



華發物業服務集團有限公司

Huafa Property Services Group Company Limited

(Incorporated in Bermuda with limited liability)

(Stock code : 982)

INTERIM REPORT 2022



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Corporate Information

Board of Directors

Executive directors

Mr. Li Guangning (*Chairman*)
Mr. Zhou Wenbin (*Chief Executive Officer*)
Mr. Xie Wei
Mr. Xie Hui (appointed with effect from
17 June 2022)
Mr. Gu Yuanping (appointed with effect from
16 March 2022)
Mr. Liang Liang (resigned with effect from
17 June 2022)

Non-executive director

Ms. Zhou Youfen

Independent non-executive directors

Dr. Chen Jieping
Mr. Pu Yonghao
Mr. Guo Shihai

Audit Committee

Dr. Chen Jieping (*Chairman*)
Mr. Pu Yonghao
Mr. Guo Shihai

Remuneration Committee

Mr. Pu Yonghao (*Chairman*)
Dr. Chen Jieping
Mr. Guo Shihai
Mr. Xie Wei
Mr. Zhou Wenbin

Nomination Committee

Mr. Guo Shihai (*Chairman*)
Dr. Chen Jieping
Mr. Pu Yonghao

Legal Adviser

Bird & Bird

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Joint Company Secretaries

Mr. Liang Liang (resigned with effect from
17 June 2022)
Mr. Zhou Dong (appointed with effect from
17 June 2022)
Ms. Chan Sau Ling

Head Office and Principal Place of Business in Hong Kong

Room 3605, 36/F
Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Principal Bankers

Hang Seng Bank Limited
Dah Sing Bank Limited

Bermuda Resident Representative

Conyers Corporate Services (Bermuda) Limited

Authorised Representatives

Mr. Zhou Wenbin
Ms. Chan Sau Ling

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

982

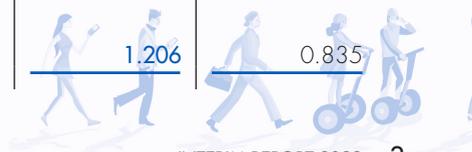
Website Address

www.huafapropertyservices.com

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE	4	894,074	665,919
Cost of sales		<u>(657,355)</u>	<u>(468,599)</u>
Gross profit		236,719	197,320
Other income and gains, net		13,609	11,099
Administrative expenses		(49,104)	(58,561)
Selling and marketing costs		(2,648)	–
Impairment losses on financial assets		(19,891)	(8,642)
Finance costs, net	6	(4,244)	(6,812)
Share of losses of:			
A joint venture		(568)	(1,049)
An associate		(338)	–
PROFIT BEFORE TAX	5	173,535	133,355
Income tax expense	7	<u>(52,306)</u>	<u>(49,357)</u>
PROFIT FOR THE PERIOD		121,229	83,998
Attributable to:			
Owners of the Company		121,318	83,970
Non-controlling interests		(89)	28
		<u>121,229</u>	<u>83,998</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted (expressed in HK cents per share)		<u>1.206</u>	<u>0.835</u>



Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	<u>121,229</u>	<u>83,998</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(33,700)</u>	<u>5,422</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(33,700)</u>	<u>5,422</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>87,529</u>	<u>89,420</u>
Attributable to:		
Owners of the Company	<u>88,404</u>	<u>89,392</u>
Non-controlling interests	<u>(875)</u>	<u>28</u>
	<u>87,529</u>	<u>89,420</u>

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	25,469	26,966
Right-of-use assets		27,342	22,519
Intangible assets	11	8,576	9,663
Interest in a joint venture		1,092	1,660
Interest in an associate		13	351
Deferred tax assets		31,967	29,614
Financial asset at fair value through profit or loss	12	12,150	11,475
Total non-current assets		<u>106,609</u>	<u>102,248</u>
CURRENT ASSETS			
Inventories		6,790	14,359
Trade receivables	13	555,432	349,211
Prepayments, deposits and other receivables		38,606	28,016
Restricted bank balances		2,819	5,458
Cash and cash equivalents		213,022	552,944
Total current assets		<u>816,669</u>	<u>949,988</u>
Total assets		<u>923,278</u>	<u>1,052,236</u>
NON-CURRENT LIABILITIES			
Other payables and accruals		2,627	2,748
Lease liabilities		6,740	3,067
Deferred tax liabilities		7,319	644
Total non-current liabilities		<u>16,686</u>	<u>6,459</u>



Interim Condensed Consolidated Statement of Financial Position

(Continued)

As at 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	14	114,419	108,883
Other payables and accruals		324,160	383,888
Interest-bearing bank borrowings	15	416,800	619,800
Amount due to a related party	16	239	411
Contract liabilities		72,795	72,534
Lease liabilities		6,591	2,914
Income tax payable		38,485	11,773
		<u>973,489</u>	<u>1,200,203</u>
Total current liabilities		<u>973,489</u>	<u>1,200,203</u>
Total liabilities		<u>990,175</u>	<u>1,206,662</u>
DEFICIT			
Deficit attributable to owners of the Company			
Share capital		2,515	2,515
Reserves		(72,335)	(160,739)
		<u>(69,820)</u>	<u>(158,224)</u>
Non-controlling interests		2,923	3,798
		<u>(66,897)</u>	<u>(154,426)</u>
Total deficit		<u>(66,897)</u>	<u>(154,426)</u>

