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## **KWG Living Group Holdings Limited**

### **合景悠活集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3913)**

## **(1) ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024**

**AND**

## **(2) CHANGE OF CHIEF EXECUTIVE OFFICER**

### **SUMMARY OF INTERIM RESULTS**

- Revenue for the six months ended 30 June 2024 amounted to approximately RMB1,923.4 million, representing an increase of 1.9% as compared with the corresponding period in 2023.
- Gross profit for the six months ended 30 June 2024 amounted to approximately RMB564.0 million, representing a decrease of 5.4% as compared with the corresponding period in 2023.
- Profit for the six months ended 30 June 2024 amounted to approximately RMB69.9 million, representing a year-on-year decrease of approximately 14.3%.

### **CHANGE OF CHIEF EXECUTIVE OFFICER**

- Mr. WANG Jianhui has tendered his resignation as the Chief Executive Officer with effect from 29 August 2024.
- Mr. WANG Zhongqi has been appointed as the Chief Executive Officer with effect from 29 August 2024.

## (1) UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of KWG Living Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “**Group**”, “**we**”, “**us**” or “**our**”) for the six months ended 30 June 2024, together with the corresponding comparative figures for the six months ended 30 June 2023. The unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 (the “**Interim Financial Information**”) has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2024	2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>REVENUE</b>	4	<b>1,923,371</b>	1,888,073
Cost of sales		<u>(1,359,398)</u>	<u>(1,291,961)</u>
<b>Gross profit</b>		<b>563,973</b>	596,112
Other income and gains	5	<b>8,770</b>	26,404
Selling and distribution expenses		<b>(2,768)</b>	(1,980)
Administrative expenses		<b>(238,960)</b>	(262,081)
Other expenses, net		<b>(220,402)</b>	(219,678)
Finance costs		<b>(17,455)</b>	(17,647)
Share of profit of:			
Joint ventures		<b>4,174</b>	781
Associates		<b>1,301</b>	1,222
<b>PROFIT BEFORE TAX</b>	6	<b>98,633</b>	123,133
Income tax expense	7	<u><b>(28,741)</b></u>	<u>(41,576)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>69,892</b></u>	<u>81,557</u>
Attributable to:			
Owners of the parent		<b>57,838</b>	62,570
Non-controlling interests		<u><b>12,054</b></u>	<u>18,987</u>
		<u><b>69,892</b></u>	<u>81,557</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:</b>			
Basic (expressed in RMB cents per share)	8	<b>2.85</b>	3.09
Diluted (expressed in RMB cents per share)	8	<u><b>2.85</b></u>	<u>3.09</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>PROFIT FOR THE PERIOD</b>	<b><u>69,892</u></b>	<b><u>81,557</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(10,383)</u>	<u>(45,938)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	<u>16,834</u>	<u>75,147</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>6,451</u></b>	<b><u>29,209</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>76,343</u></b>	<b><u>110,766</u></b>
Attributable to:		
Owners of the parent	<u>64,289</u>	<u>91,779</u>
Non-controlling interests	<u>12,054</u>	<u>18,987</u>
	<b><u>76,343</u></b>	<b><u>110,766</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	
	30 June	31 December
	2024	2023
<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	72,375	78,885
Investment properties	4,722	4,722
Goodwill	1,288,462	1,343,904
Other intangible assets	485,679	570,414
Investment in joint ventures	8,565	7,490
Investment in associates	7,265	7,626
Deferred tax assets	268,988	230,864
Other non-current assets	7,991	8,000
	<b>2,144,047</b>	<b>2,251,905</b>
<b>CURRENT ASSETS</b>		
Trade receivables	9 2,851,019	2,441,232
Prepayments, other receivables and other assets	766,475	752,009
Restricted cash	6,858	6,323
Cash and cash equivalents	1,268,529	1,442,889
	<b>4,892,881</b>	<b>4,642,453</b>
<b>CURRENT LIABILITIES</b>		
Trade payables	10 595,829	534,764
Other payables and accruals	1,178,530	1,186,252
Contract liabilities	4 301,752	258,809
Lease liabilities	3,947	3,622
Interest-bearing bank and other borrowings	156,840	148,020
Tax payable	459,389	421,097
	<b>2,696,287</b>	<b>2,552,564</b>
<b>NET CURRENT ASSETS</b>	<b>2,196,594</b>	<b>2,089,889</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>4,340,641</b>	<b>4,341,794</b>

