Option Scheme	Share Option Scheme
Purpose	To enable the Company to grant options to Pre-IPO Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to any member of our Group.	To recognize and acknowledge the contributions that the Eligible Participants (as defined below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.
Who may join	The Board may at its discretion grant options to persons who satisfy the following eligibility criteria ("**Pre-IPO Eligible Participant(s)**"): (i) any full-time employee, administrative personnel, and senior staff of an member of our Group; (ii) any director (including non – executive director and independent non-executive director) of any member of our Group; (iii) any other eligible person who, in the discretion of our Board and its authorized person, has made contributions or will make contributions to our Group.	The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**"): (i) any full-time or part-time employees, executives or officers of our Company or any of our subsidiaries; (ii) any directors (including non – executive directors and independent non-executive directors) of our Company or any of our subsidiaries; and (iii) any advisors, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of our subsidiaries.

Corporate Governance/Other Information

	Pre-IPO Share Option Scheme	Share Option Scheme
Maximum number of Shares available for issue	The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 25,705,159 Shares, representing 2.14% and 2.11% of the issued share capital of our Company as at the Listing Date and the date of this report, respectively. No further option could be granted under the Pre-IPO Share Option Scheme. As at the date of this report, the total number of Shares available for issue under the Pre-IPO Share Option Scheme was 25,705,159 Shares, representing approximately 2.11% of the total number of issued Shares as at the date of this report.	The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme of the Company is 120,000,000 Shares, representing 10% and 9.83% of the issued share capital of our Company as at the Listing Date and the date of this report respectively. The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 30% of the total number of Shares in issue from time to time. As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 120,000,000 Shares, representing approximately 9.83% of the total number of issued Shares as at the date of this report.
Maximum entitlement of each participant	The respective entitlement of each participant as granted on 9 September 2020.	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of offer.
Acceptance of an offer of options	An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the offer is duly signed by the grantee, together with a payment of HK$1.00 by way of consideration for the grant thereof, is received by our Company. To the extent that the offer is not accepted within 30 days from the offer date, it will be deemed to have been irrevocably declined.	An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favor of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date.

Corporate Governance/Other Information

	Pre-IPO Share Option Scheme	Share Option Scheme
Option period	An option may be exercised according to the terms of the Pre-IPO Share Option Scheme in whole or in part by the grantee subject to fulfillment the vesting conditions determined by the Board but before the expiry of five years after the grant date.	The Board may in its absolute discretion determine the period during which an option may be exercised or specify any performance targets at the time of grant of options which shall be satisfied by the grantee before his options may be exercised.
Exercise Price	The exercise price per Share in respect of any particular option granted under the Pre-IPO Share Option Scheme is HK$5.36, which was determined with reference to the fair value of the Shares as at 3 August 2020, based on a valuation report prepared by an independent valuer appointed by our Company.	Exercise price shall be at least the higher of: (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.
Other condition	Within one year after the date of exercise of the option, a grantee shall not sell, offer to sell, contract or agree to sell, transfer, mortgage, charge, pledge or otherwise dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares which have been issued to him/her pursuant to his/her exercise of any option granted to and vested on him/her under the Pre-IPO Share Option Scheme.	–

The Pre-IPO Share Option Scheme is not subject to the provision of Chapter 17 of the Listing Rules. No further options will be granted under the Pre-IPO Share Option Scheme.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, i.e. until 18 October 2030.

The number of Shares underlying options available for grant under the share schemes adopted by the Company as at 31 December 2022 and 30 June 2023 was both 120,000,000. The number of Shares that may be issued in respect of the options granted under the share schemes adopted by the Company for the six months ended 30 June 2023, divided by the weighted average number of Shares for the six months ended 30 June 2023, is 9.83%.

Save as disclosed above, the Company has not adopted any other share scheme.

Corporate Governance/Other Information

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK12.18 cents per ordinary share of the Company (the "**Share(s)**") for the Reporting Period (the "**Interim Dividend**"). The Interim Dividend will be paid on 29 November 2023 to the Shareholders whose names appear on the register of members of the Company on 15 November 2023.

MISCELLANEOUS

The Board is of the opinion that there have been no material changes to the information published in the Company's annual report for the year ended 31 December 2022, other than those disclosed in this report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to receive the Interim Dividend, the register of members of the Company will be closed from 10 November 2023 to 15 November 2023 (both days inclusive), during which period no transfer of Shares will be effected. In order to be eligible for receiving the Interim Dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 9 November 2023.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own corporate governance code.

During the Reporting Period, the Company has complied with all applicable code provisions under Part 2 of the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS CONDUCTED BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions conducted by the Directors. Having made specific enquiries to all Directors, each of them has confirmed that he/she has complied with the required standards set out in the Model Code during the Reporting Period, and the Company is not aware of any incident of non-compliance by the Directors during the Reporting Period.

Corporate Governance/Other Information

CHANGE IN DIRECTORS' INFORMATION

As of the date of this report, (i) Mr. Yang Zhidong (楊志東) has been appointed as a chief executive officer, the general manager and an executive Director of the Company; (ii) Ms. Guo Ying (郭瑩) has been redesignated from an executive Director to a non-executive Director and ceased to be the General Manager and the chief executive officer of the Group; and (iii) Mr. Wang Dou (王斗) has tendered his resignation as a non-executive Director and also ceased to be a member of audit committee of the Company. The above changes took effect from 15 August 2023. Please refer to the announcement of the Company dated 16 August 2023.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules and the CG Code. As at the date of this report, the Audit Committee consists of four members, including one non-executive Director, namely Ms. Guo Ying, and three independent non-executive Directors, namely Mr. Kam Chi Sing, Mr. Huang Mingxiang and Ms. Liu Xiaolan. Mr. Kam Chi Sing is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting system, risk management and internal control of the Company.