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company									Non-controlling interests	Total deficit
	Share capital	Share premium	Special reserve	Statutory surplus funds	Other reserve	Merge reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022 (audited)	2,515	169,105	4,451	42,897	(534)	(765,738)	36,160	352,920	(158,224)	3,798	(154,426)
Profit for the period	-	-	-	-	-	-	-	121,318	121,318	(89)	121,229
Other comprehensive loss for the period	-	-	-	-	-	-	(32,914)	-	(32,914)	(786)	(33,700)
Total comprehensive income for the period	-	-	-	-	-	-	(32,914)	121,318	88,404	(875)	87,529
At 30 June 2022 (unaudited)	2,515	169,105	4,451	42,897	(534)	(765,738)	3,246	474,238	(69,820)	2,923	(66,897)
At 1 January 2021 (audited)	2,515	169,105	4,451	36,057	(534)	(765,738)	21,199	171,785	(361,160)	-	(361,160)
Profit for the period	-	-	-	-	-	-	-	83,970	83,970	28	83,998
Other comprehensive income for the period	-	-	-	-	-	-	5,422	-	5,422	-	5,422
Total comprehensive income for the period	-	-	-	-	-	-	5,422	83,970	89,392	28	89,420
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	962	962
At 30 June 2021 (unaudited)	2,515	169,105	4,451	36,057	(534)	(765,738)	26,621	255,755	(271,768)	990	(270,778)



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	(82,413)	8,742
Income tax paid	(22,414)	(28,619)
Net cash flows (used in) operating activities	(104,827)	(19,877)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,649	4,146
Purchase of items of property, plant and equipment	(3,919)	(4,294)
Purchase of intangible assets	(197)	-
Proceeds from disposal of property, plant and equipment	9	-
Settlement of consideration payable for acquisition of a subsidiary in 2020	-	(395,416)
Disposal of a joint venture	-	39,391
Net cash flows used in investing activities	(1,458)	(356,173)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(6,513)	(31,860)
Capital contributions from non-controlling interests	-	962
New interest-bearing bank borrowings raised	73,000	416,800
Repayment of interest-bearing bank borrowings	(276,000)	(39,500)
Principal and interest element of lease payments	(3,369)	(875)
Net cash flows (used in)/from financing activities	(212,882)	345,527
NET DECREASE IN CASH AND CASH EQUIVALENTS	(319,167)	(30,523)
Cash and cash equivalents at beginning of period	552,944	664,864
Effect of foreign exchange rate changes, net	(20,755)	7,508
CASH AND CASH EQUIVALENTS AT END OF PERIOD	213,022	641,849
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	215,841	647,212
Less: Restricted bank balances	2,819	5,363
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	213,022	641,849

Notes to the Interim Condensed Consolidated Financial Information

1. Corporate and Group Information

Huafa Property Services Group Company Limited (the “Company”) is a limited liability company incorporated in Bermuda. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 3605, 36/F, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong.

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

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This interim condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”) unless otherwise stated.

This interim condensed consolidated financial information is unaudited and has been reviewed by the audit committee of the Company (the “Audit Committee”). This interim condensed consolidated financial information was approved for issue by the board (the “Board”) of directors (the “Directors”) of the Company on 29 August 2022.

2. Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 (the “Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

As at 30 June 2022, the Group’s liabilities exceeded its assets by HK\$66,897,000 and its current liabilities exceeded its current assets by HK\$156,820,000. On the same day, the Group’s cash and cash equivalents amounted to HK\$213,022,000 while the Group’s bank borrowings and lease liabilities classified under current liabilities amounted to HK\$423,391,000. Notwithstanding the Group recorded net current liabilities and net liabilities as at 30 June 2022, taking into account the anticipated cash flows generated from the Group’s operations and the continued availability of the Group’s banking facilities, the Directors are of the opinion that the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming 12 months from 30 June 2022. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.



3. Changes in Accounting Policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of the above revised standards has had no significant financial effect on the Interim Financial Information.

4. Revenue and Operating Segment Information

The chief operating decision-maker has been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Executive Directors assess the performance of the operating segments based on their underlying profit, which is measured by profit before income tax, excluding income and expenses that are managed on a central basis.

The Group's operating businesses are structured and managed separately according to the nature of the operations. Each of the Group's reportable segments represents a strategic business unit that is subject to risks and returns that are different from other reportable operating segments.

The Group is principally engaged in the following:

Property management:	Provision of property management services and related value-added services, including municipal supporting services and other services; and
Hotel advisory and exhibition services:	Provision of hotel advisory services, exhibition planning and organisation services

The Group's revenue from external customers is derived solely from its operations in Mainland China. Except for the Group's certain office equipment and leasehold improvements amounting to HK\$999,000 located in Hong Kong, the Group's remaining non-current assets are located in Mainland China.

4. Revenue and Operating Segment Information (Continued)

Segment assets mainly exclude interest in a joint venture, interest in an associate, restricted bank balances, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude income tax payable, deferred tax liabilities, interest-bearing bank borrowings, amount due to a related party and other liabilities that are managed on a central basis.

For the six months ended 30 June 2022, revenue from Zhuhai Huafa Group Company Limited and its subsidiaries (the "Zhuhai Huafa Group") contributed 30.9% (six months ended 30 June 2021: 32.4%) of the Group's revenue. Other than the revenue from Zhuhai Huafa Group, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the six months ended 30 June 2022 and 30 June 2021.

Six months period ended	Property management		Hotel advisory and exhibition services		Total	
	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Revenue from external customers						
Recognised at a point in time	85,901	20,488	-	-	85,901	20,488
Recognised over time	806,880	642,969	1,293	2,462	808,173	645,431
Total revenue from contracts with customers	892,781	663,457	1,293	2,462	894,074	665,919
Segment results	172,630	145,580	(2,078)	(3,069)	170,552	142,511
<i>Reconciliation:</i>						
Unallocated income					12,249	12,496
Unallocated expenses					(8,360)	(20,603)
Share of losses of a joint venture and an associate					(906)	(1,049)
Income tax expense					(52,306)	(49,357)
Profit for the period					121,229	83,998



4. Revenue and Operating Segment Information (Continued)

Year/period ended	Property management		Hotel advisory and exhibition services		Total	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Segment assets	839,543	862,825	29,867	36,761	869,410	899,586
<i>Reconciliation:</i>						
Unallocated assets					<u>53,868</u>	<u>152,650</u>
Total assets					<u>923,278</u>	<u>1,052,236</u>
Segment liabilities	525,698	565,465	1,770	6,347	527,468	571,812
<i>Reconciliation:</i>						
Unallocated liabilities					<u>462,707</u>	<u>634,850</u>
Total liabilities					<u>990,175</u>	<u>1,206,662</u>