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	4,142	3,139
Interest-bearing bank and other borrowings	455,469	488,989
Deferred tax liabilities	117,860	140,263
	<u>577,471</u>	<u>632,391</u>
Total non-current liabilities		
	<u>577,471</u>	<u>632,391</u>
<b>Net assets</b>	<u><u>3,763,170</u></u>	<u><u>3,709,403</u></u>
<b>EQUITY</b>		
Share capital	17,568	17,568
Reserves	3,443,105	3,377,893
	<u>3,460,673</u>	<u>3,395,461</u>
Equity attributable to owners of the parent		
Non-controlling interests	302,497	313,942
	<u>3,460,673</u>	<u>3,395,461</u>
<b>Total equity</b>	<u><u>3,763,170</u></u>	<u><u>3,709,403</u></u>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 11 September 2019. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2024, the Group was involved in the provision of residential property management services and non-residential property management and commercial operational services in the People's Republic of China (the "PRC").

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

### 2.1 BASIS OF PRESENTATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting*.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations).

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

### 3. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

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

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

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

#### Six months ended 30 June 2024

	<b>Residential property management services <i>RMB'000</i> (Unaudited)</b>	<b>Non-residential property management and commercial operational services <i>RMB'000</i> (Unaudited)</b>	<b>Total <i>RMB'000</i> (Unaudited)</b>
Segment revenue	897,173	1,026,198	1,923,371
Segment result	183,669	208,192	391,861
<i>Reconciliation:</i>			
Interest income and unallocated income			8,770
Unallocated expenses			(284,543)
Finance costs			(17,455)
Profit before tax			98,633
Income tax expense			(28,741)
Profit for the period			<u>69,892</u>

Six months ended 30 June 2023

	Residential property management services <i>RMB'000</i> (Unaudited)	Non-residential property management and commercial operational services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue	849,630	1,038,443	1,888,073
Segment result	203,347	203,155	406,502
<i>Reconciliation:</i>			
Interest income and unallocated income			26,404
Unallocated expenses			(292,126)
Finance costs			<u>(17,647)</u>
Profit before tax			123,133
Income tax expense			<u>(41,576)</u>
Profit for the period			<u><u>81,557</u></u>

#### **Geographical information**

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

#### **Information about major customers**

For the six months ended 30 June 2024 and 2023, approximately RMB284,917,000 and RMB350,392,000 of revenue were derived from KWG Group Holdings Limited and its subsidiaries, joint ventures, associates and other related parties, respectively.



#### 4. REVENUE AND CONTRACT LIABILITIES

##### Revenue from contracts with customers

Revenue comprised proceeds from residential property management services and non-residential property management and commercial operational services for the six months ended 30 June 2024 and 2023. An analysis of revenue is as follows:

##### (a) *Disaggregated revenue information*

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
<b>Types of services by segment:</b>		
<i>Residential property management services</i>		
Pre-sale management services	44,183	98,912
Property management services	733,118	653,398
Community value-added services	119,872	97,320
	<u>897,173</u>	<u>849,630</u>
 <i>Non-residential property management and commercial operational services</i>		
Pre-sale management services	11,088	11,746
Property management services	914,530	908,573
Commercial operational services	40,541	60,709
Other value-added services	60,039	57,415
	<u>1,026,198</u>	<u>1,038,443</u>
 Total revenue from contracts with customers	 <u>1,923,371</u>	 <u>1,888,073</u>
 <b>Timing of revenue recognition</b>		
Revenue from contracts with customers recognised over time	1,825,684	1,803,293
Revenue from contracts with customers recognised at a point in time	97,687	84,780
	<u>1,923,371</u>	<u>1,888,073</u>
 Total	 <u>1,923,371</u>	 <u>1,888,073</u>

## Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Third parties	301,752	258,150
Related parties	—	659
	<u>301,752</u>	<u>258,809</u>

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

### (b) Performance obligations

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

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

## 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Interest income	1,340	1,788
Government grants	2,337	13,709
Gain on disposal of property, plant and equipment, net	181	185
Late penalty income	1,841	1,492
Tax incentives on value-added tax	1,515	6,458
Others	1,556	2,772
	<u>8,770</u>	<u>26,404</u>

## 6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of services provided	1,359,398	1,291,961
Depreciation of property, plant and equipment	12,102	15,816
Amortisation of other intangible assets	60,274	66,341
Gain on disposal of property, plant and equipment, net	(181)	(185)
Employee benefit expense (excluding Directors' and chief executive's remuneration)		
Wages and salaries	543,662	557,153
Share-based compensation expenses	874	1,342
Pension scheme contributions	52,008	50,475
Other employee benefits	55,592	57,983
	<u>652,136</u>	<u>666,953</u>
Impairment losses on goodwill	55,442	79,723
Impairment losses on other intangible assets	30,865	—
Net impairment losses recognised on financial assets:		
Trade receivables	127,021	119,038
Other receivables	1,706	9,716
	<u>127,021</u>	<u>119,038</u>

## 7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the BVI, the entities within the Group incorporated in the Cayman Islands and the BVI are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2024.

The income tax provision of the Group's subsidiaries established in the PRC in respect of its operation in Chinese Mainland was calculated at the tax rate of 25% on their assessable profits for the six months ended 30 June 2024, if applicable, based on the existing legislation, interpretations and practice in respect thereof. Certain subsidiaries of the Group operating in the PRC enjoyed a preferential corporate income tax rate of 15% during the six months ended 30 June 2024.

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current	89,268	97,267
Deferred	(60,527)	(55,691)
	<u>28,741</u>	<u>41,576</u>

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

The calculation of the basic and diluted earnings per share amount for the six months ended 30 June 2024, is based on the profit for the six months ended 30 June 2024 attributable to owners of the parent of approximately RMB57,838,000 (for the six months ended 30 June 2023: approximately RMB62,570,000), and the weighted average number of shares of 2,025,858,916 (for the six months ended 30 June 2023: 2,025,858,916) in issue during the six months ended 30 June 2024.

## 9. TRADE RECEIVABLES

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Related parties	2,086,983	1,832,426
Third parties	<u>1,636,005</u>	<u>1,353,754</u>
	3,722,988	3,186,180
Less: Allowance for impairment of trade receivables	<u>(871,969)</u>	<u>(744,948)</u>
	<u><u>2,851,019</u></u>	<u><u>2,441,232</u></u>

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

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Within 1 year	1,547,647	1,364,665
1 to 2 years	968,521	909,555
2 to 3 years	257,885	117,031
Over 3 years	<u>76,966</u>	<u>49,981</u>
	<u><u>2,851,019</u></u>	<u><u>2,441,232</u></u>

## 10. TRADE PAYABLES

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Related parties	1,391	201
Third parties	<u>594,438</u>	<u>534,563</u>
	<u><b>595,829</b></u>	<u><b>534,764</b></u>

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

	As at	
	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Within 1 year	515,521	459,382
1 to 2 years	54,667	50,069
2 to 3 years	14,810	16,399
Over 3 years	<u>10,831</u>	<u>8,914</u>
	<u><b>595,829</b></u>	<u><b>534,764</b></u>

## 11. DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

## CHAIRMAN’S STATEMENT

Dear shareholders,

With heartfelt thanks for your continuous support to the development of the Group, I am pleased to present the interim results of the Group for the six months ended 30 June 2024.