The Audit Committee has reviewed and approved with the senior management of the Company the accounting principles and practices adopted by the Group, as well as the review of the unaudited consolidated interim results for the Reporting Period and this interim report of the Group for the six months ended 30 June 2023.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of our Directors' knowledge, information and belief, the Company has maintained sufficient public float as approved by the Stock Exchange and as permitted under the Listing Rules during the six months ended 30 June 2023.

Corporate Governance/Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in 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) ("**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Shares of the Company

Name of Director	Capacity/ Nature of Interest	Number of Shares Held	Approximate Percentage of Interests in the Company	Long/Short Position
Mr. Li Xiaoping	Interest of spouse	118,120,000(1)	9.68%	Long position
	Beneficial owner	11,072,000(2)	0.91%	Long position
Ms. Guo Ying	Beneficial owner	875,000(3)	0.07%	Long position

Notes:

(1) Mr. Li Xiaoping is the spouse of Ms. Xiao Xingping ("**Ms. Xiao**"). By virtue of the SFO, Mr. Li is deemed to be interested in the same number of Shares in which Ms. Xiao is interested.

(2) Including in the form of 10,800,000 share options of our Company which have been granted but have not yet been exercised as at the date of this report, of which 5,400,000 share options lapsed on 7 September 2023.

(3) Including in the form of 800,000 share options of our Company which have been granted but have not yet been exercised as at the date of this report, of which 400,000 share options lapsed on 7 September 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was 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 and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Reporting Period were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under the age of 18, or were there any such rights exercised by the Directors; or was the Company, or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, as far as the Directors are aware of, the following persons (other than the Directors or chief executives of the Company whose interests are disclosed above) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Interests in the Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Held	Approximate Percentage of Interests in the Company	Long/Short Position
Mr. Li Wa[1]	Interest in a controlled corporation	722,440,000	59.20%	Long position
Oriental Rich Holdings Group Limited ("**Oriental Rich**")[1]	Interest in a controlled corporation	722,440,000	59.20%	Long position
Urban Hero Investments Limited ("**Urban Hero**")[1]	Beneficial owner	722,440,000	59.20%	Long position
Ms. Xiao Xingping	Interest in a controlled corporation	117,900,000[2]	9.66%	Long position
	Beneficial owner	220,000	0.02%	Long position
	Interest of spouse	11,072,000[3]	0.91%	Long position
Ever Rainbow Holdings Limited ("**Ever Rainbow**")[2]	Beneficial owner	117,900,000	9.66%	Long position
Mr. Li Yuan[4]	Interest in a controlled corporation	63,000,000	5.16%	Long position
Autumn Riches Limited ("**Autumn Riches**")[4]	Beneficial owner	63,000,000	5.16%	Long position

Notes:

(1) Urban Hero is wholly owned by Oriental Rich, which is in turn wholly owned by Mr. Li Wa. By virtue of the SFO, each of Oriental Rich and Mr. Li Wa is deemed to be interested in the same number of Shares in which Urban Hero is interested.

(2) Ever Rainbow is wholly owned by Ms. Xiao. By virtue of the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Ever Rainbow is interested.

(3) Ms. Xiao is the spouse of Mr. Li Xiaoping. By virtue of the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Mr. Li Xiaoping is interested. The interests owned by Mr. Li Xiaoping include the form of 10,800,000 share options of our Company which have been granted but have not yet been exercised as at the date of this report, of which 5,400,000 share options lapsed on 7 September 2023.

(4) Autumn Riches is wholly owned by Mr. Li Yuan. By virtue of the SFO, Mr. Li Yuan is deemed to be interested in the same number of Shares in which Autumn Riches is interested.

(5) The percentage is calculated on the basis of 1,220,348,000 Shares in issue as at 30 June 2023.

Corporate Governance/Other Information

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

EVENTS AFTER THE REPORTING PERIOD

Except for the declaration of the interim dividend, no material events were undertaken by the Group subsequent to 30 June 2023 and up to the date of this report.

Review report to the board of directors of Excellence Commercial Property & Facilities Management Group Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 38 to 66 which comprises the consolidated statement of financial position of Excellence Commercial Property & Facilities Management Group Limited (the "**Company**") as of 30 June 2023 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023-unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Revenue	3	1,839,339	1,862,933
Cost of sales		(1,445,862)	(1,333,175)
Gross profit		393,477	529,758
Other revenue	4(a)	25,456	30,739
Other net gain	4(b)	1	4,847
Impairment losses on receivables and contract assets	5	(24,569)	(13,035)
Selling and marketing expenses		(23,035)	(10,883)
Administrative expenses		(111,640)	(84,490)
Profit from operations		259,690	456,936
Finance costs	6(a)	(3,874)	(5,591)
Share of profits less losses of associates		854	429
Share of profits less losses of joint ventures		1,427	885
Profit before taxation	6	258,097	452,659
Income tax	7	(70,806)	(124,272)
Profit for the period		187,291	328,387
Attributable to:			
Equity shareholders of the Company		170,344	311,009
Non-controlling interests		16,947	17,378
Profit for the period		187,291	328,387
Earnings per share (RMB cents)	8		
Basic		13.96	25.49
Diluted		13.96	25.49

The notes on pages 45 to 66 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 19(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023-unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit for the period	**187,291**	328,387
Other comprehensive loss for the period		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of entities not using Renminbi ("**RMB**") as functional currency	**(1,192)**	(9,350)
Total comprehensive income for the period	**186,099**	319,037
Attributable to:		
Equity shareholders of the Company	**169,152**	301,659
Non-controlling interests	**16,947**	17,378
Total comprehensive income for the period	**186,099**	319,037

The notes on pages 45 to 66 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2023-unaudited
(Expressed in Renminbi)