Six months period ended	Property management		Hotel advisory and exhibition services		Total	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Other segment information:						
Additions to non-current assets	3,919	4,901	-	9	3,919	4,910
(Impairment losses)/reversal of impairment loss on financial assets	(19,915)	(8,777)	24	135	(19,891)	(8,642)
Depreciation of property, plant and equipment	(4,296)	(3,904)	(76)	(130)	(4,372)	(4,034)
Depreciation of right-of-use assets	(3,919)	(1,613)	-	-	(3,919)	(1,613)
Amortisation of intangible assets	(885)	(267)	-	-	(885)	(267)

5. Profit Before Tax

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

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of services provided*	589,485	448,818
Cost of goods sold	67,870	19,781
Depreciation of property, plant and equipment	4,372	4,034
Depreciation of right-of-use assets	3,919	1,613
Amortisation of intangible assets	885	267
Employee benefit expense (excluding Directors' and chief executive's remuneration):		
Wages and salaries	360,636	309,112
Pension scheme contributions	59,001	43,989
	<u>419,637</u>	<u>353,101</u>
Impairment losses on trade receivables and other receivables	19,891	8,642
Rental expense		
– Short-term leases and leases of low-value assets	5,057	4,276
Bank interest income	2,642	4,140
Foreign exchange gain, net	8,892	772
Fair value gains on financial asset at fair value through profit or loss	<u>675</u>	<u>7,537</u>

- * Cost of services provided for the period included an aggregate amount of HK\$389,605,000 (six months ended 30 June 2021: HK\$318,850,000) which comprised items including employee benefit expense, depreciation of property, plant and equipment, amortisation of intangible assets and rental expense. These items were also included in the respective expense items disclosed above.



6. Finance Costs, Net

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Finance expense:		
Interest expense on amount due to a related party (note 16)	–	(452)
Interest expense on bank borrowings	(6,513)	(10,506)
Interest expense on lease liabilities	(380)	(40)
	<u>(6,893)</u>	<u>(10,998)</u>
Finance income:		
Interest income from bank deposits	2,649	4,186
	<u>2,649</u>	<u>4,186</u>
Finance costs, net	<u>(4,244)</u>	<u>(6,812)</u>

7. Income Tax Expense

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

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit during the six months ended 30 June 2022 (six months ended 30 June 2021: 16.5%).

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax ("CIT") rate of 25% for the reporting period. Certain subsidiaries of the Group operating in Mainland China enjoyed a preferential CIT rate of 15% or 20% during the reporting period.

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current income tax	49,169	42,235
Deferred income tax	3,137	7,122
Total tax charged for the period	<u>52,306</u>	<u>49,357</u>

8. Dividend

The Directors did not propose the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

The calculation of the basic and diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$121,318,000 (six months ended 30 June 2021: HK\$83,970,000), and the weighted average number of ordinary shares of 10,060,920,000 (six months ended 30 June 2021: 10,060,920,000) in issue during the reporting period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021, respectively.

10. Property, Plant and Equipment

During the six months ended 30 June 2022, the Group acquired assets at a cost of HK\$3,919,000 (30 June 2021: HK\$4,294,000). Assets with a net book value of HK\$27,000 were disposed by the Group during the six months ended 30 June 2022 (30 June 2021: Nil), resulting in a net loss on disposal of HK\$18,000 (30 June 2021: Nil).

11. Intangible Assets

During the six months ended 30 June 2022, the Group obtained intangible assets externally at a cost of HK\$197,000 (30 June 2021: Nil).

No intangible assets were disposed by the Group during the six months ended 30 June 2022 (30 June 2021: Nil).

12. Financial Asset at Fair Value Through Profit or Loss

Movement in the financial asset at fair value through profit or loss is as follows:

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
At 1 January	11,475	7,988
Changes in fair value credited to profit or loss (note 5)	675	7,537
At 30 June	12,150	15,525



12. Financial Asset at Fair Value Through Profit or Loss (Continued)

Notes:

- (a) The balance represented fair value of the Group's 2.25% equity interest in Hong Kong Johnson Holdings Co., Ltd ("Hong Kong Johnson") and was denominated in HK\$.
- (b) Valuation of financial asset at fair value through profit or loss

Hong Kong Johnson is listed on the Main Board of the Stock Exchange (01955.HK). The fair value of financial asset at fair value through profit or loss traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for the listed equity instrument held by the Group is the current bid price.

13. Trade Receivables

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Related parties (note 16(b))	226,644	91,751
Third parties	401,470	313,595
	628,114	405,346
Impairment	(72,682)	(56,135)
	555,432	349,211

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 year	522,967	321,266
1 to 2 years	52,560	39,171
2 to 3 years	20,580	17,765
3 to 4 years	8,608	7,418
Over 4 years	23,399	19,726
	628,114	405,346

14. Trade Payables

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Up to 90 days	86,880	92,438
91 – 180 days	10,026	2,117
Over 181 days	17,513	14,328
	<u>114,419</u>	<u>108,883</u>

15. Interest-Bearing Bank Borrowings

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Bank loans – unsecured	<u>416,800</u>	<u>619,800</u>

As at 30 June 2022 and 31 December 2021, the Group's bank borrowings are all within one year.

Notes:

- (a) As at 30 June 2022 and 31 December 2021, there is no pledged assets and guarantee executed by the Group.
- (b) Bank borrowings bear effective interest rate from 1.77% to 2.10% per annum (2021: 1.56% to 3.18% per annum).
- (c) The carrying amounts of the Group's bank borrowings were denominated in HK\$ and the fair value of bank borrowings approximates their carrying amounts.



16. Related Party Transactions

(a) Significant related party transactions

In addition to those disclosed elsewhere in these condensed consolidated financial statements, the following transactions were entered into according to terms and prices mutually agreed between the relevant parties.