In the first half of 2024, domestic property-related policies in the People’s Republic of China (the “**PRC**” or “**China**”) continued to be adjusted and optimised to provide a boost to the industry’s development. On 17 May 2024, the People’s Bank of China and the National Financial Regulatory Administration jointly launched four policy measures, including the setting-up of a RMB300 billion re-lending facility for affordable housing, the reduction of the minimum downpayment ratio for individuals’ housing mortgages, the abolition of the mortgage floor rates for personal housing loans, and the reduction of the interest rate of the housing provident fund loans to boost the confidence in the property market, followed by supportive policies in cities and regions. In the current economic environment, the recovery of market consumer confidence and the effect of the policies will take some time. The track for a property market recovery is subject to further clarification.

For the property management industry, the growth of property management companies has shifted from the previous model of external mergers and acquisitions and new housing development deliveries to a model of competition in the existing market. Despite the slight slowdown in the overall growth rate of the property management industry, the Group has actively responded to market changes by putting relentless efforts into maintaining service quality, insisting on independent development and giving full play to its high-end positioning advantage. The Group focused on core areas, continued to reduce costs and enhance efficiency, and pursued quality development. During the six months ended 30 June 2024, the Group achieved a revenue of approximately RMB1,923.4 million. Among which, the proportion of revenue from third parties increased from 81.4% in the same period of 2023 to 85.2% for the six months ended 30 June 2024, further accelerating the independent development progress. While expanding the market, the Group insisted on quality development, strictly controlled the profitability of new projects, and continuously improved the operational efficiency of existing projects. For the six months ended 30 June 2024, the Group achieved a gross profit of approximately RMB564.0 million with a gross profit margin of approximately 29.3%, maintaining a relatively high level of profit return.

Looking back, the market fluctuations and challenges have forged the Group's resilient spirit while shaping a clearer direction for our development. Only with a forward-looking vision and pragmatic actions can we achieve sustainable development. The Group will continuously upgrade and build a reputable service, firmly pursue independent development, and collaborate with brands to enhance resource sharing and complement each other's strengths. At the same time, we will examine our own areas for improvement, embrace cutting-edge technology with an open attitude, and continuously explore new frontiers in the property management industry.

## **1. High-end quality, showcasing expertise**

At China's Two Sessions in 2024, the Ministry of Housing and Urban-Rural Development pointed out that under the new model of real estate development, only "high quality, new technology, and good service" can build up a market, forging its development and future. For the past 20 years, the Group has been committed to providing high-quality property services. Ningjun Property, as a representative of high-end services, has deeply cultivated in the Pearl River Delta region, designing different service brands and systems tailored for various customer groups, aiming to provide adequate service with sense of boundaries to customers. Among them, the To C-end "Zhenxiang+" system, exemplified by projects such as Guangzhou Cosmos, Guangzhou Richmond Greenville, Chengdu Cosmos, Shenzhen Grand Oasis, and Beijing Yingyuetai (北京映月台), is a high-end customised service series built on platforms, such as Zhen Xiang Butler (臻享管家), Smart Quality Control (智慧品控), and the EBA Smart Control Platform. The Superior Grade A office building services, represented by Guangzhou International Finance Place, Guangzhou International Metropolitan Plaza, and Shanghai International Metropolitan Plaza, are part of an ecosystem service series based on Smart Office, Smart Building, and Front-End Services.