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Investment properties	9	96,054	101,502
Property, plant and equipment	9	44,594	53,746
Intangible assets		354,877	367,458
Goodwill		243,515	225,287
Interests in associates	10	82,917	13,053
Interests in joint ventures		9,804	8,377
Financial assets measured at fair value through profit or loss ("**FVPL**")	21	122,403	120,000
Deferred tax assets		59,652	52,634
		1,013,816	942,057
Current assets			
Inventories		82,142	52,914
Contract assets	12	11,667	8,329
Trade and other receivables	11	1,497,048	1,314,154
Prepaid tax		3,225	5,214
Loans receivable	13	151,242	67,821
Restricted deposits	14(a)	45,785	57,215
Cash and cash equivalents	14(b)	2,468,675	2,564,428
		4,259,784	4,070,075
Current liabilities			
Bank loans and other borrowings	15	24,000	–
Contract liabilities		164,624	163,822
Trade and other payables	16	1,043,620	906,511
Financial guarantee issued	17	62,371	62,371
Lease liabilities		12,730	13,413
Financial liabilities measured at fair value through profit or loss ("**FVPL**")	21	1,751	–
Current taxation		64,595	78,389
		1,373,691	1,224,506
Net current assets		2,886,093	2,845,569

Consolidated Statement of Financial Position

At 30 June 2023-unaudited
(Expressed in Renminbi)

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Total assets less current liabilities		**3,899,909**	3,787,626
Non-current liabilities			
Lease liabilities		**108,029**	111,517
Financial liabilities measured at fair value through profit or loss ("**FVPL**")	21	**5,433**	–
Deferred tax liabilities		**88,960**	86,810
		202,422	198,327
NET ASSETS		**3,697,487**	3,589,299
CAPITAL AND RESERVES			
Share capital	19(a)	**10,479**	10,479
Reserves		**3,588,894**	3,481,016
Total equity attributable to equity shareholders of the Company		**3,599,373**	3,491,495
Non-controlling interests		**98,114**	97,804
TOTAL EQUITY		**3,697,487**	3,589,299

The notes on pages 45 to 66 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023-unaudited

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
		Share capital RMB'000	Share premium RMB'000	PRC Statutory reserves RMB'000	Share option reserves RMB'000	Treasury shares RMB'000	Exchange reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Note	19(a)										
Balance at 1 January 2022		10,496	2,949,636	142,927	22,715	(8,100)	(121,622)	(57,326)	506,822	3,445,548	20,884	3,466,432
Changes in equity for the six months ended 30 June 2022:												
Profit for the period		–	–	–	–	–	–	–	311,009	311,009	17,378	328,387
Other comprehensive loss		–	–	–	–	–	(9,350)	–	–	(9,350)	–	(9,350)
Total comprehensive income		–	–	–	–	–	(9,350)	–	311,009	301,659	17,378	319,037
Acquisitions of subsidiaries		–	–	–	–	–	–	–	–	–	37,957	37,957
2021 final dividend declared in respect of the previous year		–	–	–	–	–	–	–	(172,801)	(172,801)	–	(172,801)
Pre-IPO equity-settled share-based payment		–	–	–	8,218	–	–	–	–	8,218	51	8,269
Cancellation of repurchased own shares		(17)	(8,083)	–	–	8,100	–	–	–	–	–	–
Balance at 30 June 2022 and 1 July 2022		10,479	2,941,553	142,927	30,933	–	(130,972)	(57,326)	645,030	3,582,624	76,270	3,658,894
Changes in equity for the six months ended 31 December 2022:												
Profit for the period		–	–	–	–	–	–	–	92,485	92,485	5,583	98,068
Other comprehensive loss		–	–	–	–	–	(13,409)	–	–	(13,409)	–	(13,409)
Total comprehensive income		–	–	–	–	–	(13,409)	–	92,485	79,076	5,583	84,659
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	32,724	32,724
Dividend declared to non-controlling interests		–	–	–	–	–	–	–	–	–	(16,728)	(16,728)
2022 interim dividend declared in respect of the current year		–	–	–	–	–	–	–	(155,472)	(155,472)	–	(155,472)
Capital injection from non-controlling interest		–	–	–	–	–	–	–	–	–	5	5
Appropriations to statutory surplus reserves		–	–	43,478	–	–	–	–	(43,478)	–	–	–
Pre-IPO equity-settled share-based payment		–	–	–	(1,421)	–	–	–	–	(1,421)	(8)	(1,429)
Forfeiture of share options		–	–	–	(13,312)	–	–	–	–	(13,312)	(42)	(13,354)
Balance at 31 December 2022		10,479	2,941,553	186,405	16,200	–	(144,381)	(57,326)	538,565	3,491,495	97,804	3,589,299

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023-unaudited

(Expressed in Renminbi)

	Note	Share capital RMB'000	Share premium RMB'000	PRC Statutory reserves RMB'000	Share option reserves RMB'000	Exchange reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company									
		19(a)									
Balance at 1 January 2023		10,479	2,941,553	186,405	16,200	(144,381)	(57,326)	538,565	3,491,495	97,804	3,589,299
Changes in equity for the six months ended 30 June 2023:											
Profit for the period		-	-	-	-	-	-	170,344	170,344	16,947	187,291
Other comprehensive loss		-	-	-	-	(1,192)	-	-	(1,192)	-	(1,192)
Total comprehensive income		-	-	-	-	(1,192)	-	170,344	169,152	16,947	186,099
Acquisition of a subsidiary	20	-	-	-	-	-	-	-	-	13,539	13,539
Dividend declared to non-controlling interests		-	-	-	-	-	-	-	-	(30,198)	(30,198)
2022 final dividend declared in respect of the previous year	19(b)	-	-	-	-	-	-	(64,740)	(64,740)	-	(64,740)
Pre-IPO equity-settled share-based payment		-	-	-	3,466	-	-	-	3,466	22	3,488
Balance at 30 June 2023		10,479	2,941,553	186,405	19,666	(145,573)	(57,326)	644,169	3,599,373	98,114	3,697,487