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Property management services and related value-added services income received from Zhuhai Huafa Group	275,682	214,685
Hotel advisory and exhibition services income received from Zhuhai Huafa Group		
– Advisory income	278	475
– Event planning income	652	317
	930	792
Recharge of administrative expenses from Hong Kong Huafa Investment Holdings Limited ("Huafa HK")	479	1,717
Interest expense to Huafa HK	–	452
Rental expenses to Zhuhai Huafa Group	586	275
Purchase of goods and services from Zhuhai Huafa Group	2,299	5,373

16. Related Party Transactions (Continued)

(b) Outstanding balances with related parties

In addition to those disclosed elsewhere in these condensed consolidated financial statements, particulars of the material balances with related parties are as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Amount due to a related party – Huafa HK	<u>(239)</u>	<u>(411)</u>
Balances included in trade receivables – Zhuhai Huafa Group	<u>226,644</u>	<u>91,751</u>
Balances included in prepayments, deposits and other receivables – Zhuhai Huafa Group	<u>14</u>	<u>2,594</u>
Balances included in trade payables – Zhuhai Huafa Group	<u>(2,290)</u>	<u>(5,414)</u>
Balances included in other payables and accruals – Zhuhai Huafa Group	<u>(23,392)</u>	<u>(15,700)</u>
Balances included in contract liabilities – Zhuhai Huafa Group	<u>(1,841)</u>	<u>(4,573)</u>



16. Related Party Transactions (Continued)

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

The remuneration of the Directors and other members of key management during the period are as follows:

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind		
Performance related bonuses	3,028	2,032
Pension scheme contributions	333	246
	<u>3,361</u>	<u>2,278</u>

The remuneration of Directors and key management is determined having regard to the performance of individuals and market trends.

(d) Transactions and balances with other state-owned enterprises in the PRC

In accordance with HKAS 24 Related Party Disclosures, state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("state-owned enterprises") are regarded as related parties of the Group. The Group's PRC entities operate in an economic environment predominated by state-owned enterprises. During the six months ended 30 June 2022 and 30 June 2021, the Group had transactions with state-owned enterprises including, but not limited to, providing property management services and value-added services and hotel advisory services and exhibition planning and organisation services. For the purpose of related party transactions disclosure, the Group had in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatization programs. Nevertheless, the Directors of the Group consider that transactions with other state-owned enterprises are activities in the ordinary course of the business, and that the dealings of the Group have not been significantly or unduly affected by the facts that the Group and other state-owned enterprises are ultimately controlled or owned by the PRC Government. The Group had also established pricing policies for the products and services, and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the Directors of the Group are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

Management Discussion and Analysis

Overview

Based on the development strategy of “One Core, Two Wings” with property management services as the core and hotel advisory and exhibition services as the synergy, the Group is a national community life operator and comprehensive facility service provider. As a state-owned enterprise and a professional listed property company in the industry for years, the Group has been highly recognized by the industry for its world-class service quality and leading brand strength, and won many honors, including the “19th amongst the 2022 China Property Service in terms of Overall Strength (2022中國物業服務綜合實力第19名)”, “2022 China state-owned Property Service Excellent Enterprise (2022中國國有物業服務優秀企業)”, “2022 Top 100 Leading Enterprises in terms of Property Service Satisfaction in China (2022中國物業服務百強滿意度領先企業)” and the “Most Valuable Property Management Company in the 6th Golden Hong Kong Stocks (第六屆金港股最具價値物業公司)”.

Time passes, but the original intention remains the same. The Group always adheres to the values of quality first, regards service quality as the lifeline of enterprise development, and strives to improve service standards with customer needs as the guide. Surrounding the development concept of “empowering property services with technology and creating a better life with wisdom”, we use technological innovation to help optimize and upgrade our services. We are committed to providing the best quality services to our owners by continuously expanding our high-end services across the industry and releasing our strong momentum.



Management Discussion and Analysis *(Continued)*

Business Review

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

I. Property Management Services

After 37 years of development, Huafa Property Services Company Limited* (華發物業服務有限公司) (formerly known as Zhuhai Huafa Property Management Services Co., Ltd.* (珠海華發物業管理服務有限公司)) ("Huafa Property"), an indirect wholly-owned subsidiary of the Company, which has formed a business pattern foothold in the Greater Bay Area and covering the whole country, with a full-chain of services including residential properties, commercial and office properties, asset management, urban and municipal services, elevator engineering, building intelligence, security services, real estate broker and catering services. The Group aims to further consolidate the Group's strategic positioning of building a high-end service platform through the development of property management services and related value-added services, to ensure sustainable development, and strive to comprehensively improve the Group's overall operational performance in the future.

For the six months ended 30 June 2022, the revenue of property management services amounted to approximately HK\$892,781,000, representing a period-on-period increase of approximately 34.6% as compared with the corresponding period of 2021. Its profit for the six months ended 30 June 2022 amounted to approximately HK\$121,133,000 (six months ended 30 June 2021: approximately HK\$100,447,000).

Management Discussion and Analysis *(Continued)*

Business Review *(Continued)*

(I) Basic property services

The Group provides a series of basic property services including security, cleaning and landscaping for property owners, residents and property developers. For the six months ended 30 June 2022, the basic property services segment contributed approximately HK\$589,031,000 of revenue to the Group (the corresponding period of 2021: approximately HK\$436,584,000), representing a period-on-period increase of approximately 34.9% as compared with the corresponding period in 2021.

As at 30 June 2022, Huafa Property had a total contracted GFA of approximately 43.1 million sq.m. (the corresponding period of 2021: approximately 33.7 million sq.m.). Huafa Property provided property management services and value-added services to 279 properties (the corresponding period of 2021: 217 properties), with an aggregated revenue-bearing GFA of approximately 22.6 million sq.m. (the corresponding period of 2021: approximately 16.75 million sq.m.).

Our geographic distribution

As of 30 June 2022, Huafa Property managed a portfolio of properties covering 42 (the corresponding period of 2021: 39) key cities in the PRC including Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Chongqing and Nanjing, forming a development trend foothold in the Greater Bay Area and covering the whole country.