## **2. Inherit strengths and boost business**

With the PRC government's strong policy push to expand domestic demand and promote consumption, the demand for service consumption has been further unleashed. At the same time, changes in people's consumption habits have brought new challenges and considerations to the Group's commercial operations. As the consumer market is bouncing back, the consumption structure is also continuously being optimised and upgraded. Value-for-money consumption, practical consumption, and health consumption have become new growth points. Moreover, in the fast-paced urban life, the concept of slow living is gradually gaining popularity and becoming a new consumer trend. To this end, the Group's commercial operations team has also carried out brand adjustments and upgrades. On one hand, they have introduced more high-quality brands that attract young people, and on the other hand, they have optimised the shopping environment and service quality, integrating online and offline development models to comprehensively enhance the shopping experience for consumers. Take the Chengdu Ufun Shopping Center of the Group as an example, the mall has nearly 300 contracted brands. During the sixth anniversary

celebration event held in May this year, it recorded a year-on-year sales growth of 18%, with 7 brands ranking first in city-wide performance and over 50 brands achieving a year-on-year sales growth of 30%.

### **3. Focus on the core and achieve high-quality development**

In the first half of 2024, the Group leveraged the regional advantages of its existing projects to expand surrounding projects, and continued to focus on further penetrating and solidifying its position in the Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta Area. As of the end of June, we had presence in 136 cities across 23 provinces, autonomous regions and municipalities. Revenue from the Greater Bay Area and the Yangtze River Delta Area accounted for approximately 65.4% of the total revenue of the Group for the six months ended 30 June 2024.

On the business front, the Group made unremitting efforts to deepen and expand its brand influence, showcasing its business layout and full licence advantages. After years of market-oriented development, the Group has obtained professional qualifications and certifications in property management, order maintenance, landscaping, high-altitude operations, and municipal medical services. Leveraging its professional capabilities, the Group has not only expanded the breadth of its business coverage but also enhanced the depth of its service content. The member enterprises leveraged the national layout and the advantage of comprehensive business licences, fully utilising resources to achieve regional breakthroughs and business model innovations, further solidifying the moat mechanism for their business capabilities. In the first half of the year, the Group won the bid for an office building project in Quzhou, marking the Group's first project in Quzhou City and achieving a regional breakthrough. Besides, the Group has won bids for logistics parks and industrial parks in northern, eastern, and southwestern China, broadening its presence in the logistics park and industrial park sectors. In addition, the Group has also ventured into the health and wellness industry for the first time.

### **4. Reduce costs and increase efficiency, and unleash internal potential**

Facing the dual challenges of a complex and ever-changing market environment and cost pressures, the Group has thoroughly examined itself from a strategic perspective with foresight, gearing up in multiple areas. By optimising resource allocation through talent echelon management, digital management, and refined management, we have not only effectively controlled costs but also led to a significant leap in service quality and customer satisfaction. As of 30 June 2024, the Group recorded a customer satisfaction rate of 97.2%.



In terms of talent pipeline, the Group continued to carry out structural optimisation, enhancing organisational efficiency, and streamlining headquarters staff so as to form virtual teams. The regional management capability has been strengthened and enhanced through simplification of administration and power delegation. Projects were empowered to reduce back-office workload and unleash frontline productivity, injecting endless momentum into the Group's long-term development.

The Group actively embraced the wave of smart technology, deeply integrating cutting-edge technologies into various aspects of property management. Based on digital platforms, the Group has broken down information barriers and achieved a closed-loop business process. The widespread application of smart devices has facilitated the optimal allocation of resources and timely access to information, while reducing labour costs. The measure demonstrated the Group's precise grasp of the future direction of the property management industry development.

In terms of refined management, while ensuring service quality, the Group strengthened operational efficiency and enhanced service concepts. By increasing the service density in the areas we have already entered, we increased our overall operating cost efficiency. During the six months ended 30 June 2024, the Group's labour cost efficiency<sup>1)</sup> ("**Labour Cost Efficiency**") increased by approximately 4.0% year-on-year.