The notes on pages 45 to 66 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023-unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Cash (used in)/generated from operations		(15,150)	265,727
Corporate Income Tax paid		(89,151)	(110,260)
Net cash (used in)/generated from operating activities		(104,301)	155,467
Investing activities			
Net cash flow from disposal of subsidiaries		100,000	–
Repayment from disposed subsidiaries		–	295,321
Payment for purchase of property, plant and equipment and intangible assets		(8,993)	(7,007)
Proceed from disposal of property, plant and equipment		438	90
Payment for investments in associates	10	(69,010)	–
Acquisition of subsidiaries, net of cash acquired	20	(7,908)	27,109
Other net cash flows arising from investing activities		17,784	19,186
Net cash generated from investing activities		32,311	334,699
Financing activities			
Proceed from bank loans and other borrowings		10,000	–
Repayment of bank loans and other borrowings		–	(75,000)
Dividends paid to non-controlling interests		(23,993)	–
Other cash flows used in financing activities		(12,361)	(14,403)
Net cash used in financing activities		(26,354)	(89,403)
Net (decrease)/increase in cash and cash equivalents		(98,344)	400,763
Cash and cash equivalents at 1 January		2,564,428	3,007,300
Effect of foreign exchange rate changes		2,591	(767)
Cash and cash equivalents at 30 June		2,468,675	3,407,296

The notes on pages 45 to 66 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 29 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Excellence Commercial Property & Facilities Management Group Limited and its subsidiaries (collectively referred to as "**the Group**") since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 37.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – pillar two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of basic property management services, value-added services, finance services and other services. Further details regarding the Group's principal activities are disclosed in Note 3(b).

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Property management services		
Basic property management services		
– Commercial property	1,050,718	1,061,228
– Public and industrial property	246,189	93,711
– Residential property	268,966	203,449
	1,565,873	1,358,388
Value-added services	262,845	475,632
	1,828,718	1,834,020
Revenue from other sources		
Finance services income	5,786	22,852
Gross rental income from investment properties	4,835	6,061
	10,621	28,913
	1,839,339	1,862,933

For the six months ended 30 June 2023, the revenue from Excellence Real Estate Group Co., Ltd. ("卓越置業集團有限公司") and its subsidiaries (together, the "**Excellence Group**"), a related party that included companies that were owned by or under significant influence of the ultimate controlling shareholder and chairman of the board of the Company, amounted to RMB252,426,000 (six months ended 30 June 2022: RMB434,984,000). The Group has a large number of customers in addition to Excellence Group, but none of them accounted for 10% or more of the Group's revenue during the period.

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services and related value-added services in the People's Republic of China (the "**PRC**"). The Group manages its businesses by divisions, which are organised by a mixture of business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

– Property management services: this segment mainly provides basic property management services, construction material trading services or system supply and installation services to property developers, property owners and tenants, and value-added services to such customers, including asset services which includes preliminary property consulting services, property leasing and sales agency services, asset-light property operation services and space operation services, business planning consultation and corporate services.

– Finance services: this segment mainly provides micro-lending to small and medium enterprises, individual business proprietors and individuals.

– Other services: this segment mainly provides apartment rental services.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and intangible assets managed directly by the segments excluding prepaid tax and deferred tax assets. Segment liabilities include interest-bearing borrowings, contract liabilities, trade and other payables, lease liabilities and other financial liability attributable to the operating activities of the individual segments and managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's associates and joint ventures.

The measure used for reporting segment profit is profit before taxation excluding gain on disposal of a subsidiary, interest income from certain related parties, interests on certain bank loans and unallocated head offices and corporate expenses. In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning interest income and expense from cash balances and interest-bearing borrowings managed directly by the segments, depreciation and amortisation, impairment loss on trade and other receivables, loans receivable and contract assets in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities (Continued)

Disaggregation of revenue from contracts with customers, revenue from other sources as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Property management services		Finance services		Others		Total	
For the six months ended June 30	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Disaggregated by timing of revenue recognition								
Over time	1,801,949	1,826,016	5,786	22,852	4,835	6,061	1,812,570	1,854,929
Point in time	26,769	8,004	–	–	–	–	26,769	8,004
Reportable segment revenue	1,828,718	1,834,020	5,786	22,852	4,835	6,061	1,839,339	1,862,933
Inter-segment revenue	–	–	–	–	–	–	–	–
Revenue from external customers	1,828,718	1,834,020	5,786	22,852	4,835	6,061	1,839,339	1,862,933
Reportable segment profit/(loss)	258,288	433,975	4,353	18,876	(1,960)	3,317	260,681	456,168
Interest income from bank deposits	16,579	22,751	625	59	6	4	17,210	22,814
Finance costs	(830)	–	–	(2,075)	(3,044)	(3,516)	(3,874)	(5,591)
Depreciation and amortisation	(38,348)	(26,672)	(5)	(499)	(5,448)	(5,581)	(43,801)	(32,752)
(Impairment losses)/reversals of impairment losses on loans receivable	–	–	(1,207)	3,527	–	–	(1,207)	3,527
(Impairment losses)/reversals of impairment losses on trade and other receivables	(23,230)	(16,544)	–	–	2	35	(23,228)	(16,509)
Impairment losses on contract assets	(134)	(53)	–	–	–	–	(134)	(53)
As at 30 June/31 December								
Reportable segment assets	4,764,349	4,504,499	338,211	336,907	107,888	112,722	5,210,448	4,954,128
Reportable segment liabilities	1,307,101	1,138,082	4,266	4,523	110,874	114,553	1,422,241	1,257,158

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Reportable segment profit	**260,681**	456,168
Unallocated head offices and corporate expenses	**(2,584)**	(3,509)
Consolidated profit before taxation	**258,097**	452,659

(iii) Geographic information

The major operating entities of the Group are domiciled in Chinese Mainland. Accordingly, majority of the Group's revenues were derived in Chinese Mainland during the six months ended 30 June 2023 and 2022.

As at 30 June 2023 and 2022, most of the non-current assets of the Group were located in Chinese Mainland.