Management Discussion and Analysis (Continued)

Business Review (Continued)

Our geographic distribution (Continued)

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

	Revenue-bearing GFA ('000 sq.m.)	For the six months ended 30 June			2021	
		2022			Revenue-bearing GFA ('000 sq.m.)	Revenue HK\$'000
		Revenue HK\$'000	%			
Greater Bay Area	15,359	442,313	75.1%	12,650	342,288	78.4%
Bohai Bay Area	3,241	57,145	9.7%	2,159	34,175	7.8%
Yangtze River Delta	1,052	38,625	6.6%	663	26,880	6.2%
Central China	2,952	50,948	8.6%	1,273	33,241	7.6%
Total	22,604	589,031	100.0%	16,745	436,584	100.0%

Third-party expansion opportunities

In the face of the adverse impact of the epidemic and increasingly fierce market competition, the Group actively expanded its business by virtue of its excellent service quality and sound industry reputation, and continued to promote the growth of the Company's business scale and management patterns through market-oriented methods such as tender and bidding and business cooperation. During the reporting period, while maintaining the steady growth of existing property management projects, the Company gave full play to the advantages of a state-owned enterprise property management service company, and successively undertaken a series of non-residential property projects outside the high-quality system, including China Guangfa Bank, Zhuhai Branch, Nyingchi Bayi District Building Components Industrial Park, Zhuhai Human Resources and Employment Service Centre (珠海市人才資源與就業服務中心), Zhuhai Doumen District Health Bureau (珠海市斗門區衛生健康局) and Shenyang Longfor Tianyao Site (沈陽龍湖天曜案場), further enriching our property management business. At the same time, with comprehensive professional qualifications and first-class service level, subsidiaries of Huafa Property successfully undertook service contracts such as industrial parks, government waste classification and taxation bureau logistics support, further broadening the corporate services, extending the city service business, and contributing towards the collaborative governance of the community and the facelift of the city.

Management Discussion and Analysis *(Continued)*

Business Review *(Continued)*

Third-party expansion opportunities (Continued)

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

	For the six months ended 30 June					
	2022			2021		
	Revenue-bearing GFA (^{'000} sq.m.)	Revenue (HK\$ ^{'000})	%	Revenue-bearing GFA (^{'000} sq.m.)	Revenue (HK\$ ^{'000})	%
Properties developed by Zhuhai Huafa Group	19,578	502,015	85.2%	15,014	378,992	86.8%
Properties developed by independent property developers	3,026	87,016	14.8%	1,731	57,592	13.2%
Total	22,604	589,031	100.0%	16,745	436,584	100.0%

Business distribution

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



Management Discussion and Analysis (Continued)

Business Review (Continued)

Business distribution (Continued)

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

	For the six months ended 30 June					
	2022			2021		
	Revenue-bearing GFA ('000 sq.m.)	Revenue (HK\$'000)	%	Revenue-bearing GFA ('000 sq.m.)	Revenue (HK\$'000)	%
Residential properties	17,307	376,188	63.9%	14,408	313,682	71.8%
Non-residential properties	5,297	212,843	36.1%	2,337	122,902	28.2%
Total	22,604	589,031	100.0%	16,745	436,584	100.0%

(III) Value-added services for property owners

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

For the six months ended 30 June 2022, the revenue from value-added services for property owners was approximately HK\$96,531,000, representing a period-on-period increase of approximately 105.8% as compared with the corresponding period in 2021.

Management Discussion and Analysis *(Continued)*

Business Review *(Continued)*

(III) Value-added services for property owners (Continued)

The growth in value-added services for property owners was mainly attributable to (i) expanding and strengthening the existing community business and optimizing the product supply chain. With being customer-oriented, we introduced strong alliances with quality suppliers for home services, new community retailing and other businesses to improve our service offerings and create a good branding effectiveness; (ii) innovation and incubation of new community service tracks, which greatly enhanced the convenience and experience of property owners' life. In line with the development of the times and the needs of customers, we have vigorously developed businesses of charging piles, community auxiliary materials warehouse and community lifestyle supermarket to meet the high-frequency shopping needs of property owners in their daily lives; (iii) the optimization of the online e-commerce platform of "Huawu Youxuan" (華物優選), attracting traffic and increasing efficiency through popular activities such as the "New Year Festival" (年貨節) and "Spring and Summer Theme Events" (春夏主題活動), providing the platform and online services, laying a good foundation for the integrated operation of online and offline community living services, and efficiently promoting the leap-forward development of value-added services for property owners. During the reporting period, the revenue from home services increased by approximately 91.5% as compared with the corresponding period of last year; and the revenue from new community retailing increased by approximately 87.4% as compared with the corresponding period of last year.



Management Discussion and Analysis *(Continued)*

Business Review *(Continued)*

(III) Other value-added services

Huafa Property and its professional subsidiaries provide various types of other value-added services, which mainly include (i) providing support services for municipal projects through Zhuhai Huafa Municipal Comprehensive Services Co., Ltd.* (珠海華發市政綜合服務有限公司), such as maintenance, sanitation services, road and bridge maintenance, and streetlight maintenance. During the first half of the year, the municipal company successfully undertook various businesses such as greening renovation, ground cover planting and tree relocation by exploring and developing diversified park businesses through multiple channels, and was deeply involved in urban services; (ii) providing building intelligence, mechanical and electrical engineering, labor engineering, elevator maintenance and installation services through Zhuhai Huafa Building Elevator Engineering Co., Ltd.* (珠海華發樓宇電梯工程有限公司), and taking over a number of out-of-system businesses with professional qualifications and good reputation; (iii) providing various security services for large-scale events and advanced security services through Guangdong Huafa Security Services Co., Ltd.* (廣東華發保安服務有限公司), so as to expand various types of extended businesses including the construction and operation of security technology prevention systems. The business scale has been expanded through participation in out-of-system projects, such as the back office support project of the tax bureau, bank security management and fire services projects; (iv) formally entering the catering sector through the establishment of Zhuhai Huafa Catering Management Services, Co., Ltd.* (珠海華發餐飲管理服務有限公司) (“Huafa Catering”) in early 2022, and gradually undertaking various catering services for enterprises, public institutions, industrial parks and office buildings, providing a more diversified and comprehensive service solution for property services. In addition to providing canteen dining services, Huafa Catering has also developed various businesses such as catering and food delivery, ingredient delivery, afternoon tea and drinking water. In the first half of the year, it undertook the first catering service centre project of Zhuhai Centre (珠海中心第一餐飲服務中心), currently operated 7 catering service centres within the Huafa system, and invested in the construction of the catering service centres in four industrial parks in the Zhuhai High-tech Zone, namely Zhihui Wan (智匯灣), Zhigu Yuanxin (智谷圓芯), China-Israel Accelerator (中以加速器) and Sheng Boli (聖博立). At the same time, it commenced eight professional system certifications for catering services and carried out special information technology planning to comprehensively promote and achieve the informatization and intelligence development in its catering business. In the future, Huafa Catering will strive to build a professional, fashionable, reliable and healthy catering management system and catering service brand to become a comprehensive catering management service provider with quality first, integrity first, efficient service, intelligence and innovation and leading the trend; and (v) providing cleaning, landscaping and maintenance services to property developers in the pre-delivery stage; providing consulting services to property developers on the management of pre-sale businesses and providing consulting services to properties managed by other property management companies.