## 5. Technology empowerment, endless possibilities

In the past two years, with the development of artificial intelligence ("AI"), the Group has taken digitalisation as an important means to enhance the Group's technology standards. By leveraging new-generation AI technology, the Group has established AI algorithms, AI monitoring, and online AI consultation functions to improve community security management and the efficiency of convenience services. In terms of organisational design, the Group has achieved flat management of projects through the integrated command center ("X" platform), covering four aspects: AI algorithm-based quality management, cloud seat-based car park management, Internet of Things (IoT)-based equipment and supplier management, and customer evaluation-based service assurance. This has resulted in "zero" cost for work order circulation, elimination of the need for human guards in car parks, significant improvement in inspection efficiency, and prompt response to customer demands.

1) Labour cost efficiency is calculated by dividing total revenue by total labour cost

Digital management tools, as an important means for the Group to implement standards of quality management, have been deeply integrated into various aspects of daily management. “Building good standards together, creating good services together” is the goal of the Group’s digital management practice. The Group has currently established a series of digital management tools such as the Smart Construction Cloud System, a mini program called “碼上悠享小程序”, the Equipment Inspection System, and the Elevator Testing System. These tools are used as products for employees to execute service standardisation, arranging work and executing services through online guidance, and ensuring the smooth implementation of standardised management.

The new industry landscape has given rise to new property management models and new service systems. Leveraging the technological advantages of gigabit routers, Internet of Things, and cloud computing, the Group has achieved precise guidance and management of projects and regions, breaking the limitation of time and space to achieve seamless connection in multiple scenarios. This has made frontline work more efficient and systematic, improved the overall management level of projects, and enhanced the sense of gain and happiness for the home owners.

## **6. Future outlook**

In 2024, the global economic environment is complex and ever-changing. As a livelihood industry, the property services, being one of the main players in the service economy, possess characteristics of rigid demand and long cycles of consumption, demonstrating strong resilience and investment potential in the market environment. Facing future challenges, we will adhere to the principle of prudent operation, strengthen risk control, closely monitor market trends, and actively respond to market changes. At the same time, we proactively fulfill social responsibilities and contribute to social progress and sustainable development. Thanks to the steadfast support and trust from all our shareholders and ecosystem partners. In 2024, we will move forward hand in hand to create a better future together!

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In the first half of 2024, we stayed strong and faced the challenging market environment, grasped the trends of the industry development, and made timely adjustments to our business strategies. By adhering to the original aspiration of quality and insisting on independent development, we continued to improve quality and efficiency. For the six months ended 30 June 2024, the Group achieved total revenue of approximately RMB1,923.4 million with gross profit margin of approximately 29.3%. As of 30 June 2024, we provided property management services, commercial operational services and value-added services in 23 provinces or autonomous regions and 136 cities in China.

#### **Stable Core Property Management Services**

The property management industry has entered a new stage of development, shifting from growth driven by incremental increases to growth driven by stock competition. The Group has also made forward-looking adjustments to its business strategies, returning to its original intention of emphasising quality services, and focusing on the essence of property services by leveraging on service quality to facilitate market expansion. For the six months ended 30 June 2024, the Group's revenue from property management services rose steadily, with the overall revenue from property management services increasing by approximately 5.5% year-on-year to approximately RMB1,647.6 million as compared to the corresponding period of last year. Among them, the property management services revenue of the residential segment increased by approximately 12.2% year-on-year. The increase in revenue from property management services was mainly attributable to the increase in the gross floor area (“GFA”) under the Group's management as compared to the same period last year.

#### **Independent Development Made Great Achievements**

In an economic environment where the real estate market continues to be under pressure, the Group has endeavored to achieve third-party project expansion in the market through its own operational strengths to replenish the Group's projects under management. In the first half of 2024, the Group's independent operation was further enhanced. For the six months ended 30 June 2024, the proportion of the Group's total revenue derived from independent third parties amounted to approximately 85.2%, representing an increase of approximately 3.8 percentage points as compared to the same period in 2023.