4 OTHER REVENUE AND NET GAIN

(a) Other revenue

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest income from bank deposits and other financial institutions	**17,210**	22,814
Government grants *(Note)*	**7,672**	7,045
Others	**574**	880
	25,456	30,739

Note: During the six months ended 30 June 2023 and 2022, the government grants received by the Group are mainly related to subsidies for staff retention and taxation benefit of 10% additional deduction on value added tax in the industries of living services according to current policy in Chinese Mainland.

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(Expressed in Renminbi unless otherwise indicated)

4 OTHER REVENUE AND NET GAIN *(Continued)*

(b) Other net gain

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Gain on previously held interest in a joint venture upon taken control	–	4,499
Net gain on investment in wealth management products	268	153
(Loss)/gain on disposals of property, plant and equipment *(Note 9(b))*	(107)	1
Net foreign exchange (loss)/gain	(11)	654
Others	(149)	(460)
	1	4,847

5 IMPAIRMENT LOSSES ON RECEIVABLES AND CONTRACT ASSETS

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Impairment losses on trade and other receivables	(23,228)	(16,509)
(Impairment losses)/reversals of impairment losses on loans receivable	(1,207)	3,527
Impairment losses on contract assets	(134)	(53)
	(24,569)	(13,035)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interests on bank loans and other borrowings	547	2,075
Interests on lease liabilities	3,327	3,516
	3,874	5,591

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Salaries, wages and other benefits	819,691	674,927
Equity-settled share-based payment	3,488	8,269
Contributions to defined contribution scheme *(Note)*	42,409	36,340
	865,588	719,536
Included in:		
– Cost of sales	762,109	643,636
– Selling and marketing expenses	13,626	7,460
– Administrative expenses	89,853	68,440
	865,588	719,536

Note: Employees of the Group's Chinese Mainland subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's Chinese Mainland subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

(c) Other items

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Depreciation and amortisation charges		
– Owned property, plant and equipment	8,952	6,458
– Right-of-use assets in property, plant and equipment	4,968	5,061
– Leasehold improvements for investment properties	434	434
– Right-of-use assets in investment properties	5,014	5,014
– Intangible assets	24,433	15,785
	43,801	32,752
Variable lease payment not included in the measurement of lease liabilities	34,593	45,550
Subcontracting costs	228,568	186,572
Rentals receivable from investment properties	(4,835)	(6,061)
Less: direct outgoings from investment properties	5,448	5,448
	613	(613)

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current tax		
Corporate Income Tax	77,346	131,511
Deferred tax		
Origination and reversal of temporary differences	(6,540)	(7,239)
	70,806	124,272

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI during the period.

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax during the period.

The Group's major Chinese Mainland subsidiaries are subject to Corporate Income Tax ("**CIT**") at a statutory rate of 25% on their respective taxable income during the period. The different tax rates mainly come from certain Chinese Mainland subsidiaries, which are regarded as small profit enterprise or registered and operated in western region of Chinese Mainland, are entitled to the PRC income tax at a preferential rate of 15% since 2022.

Withholding taxes are levied on dividend distributions arising from profit of Chinese Mainland subsidiaries within the Group earned after 1 January 2008 at 5%. The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by Chinese Mainland resident enterprises to their non-Chinese Mainland-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of Chinese Mainland enterprise directly. Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in Chinese Mainland, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB170,344,000 (six months ended 30 June 2022: RMB311,009,000) and the weighted average of 1,220,348,000 ordinary shares (six months ended 30 June 2022: 1,220,348,000 ordinary shares) in issue during the six months ended 30 June 2023.

(b) Diluted earnings per share

For the six months ended 30 June 2023 and 30 June 2022, the effect of conversion of share option scheme of the Group was anti-dilutive.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

9 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Investment properties

The Group leased certain service apartments located in Shenzhen, the PRC, from property owners and sub-leased to tenants through operating leases to earn rental income. The right-of-use assets of the leases are determined to meet the definition of investment property. As at 30 June 2023, the fair value of the Group's investment properties was approximately RMB117,000,000 (31 December 2022: RMB122,700,000) with reference to the valuation performed, using the income approach, by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), an independent qualified professional valuer.

(b) Acquisitions and disposal of owned assets

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of RMB7,785,000 (six months ended 30 June 2022: RMB6,156,000). Items of property, plant and equipment with a net book value of RMB545,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB89,000), resulting in a loss on disposal of RMB107,000 (six months ended 30 June 2022: gain of RMB1,000).

(c) Right-of-use assets

During the six months ended 30 June 2023, the Group entered into a number of lease arrangements for use of office spaces and dormitory and therefore recognised the additions to right-of use assets of RMB4,544,000 (six months ended 30 June 2022: RMB4,953,000).

10 INTERESTS IN ASSOCIATES

During the six months ended 30 June 2023, the Group acquired 32% equity interest in both Guizhou Zaixing Business Service Co., Ltd. (貴州在行商務服務有限公司, "**Guizhou Zaixing**") and Chongqing Frequent Surprise Business Information Consulting Co., Ltd. (重慶頻頻出奇商務資訊諮詢有限公司, "**Chongqing Frequent Surprise**") at total consideration of RMB66,210,000 through capital injections. The Group determined that it has significant influence over Guizhou Zaixing and Chongqing Frequent Surprise and these two companies are treated as associates of the Group. In accordance with the acquisition agreements, the Group has the rights to sell the equity interests held by the Group to the vendors at fixed price ("**Put Options**") and entitled to minimum profits payments guaranteed by the acquired associates or compensated by the vendor in cash ("**Profit Guarantees**") in the three-year performance guarantee period. At the respective acquisition dates, the Group assessed the total fair value of Put Options and Profit Guarantees were not significant.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 TRADE AND OTHER RECEIVABLES

	Notes	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables	(a)		
– Related parties		464,956	400,361
– Third parties		746,275	616,923
		1,211,231	1,017,284
Less: loss allowance		(100,766)	(81,575)
		1,110,465	935,709
Other receivables, net of loss allowance			
– Related parties		24,245	14,953
– Third parties	(b)	170,904	218,251
		195,149	233,204
Financial assets measured at amortised cost		1,305,614	1,168,913
Deposits and prepayments		191,434	145,241
		1,497,048	1,314,154

Notes:

(a) Trade receivables are primarily related to revenue recognised from the provision of basic property management services and value-added services.