As of 30 June 2022, the revenue from other value-added services was approximately HK\$207,219,000, representing a period-on-period increase of approximately 15.1% over the same period in 2021.

Management Discussion and Analysis *(Continued)*

Business Review *(Continued)*

II. *Hotel Advisory and Exhibition Services*

The Group provides hotel advisory and consultancy services through Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited* (珠海市橫琴新區華金國際酒店管理有限公司), an indirectly wholly-owned subsidiary of the Company. As at the date of this report, the business of the Group has successfully reached out to the premium hotel projects in some areas covering Nyingchi Prefecture of Tibet, Xiong'an New Area, Taicang of Suzhou and Shaoxing of Zhejiang.

Zhuhai Hengqin New Area Huajin International Convention Services Company Limited* (珠海市橫琴新區華金國際會展服務有限公司), an indirect wholly-owned subsidiary of the Company, still rose to the challenge, overcame difficulties and made every effort to develop the market under the negative impact of the recurrent COVID-19 epidemic on the exhibition business. In addition to launching new projects, the company also upgraded and expanded its service offerings to meet the diverse requirements of customers and enrich the types of market-based projects. In the first half of the year, the types of intentional projects that have been developed, covering anniversary events, competitions, opening ceremonies and promotions, etc., and innovative live broadcast business service items have been launched to broaden service boundaries.

During the reporting period, the hotel advisory and exhibition services segment contributed approximately HK\$1,293,000 of revenue to the Group.

Financial Review

Revenue

The Group is principally engaged in property management services, hotel advisory and exhibition services. Revenue from property management services accounted for 99.9% of the total revenue, which is mainly derived from (i) basic property services; (ii) value-added services for property owners; and (iii) other value-added services.

* For identification purposes only



Management Discussion and Analysis (Continued)

Financial Review (Continued)

Revenue (Continued)

For the six months ended 30 June 2022, the Group's total revenue amounted to approximately HK\$894,074,000 (six months ended 30 June 2021: HK\$665,919,000), representing an increase of approximately 34.3% as compared with the corresponding period of 2021. In particular, revenue from property management services amounted to approximately HK\$892,781,000 (six months ended 30 June 2021: HK\$663,457,000), representing an increase of approximately 34.6% as compared with the corresponding period of 2021, which was mainly due to (i) the increase in revenue resulting from the continuous expansion of the Group's management scale; and (ii) the continuous and stable development of the Group's value-added services.

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

	For the six months ended 30 June				
	2022	Percentage of revenue	2021	Percentage of revenue	Growth rate
	HK\$'000	(%)	HK\$'000	(%)	(%)
Property management services	892,781	99.9%	663,457	99.6%	34.6%
– Basic property services	589,031	65.9%	436,584	65.6%	34.9%
– Value-added services for property owners	96,531	10.8%	46,906	7.0%	105.8%
– Other value-added services	207,219	23.2%	179,967	27.0%	15.1%
Hotel advisory and exhibition services	1,293	0.1%	2,462	0.4%	-47.5%
Total	894,074	100.0%	665,919	100.0%	34.3%

Management Discussion and Analysis *(Continued)*

Cost of sales

The Group's total cost of sales for the six months ended 30 June 2022 amounted to approximately HK\$657,355,000 (six months ended 30 June 2021: HK\$468,599,000), representing an increase of approximately 40.3% as compared with the corresponding period of 2021. The increase in cost of sales was mainly due to (i) the increase in the total revenue-bearing GFA of the Group and the increase of number of projects under management, which resulted in the increase in relevant staff costs and outsourcing costs; and (ii) the increase in revenue resulting from the addition of new community retailing business, which resulted in the increase in the cost of retail goods.

Gross profit

For the six months ended 30 June 2022, the Group's gross profit amounted to approximately HK\$236,719,000 (property management segment: HK\$236,520,000), representing an increase of approximately 20.0% from HK\$197,320,000 (property management segment: HK\$197,178,000) for the corresponding period of 2021.

Other income and other gains, net

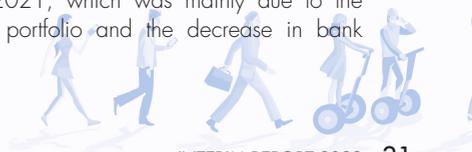
For the six months ended 30 June 2022, other income and other gains, net amounted to approximately HK\$13,609,000, representing an increase of approximately 22.6% from HK\$11,099,000 for the six months ended 30 June 2021, which was mainly due to an increase of the exchange gains, net recognized for the change in exchange rates.

Administrative expenses

For the six months ended 30 June 2022, the Group's total administrative expenses amounted to HK\$49,104,000, representing a decrease of approximately 16.1% from approximately HK\$58,561,000 for the six months ended 30 June 2021. Adhering to the consistent principle of being prudent, the management of the Company (the "Management") will proactively expand operations while reducing costs and increasing efficiency.