(b) As at 30 June 2023, other receivables mainly included consideration receivable of RMB71,473,000 in respect of disposal of Shenzhen Excellence Operation Management Co., Ltd. (深圳市卓越運營管理有限公司, "**Shenzhen Excellence Operation**") and its subsidiaries.

Ageing analysis

As at 30 June 2023, the ageing analysis of trade receivables (net of loss allowance) based on the date of revenue recognition and net of loss allowance, is as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 6 months	768,185	750,362
6 months to 1 year	262,771	150,556
1 to 2 years	71,806	31,060
2 to 3 years	7,703	3,731
	1,110,465	935,709

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

12 CONTRACT ASSETS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contract assets		
Arising from performance under construction contracts	12,021	8,549
Less: loss allowance	(354)	(220)
	11,667	8,329
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	98,373	129,249

Contract assets mainly represent unbilled revenue of equipment installation services. The unbilled revenue of equipment installation services for the communities managed by the Group. The Group's installation contracts include payment schedules which require stage payments over the installation period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group typically agrees to a retention period ranging from 12-month period to 24-month period for 2% to 5% of the contract value. This amount is included in the retention receivables until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection. When the retention period is due and the right to the retention is unconditional, this amount is included in the trade receivables.

13 LOANS RECEIVABLE

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Unguaranteed and unsecured	114,600	10,000
Unguaranteed and secured	17,810	23,859
Guaranteed and secured	37,677	51,600
Gross loans receivable	170,087	85,459
Less: loss allowance	(18,845)	(17,638)
	151,242	67,821

Note: As at 30 June 2023, loans provided by the Group to third parties from micro-lending business are interest bearing at rates ranging from 6.0%–24.0% (31 December 2022: 7.2%–24.0%) per annum, and recoverable within one year.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

13 LOANS RECEIVABLE *(Continued)*

Ageing analysis

As at 30 June 2023, the aging analysis of loans receivable based on due date and credit quality is set out below:

	As at 30 June 2023			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Current (not past due)	114,600	–	–	114,600
Overdue over 3 months but within 6 months	–	–	2,961	2,961
Overdue over 6 months but within one year	–	–	25,750	25,750
Overdue over one year	–	–	26,776	26,776
Subtotal	114,600	–	55,487	170,087
Less: loss allowance	(2,217)	–	(16,628)	(18,845)
Total	112,383	–	38,859	151,242

	As at 31 December 2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Current (not past due)	28,559	–	–	28,559
Overdue over 3 months but within 6 months	–	–	25,750	25,750
Overdue over 6 months but within one year	–	–	17,000	17,000
Overdue over one year	–	–	14,150	14,150
Subtotal	28,559	–	56,900	85,459
Less: loss allowance	(568)	–	(17,070)	(17,638)
Total	27,991	–	39,830	67,821

Note: Overdue loans represent loans receivable, of which the whole or part of the principal or interest was overdue for one day or more.

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(Expressed in Renminbi unless otherwise indicated)

14 RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Restricted deposits

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash collected on behalf of the property owners' associations *(i)*	16	**20,048**	18,505
Housing maintenance funds received *(ii)*	16	**15,973**	14,079
Other restricted deposits *(iii)*		**9,764**	24,631
		45,785	57,215

Notes:

(i) The Group has collected cash on behalf of the property owners' associations in its property services business. Since the property owners' associations often face difficulties in opening their own bank accounts, the Group opens and manages these bank accounts on behalf of the property owners' associations.

(ii) Housing maintenance funds received mainly represent the cash deposits in banks as housing maintenance funds which were owned by the property owners but were deposited in the bank accounts in the name of the Group.

(iii) Other restricted deposits mainly represent the amounts collected on behalf of the customers in Group's property management service business and guaranteed deposits which will be released after completion of the related property management services.

(b) Cash and cash equivalents comprise:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash in hand	**425**	1,364
Cash at banks and other financial institutions *(Note)*	**2,468,250**	2,563,064
	2,468,675	2,564,428

Note: As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to RMB2,421,557,000 (31 December 2022: RMB2,508,565,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

15 BANK LOANS AND OTHER BORROWINGS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Bank loans		
– Guaranteed and unsecured	10,000	–
– Unguaranteed and secured	10,000	–
– Unsecured and unguaranteed	4,000	–
	24,000	–

Note: As at 30 June 2023, bank loans with a principal amount of RMB24,000,000 were interest-bearing at rates ranging from 3.5%-4.8% with repayment within one year. RMB10,000,000 of bank loans were secured by the operating income receivables generated by certain property management contracts with contractual amount of RMB39,036,000, from which receivables included in "Trade and other receivables" were amounted to RMB1,502,000 as at 30 June 2023.

16 TRADE AND OTHER PAYABLES

	Notes	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Current			
Trade payables	(a)		
– Related parties		33,309	43,251
– Third parties		396,735	357,530
		430,044	400,781
Other payables			
– Related parties		57,788	27,862
– Third parties		61,448	81,492
		119,236	109,354
Considerations payable for business combinations		29,807	31,605
Dividends payable to equity shareholders of the Company		68,523	–
Dividends payable to a non-controlling interest		6,205	–
Cash collected on behalf of property owners' association	14(a)	20,048	18,505
Housing maintenance funds held on behalf of property owners	14(a)	15,973	14,079
Financial liabilities measured at amortised cost		689,836	574,324
Accrued payroll and other benefits		195,530	191,696
Deposits	(b)	127,965	114,628
Accrued charges		30,289	25,863
		1,043,620	906,511

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(Expressed in Renminbi unless otherwise indicated)

16 TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(a) Trade payables mainly represent payables arising from sub-contracting services including cleaning, security, landscaping, engineering materials or facilities and maintenance services provided by suppliers and payables relating to facilities or car parks leasing.

(b) Deposits mainly represent miscellaneous decoration deposits received from property owners and tenants during the decoration period.

Ageing analysis

As at 30 June 2023, the ageing analysis of trade payables, based on invoice date is as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 month	**176,096**	181,573
1 to 3 months	**108,812**	96,926
3 to 6 months	**45,692**	46,328
6 to 12 months	**49,087**	28,270
Over 12 months	**50,357**	47,684
	430,044	400,781

17 FINANCIAL GUARANTEE ISSUED

	RMB'000
At 1 January 2022	–
Acquisition of a subsidiary	14,600
Impairment loss recognised	47,771
At 31 December 2022 and 30 June 2023	**62,371**

Beijing Global Wealth Property Management Co., Ltd. (北京環球財富物業管理有限公司, "**Beijing Global**"), a subsidiary acquired by the Group, had provided guarantee in respect of a loan with principal amount of RMB183,433,000 borrowed by the vendor. The amount of financial guarantee issued represents the expected payments to reimburse the loan holder for a credit loss that it incurs less any amount that the Group expects to receive from the realisation of pledged assets.

In 2023, Beijing Global was served a statement of claim, the notice of response and other documents from Beijing Financial Court in relation to the dispute of the outstanding loan. During the six months ended 30 June 2023, the Group assessed the expected credit loss allowance and loss allowance of financial guarantee issued was appropriate.

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18 PRE-IPO SHARE OPTION SCHEME

The Company has a Pre-IPO Share Option Scheme whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at consideration of HK$1 per grant to subscribe for shares of the Company. On 9 September 2020, a total number of 28,200,000 ordinary share options were granted under the Pre-IPO Share Option Scheme. The options will fully vest after three years from the Listing Date or, as the case may be, the first anniversary date of the employment commencement date of the relevant grantees and are then exercisable within a period of 5 years from the date of grant. The exercise price per share is HK$5.36. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

No options were exercised during the six months ended 30 June 2023 (31 December 2022: nil).

A total number of 1,168,000 ordinary share options were forfeited during the six months ended 30 June 2023.

19 CAPITAL AND DIVIDENDS

(a) Share capital

	At 30 June 2023		At 31 December 2022	
	HK$	RMB	HK$	RMB
Issued and fully paid: 1,220,348,000 (31 December 2022: 1,220,348,000) ordinary shares of HK$0.01 each	12,203,482	10,478,929	12,203,482	10,478,929

(b) Dividends

(i) Dividends payable to equity shareholders attribute to the interim period:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interim dividend declared and paid after the interim period of HK12.18 cents (equivalent to RMB11.17 cents) per ordinary share (2022: HK14.60 cents (equivalent to RMB12.74 cents) per ordinary share)	136,313	155,472

The interim dividend has not been recognised as a liability at the end of the reporting period.

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(Expressed in Renminbi unless otherwise indicated)

19 CAPITAL AND DIVIDENDS *(Continued)*

(b) Dividends *(Continued)*

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the period, of HK6.09 cents (equivalent to RMB5.31 cents) per ordinary share (six months ended 30 June 2022: HK17.38 cents (equivalent to RMB14.16 cents) per ordinary share)	**64,740**	172,801

20 BUSINESS COMBINATION

In 2023, the Group entered into a sale and purchase agreement with independent third parties (the "**Vendors**") for the acquisition of 51% of equity interest in Shanghai Yaozhan Enterprise Management Co., Ltd. (上海瑤瞻企業管理有限公司, "**Yaozhan Management**") (the "**Acquiree**") at a consideration including cash consideration and contingent consideration based on the future performance of the Acquiree. The Acquiree holds 51% of equity interest in Shanghai Yaozhan Hospital Property Management Co., Ltd. (上海瑤瞻醫院物業管理有限公司) and its subsidiaries, which are in engaged in public and industrial property management services. The business combinations were made as part of the Group's strategy to expand its market share of public and industrial property management operation in Chinese Mainland. The transaction was completed in January 2023.

The effect of the acquisition on the Group's assets and liabilities is set out as below:

	Notes	RMB'000
Property, plant and equipment		991
Intangible asset	(a)	10,679
Deferred tax assets		998
Trade and other receivables		50,476
Cash and cash equivalents		5,097
Bank loans and other borrowings		(14,000)
Contract liabilities		(215)
Trade and other payables		(33,057)
Deferred tax liabilities		(2,670)
Non-controlling interests	(b)	(13,539)
Fair value of net identified assets acquired, net of non-controlling interests		4,760
Financial asset measured at FVPL	(c)	2,403
Goodwill arising from the acquisition	(d)	18,228
Total consideration	(e)	25,391

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20 BUSINESS COMBINATION *(Continued)*

Notes:

(a) Intangible asset represents identified uncompleted property management contracts of approximately RMB10,679,000 in relation to the acquisition have been recognised by the Group.

(b) The Group recognised the non-controlling interests based on their proportionate interest in the recognised amounts of the assets and liabilities of the Acquiree.

(c) Financial asset measured at FVPL represent the right ("**Yaozhan Option Right**") granted by the Vendors which allows the Group to either (i) put back the Group's shares to the Vendors for cash or (ii) acquire additional shares at price based on actual results of the Acquiree in subsequent 3 years from 2022 when certain conditions are met. By reference of valuation performed by JLL, the Group estimated that the fair value of Yaozhan Option Right was amounted to RMB2,403,000 at the acquisition date.

(d) The goodwill arose from the acquisition was mainly attributable to the expected synergies from combining the operations of the Group and the Acquiree.