Finance expenses, net

For the six months ended 30 June 2022, the Group's total finance expenses, net amounted to approximately HK\$4,244,000, representing a decrease of approximately 37.7% from HK\$6,812,000 for the six months ended 30 June 2021, which was mainly due to the Company's optimization and adjustment of financing portfolio and the decrease in bank borrowings.



Management Discussion and Analysis *(Continued)*

Profit for the period

For the six months ended 30 June 2022, the Group's profit for the period amounted to approximately HK\$121,229,000, representing an increase of approximately 44.3% from HK\$83,998,000 for the corresponding period of 2021. Profit for the period attributable to owners of the Company was approximately HK\$121,318,000, representing an increase of approximately 44.5% from HK\$83,970,000 for the corresponding period of 2021.

Liquidity and Financial Resources

As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately HK\$213.0 million (31 December 2021: approximately HK\$552.9 million) with bank borrowings of approximately HK\$416.8 million (31 December 2021: HK\$619.8 million). The Group held current assets of approximately HK\$816.7 million (31 December 2021: approximately HK\$950.0 million) and total current liabilities of approximately HK\$973.5 million (31 December 2021: approximately HK\$1,200.2 million). The Group's current ratio, being total current assets over total current liabilities, was 0.8 (31 December 2021: 0.8). Total deficit of the Group was approximately HK\$66.9 million as at 30 June 2022 (31 December 2021: total deficit of HK\$154.4 million). The Group's gearing ratio, being total liabilities over total assets, was 107.2% (31 December 2021: 114.7%).

Pledge of Assets

As at 30 June 2022, the Group has no pledged assets (31 December 2021: Nil).

Capital Structure

Save as disclosed, the Group's capital structure remained unchanged during the six months ended 30 June 2022.

Contingent Liabilities

As at 30 June 2022, the Group did not have any contingent liabilities (31 December 2021: Nil).

Business Plan

Keeping continuous improvement and promoting quality construction

The Group has always insisted on the corporate culture of quality first, and has regarded service quality as the lifeline of enterprise development and fulfilled the promise of "With Me You Can Rest Assured". In the future, we will continue to be customer-oriented to meet and exceed customer expectations as our goal and take the industry benchmark as our responsibility and continue to promote management innovation. We will further improve our quality control system and conduct assessments through regional quality self-inspections, remote and quality system inspections, in-house specific inspections, quality spot checks, and customer evaluations to lay a solid foundation for the establishment of industry standards and self-improvement of quality.

Management Discussion and Analysis *(Continued)*

Business Plan *(Continued)*

Expanding in the whole area and steadily increasing the business scale and market share

As the concentration of the current property management service industry has been further increased, outstanding property management companies are seeking new growth curves and exploring new development roads. The Group will leverage its existing high-standard service system to form a development trend rooted in the Greater Bay Area and radiating throughout China, and will combine the way of “internal and external expansions” to actively expand its management scale through a series of market-oriented means such as bidding, strategic cooperation, mergers and acquisitions. On the one hand, the Group will continue to maintain the advantages of public sector business by leveraging on its excellent service quality and its responsibility as a state-owned enterprise, strengthen cooperation with local state-owned enterprises, integrate resources from various parties, focus on the development of the business model of “centering on housing projects while expanding commercial and public sector, industrial parks and municipal project”, so as to accelerate the systematic development of commercial business, break the boundaries of city service business and expand non-residential business. On the other hand, the Group will provide a series of professional services such as municipal, elevator engineering, catering and housing agency through its subsidiaries, so as to further expand our market share.

Diversified eco-system to form a full chain of community services

The Group will always put the needs of its customers at first. In the future, it will combine its own professional strengths to provide value-added services to property owners from various aspects to meet the needs of property owners for a better life, while improving and expanding the community economy. The Group will mainly focus on five types of services for ten key businesses to carry out the arrangements, specifically including home-living services, agency services, space services, community retail and house decoration services, etc. The Group will introduce quality suppliers or cooperate with leading enterprises in professional fields to complement mutual strengths and create exclusive brand effects. At the same time, we will enhance the online rate of value-added services through our own platform of “Huawu Youxuan” (華物優選), and build a high-quality community e-commerce platform through online and offline integrated means. We will strengthen research on new business models and expand our business nationwide by taking the Great Bay Area as an example for charging operation, home services and convenience stations to realize the scale effect of innovative business. We will extend the service offerings, broaden the service boundary, maximize the use of community resources, enhance the convenience and experience of property owners’ lives and establish a complete value-added service ecosystem.



Management Discussion and Analysis *(Continued)*

Business Plan *(Continued)*

Accelerating digitalization and intelligent development empowered by technology

During the reporting period, the Group focused on the six major aspects of “refined management”, “living service”, “smart community”, “diversified expansion”, “independent innovation” and “information security” to conduct technology construction and continued to promote the digitization and intelligence of property management business on the basis of sound operation. Internally, we refined our management and control system to empower the business development of our professional subsidiaries and improve our corporate operational efficiency and service quality; externally, we upgraded the value-added service platform of “Huawu Youxuan” (華物優選) and accelerated the building of smart communities, and forty softwares and information security management systems independently innovated and developed by us have been recognized by authoritative institutions. While enhancing the satisfaction and happiness of the property owners, we also provide solid security for the rapid development of the Company. In the future, the Group will continue to push forward the implementation of the technology + strategy, continuously improve the integration of online and offline platforms and operational control to lay a solid foundation for the Company to further reduce costs, increase efficiency and diversify innovation, thus providing more diversified and high-quality digital services.

Grasping the opportunity of developing modern service industry with efficient synergy

We will look to the world, firmly grasp the favorable opportunity of developing modern service industry in the Guangdong-Macao In-depth Cooperation Zone in Hengqin, continue to make efforts in integrating the business chains of exhibition services and hotel advisory, and seeking innovation driven development, so as to make more contribution in greatly enhancing the international reputation of Zhuhai, promoting the moderately diversified development of Macao’s economy, and accelerating the innovation-driven development of the Guangdong-Macao In-depth Cooperation Zone in Hengqin and the Guangdong-Hong Kong-Macao Greater Bay Area.

Employees

As at 30 June 2022, the Group had a total of 8,512 employees (31 December 2021: approximately 8,351). The staff costs of the Group for the six months ended 30 June 2022 were approximately HK\$420,065,000 (six months ended 30 June 2021: approximately HK\$353,472,000), which comprised salaries, commissions, bonuses, other allowances and contributions to the retirement and medical security schemes. In general, the Group determined its employee remuneration packages with reference to general market practice, employees’ duties and responsibilities and the Group’s financial performance. The Group provides training courses and training programmes to equip staff with the necessary skills, techniques and knowledge in order to enhance their productivity and administrative efficiency.

Management Discussion and Analysis *(Continued)*

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: Nil).

Interest Rate Risk

As at 30 June 2022, the Group's interest-bearing financial assets primarily comprised of bank deposits, and the Group's interest-bearing financial liabilities primarily comprised of bank borrowings. As there was no significant financial risk of a change in interest rates, the Group had no interest rate hedging policy.

Foreign Exchange Risk

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

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

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

Credit Risk

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



Management Discussion and Analysis *(Continued)*

Price Risk

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

Liquidity Risk

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

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

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

Significant Acquisitions and Disposals of Investments

The Group did not acquire or dispose of any significant investments during the six months ended 30 June 2022.

Future Plans for Material Investments and Capital Asset Acquisitions

As at 30 June 2022, the Group did not have any future plans relating to material investments and capital asset acquisitions.

Other Information

Share Option Scheme

There is no share option scheme during the six months ended 30 June 2022 and up to the date of this report.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2022.

Events After the Reporting Period

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

Audit Committee

The Company has established the Audit Committee consisting of three independent non-executive Directors, namely Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai. Dr. Chen Jieping is the chairman of the Audit Committee. The primary duty of the Audit Committee is to review and monitor the financial reporting process and effectiveness of the internal control and risk management systems of the Group. The Audit Committee has reviewed the Group's unaudited interim results and interim report for the six months ended 30 June 2022.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2022, none of the Directors or the chief executive of the Company or their close associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").



Other Information *(Continued)*

Interest of Substantial Shareholders

As far as was known to the Directors, as at 30 June 2022, the interests or short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in ordinary shares of HK\$0.00025 each of the Company

Name of Substantial Shareholders	Capacity/ Nature of interest	Number of shares held	Approximate percentage of interested shares to the issued share capital of the Company (%)
Zhuhai Huafa <i>(Note 1)</i>	Interest in controlled corporations	3,901,907,480	38.78
Ho Chi Sing <i>(Note 2)</i>	Interest in controlled corporations	669,762,520	6.66
IDG Light Solutions Limited <i>(Note 2)</i>	Beneficial owner	669,762,520	6.66

Notes:

1. Zhuhai Huafa holds 100% of the issued share capital of Hong Kong Huafa Investment Holdings Limited ("Huafa HK") which in turn holds 100% of the issued share capital of Huajin Investment Company Limited ("Huajin Investment"). Zhuhai Huafa's non-wholly-owned direct subsidiary, Zhuhai Huafa Properties Co., Ltd. (珠海華發實業股份有限公司), indirectly wholly owns Guang Jie Investment Limited ("Guang Jie") which directly holds 191,157,480 shares of the Company. Since Huajin Investment holds 3,710,750,000 shares of the Company and Guang Jie holds 191,157,480 shares of the Company, Zhuhai Huafa is deemed to be interested in 3,901,907,480 shares of the Company by virtue of its shareholding in Huajin Investment and Guang Jie.
2. Mr. Ho Chi Sing directly holds 100% of the issued share capital of IDG Light Solutions Limited (incorporated in the British Virgin Islands), which holds 669,762,520 shares of the Company.
Therefore, Mr. Ho Chi Sing is deemed to be interested in a total of 669,762,520 shares of the Company by virtue of his shareholding in IDG Light Solutions Limited.

Save as disclosed above, as at 30 June 2022, no person had any interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or otherwise notified to the Company and the Stock Exchange.

Other Information *(Continued)*

Corporate Governance

During the six months ended 30 June 2022, the Company has, in the opinion of the Directors, complied with the code provisions set out in the Corporate Governance Code as contained in Part 2 of Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2022.

Environmental, Social And Governance ("ESG") Reporting

To prepare for the ESG report in compliance with the Stock Exchange's requirements, the Company has already engaged an ESG consultant, namely RSM Consulting (Hong Kong) Limited, to assist its preparation which include scope identification, materiality analysis, data collection and report content development.

Change of Director's Information

Mr. Li Guangning has resigned as the director and chairman of Zhuhai Huafa Investment Holdings Group Co. Ltd. (珠海華發投資控股集團有限公司) with effect from 28 January 2022.

Mr. Xie Wei has been appointed as a chairman of Zhuhai Huafa Investment Holdings Group Co. Ltd. (珠海華發投資控股集團有限公司) with effect from 28 January 2022.

Mr. Gu Yuanping has been appointed as a deputy general manager of Huafa HK, an indirect controlling shareholder of the Company, with effect from 29 April 2022.

Dr. Chen Jieping has been appointed as an independent non-executive director, the chairman of the audit committee, a member of remuneration and nomination committee of Jinmao Property Services Co., Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00816) from 10 March 2022.



Other Information *(Continued)*

Change of Composition of the Board

As disclosed in the Company's announcement dated 16 March 2022, with effect from 16 March 2022, Mr. Tze Kan Fat has resigned as an executive Director and the vice president of the Company. At the same day, Mr. Gu Yuanping has been appointed as an executive Director and the vice president of the Company with effect from 16 March 2022.

As disclosed in the Company's announcement dated 17 June 2022, with effect from 17 June 2022, Mr. Liang Liang has tendered his resignation as an executive Director. Accordingly, Mr. Xie Hui has been appointed as an executive Director with effect from 17 June 2022.

Appreciation

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

By order of the Board
Huafa Property Services Group Company Limited
Li Guangning
Executive Director and Chairman

Hong Kong, 29 August 2022