(e) Total consideration included cash consideration of RMB18,207,000 and contingent consideration of RMB7,184,000. As part of the purchase agreement, the contingent consideration represents the consideration to be determined based on the actual results of the Acquiree in subsequent three years from 2022. The contingent consideration was recognised as financial liabilities measured at FVPL. The fair value of the contingent consideration at the acquisition date was RMB7,184,000 by reference of valuation performed by JLL and based on the undiscounted expected consideration payments of RMB7,803,000, of which RMB1,751,000 is to be paid within one year.

Analysis of net cash outflow of cash and cash equivalents in respect of the acquisition of a subsidiary as at acquisition date:

	RMB'000
Total consideration	25,391
Less: contingent consideration to be paid	(7,184)
Less: consideration to be paid subsequent to period end	(5,202)
Consideration paid during the period	13,005
Less: cash and cash equivalents acquired	(5,097)
Net cash outflow on acquisition	7,908

The subsidiary contributed an aggregate revenue of RMB110,165,000 and net profit attributable to the equity shareholders of the Company of RMB740,000 to the Group for the period ended 30 June 2023.

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

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

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21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial assets and liabilities measured at fair value *(Continued)*

	Notes	Fair value at 30 June 2023 RMB'000	Fair value measurements as at 30 June 2023 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements					
Assets:					
– Unlisted equity investment	(i)	120,000	–	–	120,000
– Yaozhan Option Right	(ii)/20(c)	2,403	–	–	2,403
Liabilities:					
– Contingent consideration	(ii)/20(e)	7,184	–	–	7,184

	Notes	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements					
Assets:					
– Unlisted equity investment	(i)	120,000	–	–	120,000

The value techniques and the inputs used in the fair value measurements are set out as below:

	Valuation techniques	Significant Unobservable inputs	
Yaozhan Option Right	Black-Scholes model	Expected volatility	66.82%
Contingent consideration	Discounted cash flow method	Discount rate	3.65%

Notes:

(i) Unlisted equity investment represents 15% equity interest the Group obtained in an unlisted company which engaged in carpark sales business. The fair value of unlisted equity investment is considered approximated to the cost since transaction date is relatively close to the measurement date.

(ii) Yaozhan Option Right and the contingent consideration are related to the business combination as set out in Note 20.

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial assets and liabilities measured at fair value *(Continued)*

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values at 30 June 2023 and 31 December 2022.

22 COMMITMENTS

Commitments outstanding not provided for in the interim financial report were as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Authorised but not contracted for		
– acquisition of property, plant and equipment	**19,073**	24,253
– acquisition of intangible assets	**4,395**	6,209
	23,468	30,462

23 CONTINGENCIES

On 9 November 2022, Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限責任公司, "**Excellence Property Management**"), an indirect wholly owned subsidiary of the Company was served with a notice of arbitration issued by the Shanghai Arbitration Commission and the other relevant documents in relation to a dispute in respect of acquisition of 40% equity interest in a project company ("**the Project Company**") which is currently 60% held by a disposed subsidiary of the Group ("**the Disposed Subsidiary**"), involving the Disposed Subsidiary and Excellence Property Management, as the respondents, and the beneficial owners of the 40% equity interest in the Project Company, as the applicants.

The applicants alleged that the Disposed Subsidiary, as an agent of Excellence Property Management, failed to acquire all the 40% equity interest in the Project Company owned by the applicants and claimed against the Disposed Subsidiary and Excellence Property Management to:

(i) pay the applicants RMB20.8 million being damages for the breach of the agreement;

(ii) acquire all the equity interest in the Project Company owned by the applicants at a cash consideration calculated based on 40% of the audited net profit of the Project Company for the year ended 31 December 2020, multiplied by 12; and

(iii) costs.

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23 CONTINGENCIES *(Continued)*

The Group has engaged legal advisors to handle the arbitration. Up to the date of these financial statements, no arbitral award was granted. The directors believed that Excellence Property Management should not be involved as a respondent under the arbitration and since the result of the arbitration cannot be estimated reliably as the date of these financial statements, no provision in respect of the arbitration was recognised.

24 RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in the interim financial report, the Group also had the following related party transactions and related balances.

(a) The Group rendered property management services and value-added services to Excellence Group and other related parties that included companies that were owned or under significant influence by controlling shareholder and chairman of the board of the Group. The property management services and value-added services revenue for the six months ended 30 June 2023 was RMB107,788,000 (six months ended 30 June 2022: RMB57,555,000) and RMB155,036,000 (six months ended 30 June 2022: RMB385,676,000) respectively. The amount of trade receivables, contract assets and contract liabilities at 30 June 2023 were RMB464,956,000 (31 December 2022: RMB400,361,000), RMB11,902,000 (31 December 2022: RMB8,268,000) and RMB40,585,000 (31 December 2022: RMB60,688,000) respectively.

(b) The Group purchased maintenance and other services or goods from Excellence Group and other related parties that included companies that were owned or under significant influence by controlling shareholder and chairman of the board of the Group. The cost relating to procurement, maintenance and other services for the six months ended 30 June 2023 was RMB3,794,000 (six months ended 30 June 2022: RMB3,081,000) and the amount payable at 30 June 2023 was RMB254,000 (31 December 2022: RMB20,000).

(c) The Group entered into leases agreements in respect of certain leasehold properties from its related parties that included companies that were owned or under significant influence by ultimate controlling shareholder and chairman of the board of the Group. The amounts of lease payments by the Group under these leases for the six months ended 30 June 2023 were RMB28,127,000 (six months ended 30 June 2022: RMB42,834,000). The outstanding rent payable at 30 June 2023 was RMB36,319,000 (31 December 2022: RMB42,517,000).

(d) The Group entered into certain carparks purchase agreements with Excellence Group and other related parties that included companies that were owned by or under significant influence of the ultimate controlling shareholder and chairman of the board of the Group. The Group paid RMB2,260,000 (six months ended 30 June 2022: RMB Nil) to acquire carparks from these companies during the six months ended 30 June 2023. The prepayment for uncompleted carparks as at 30 June 2023 was RMB29,260,000 (31 December 2022: RMB27,000,000).

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.