## **Collaborating with Member Companies to Facilitate Outward Expansion**

After years of deep cultivation in the property management industry, the Group has realised the layout of the multi-industry service model of “Residential + Commercial + Public Building”, and has deposited property service capabilities with high competitive barriers in a number of specialised fields. In the first half of 2024, the Group continued to give full play to the competitive edges of its member companies in their respective fields of specialisation, and to share information and experience nationwide, thereby facilitating market expansion. In the first half of 2024, leveraging on its excellent market reputation, the Group made achievements in market expansion in a number of sectors. For example, in the residential sector, we expanded several mid to high-end residential projects in Shanghai and Beijing; in the commercial sector, we expanded high-quality office building projects in Guangzhou; and in the public sector, we expanded numerous projects in Guangzhou, including top-tier hospitals, border inspection stations, and government office buildings. In addition, the Group achieved a breakthrough in a new segment in the first half of 2024 by successfully expanding the logistics parks of large multinational retailers in China for enterprise empowerment.

## **Optimising Operations by Improving Quality and Efficiency**

The introduction of digital technology has greatly enhanced the Company’s operational efficiency and service quality. Firstly, through the introduction of intelligent management system, the Company has realised the digitalisation of the whole process of property management, from customer service, work order dispatch, facility maintenance to financial management. The data of each segment is interconnected in real time, which improves the work efficiency. Secondly, the Company has launched an online service platform in customer service, which allows customers to report repairs, pay bills and make inquiries through a WeChat mini program, namely “碼上悠享”, significantly improving customer satisfaction. In addition, digital empowerment not only improves internal management efficiency, but also creates new business growth points. For example, the intelligent parking management service platform “Cloud Vehicle Management (雲車管)” realises the centralised remote management of project car parks, which not only improves service response speed and saves labour costs, but also brings about new profit models. In terms of cost control, the digital management system has helped the Company achieve refined management, optimised resource allocation and reduced operating costs through big data analysis and forecasting. For the six months ended 30 June 2024, the Group’s Labour Cost Efficiency improved by approximately 4.0% year-on-year, while the administrative expenses rate decreased by approximately 1.5 percentage points year-on-year.

## **Business Model**

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

### ***Residential Property Management Services***

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

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers during their pre-sale activities. The Group charges a fixed service fee for such services;
- property management services such as cleaning, security, gardening and repair and maintenance services to (i) property developers for the undelivered portion of the properties; and (ii) property owners, property owners' associations or residents for properties sold and delivered. The Group collects property management fees for such services; and
- community value-added services such as (i) home-living services — the provision of a wide range of services catered to the personalised needs of owners through the integration of industrial and ecological resources; (ii) property agency services — property agency services provided to property owners, residents and property developers; and (iii) common area value-added services — aiming to provide daily-living convenience to property owners and residents and enhance the owners' sense of pleasant accommodation by utilising the community space. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

### ***Non-residential Property Management and Commercial Operational Services***

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

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers. The Group charges a fixed service fee for such services;
- property management services such as file management, cleaning, security, gardening and repair and maintenance services to property owners or tenants. The Group charges property management fees for such services;
- property management services for commercial properties: the Group charges property management fees for property management services provided to commercial properties (including shopping malls and office buildings);

- public property services and urban services: the Group charges corresponding management fees for property management services provided to public properties (including schools, hospitals, government authorities, industrial parks and transportation hubs) and for urban cleaning services provided to urban spaces (including urban roads and rivers);
- commercial operational services such as preliminary planning and consultancy services, tenancy sourcing services, tenancy management services and marketing and promotion services to property owners and property developers. The Group typically charges (i) a commission-based fee with respect to the operation of shopping malls; (ii) a profit mark-up on top of the costs with respect to the operation of office buildings; and (iii) a fixed service fee on a per square metre basis for its preliminary planning and consultancy services and tenancy sourcing services; and
- other value-added services such as primarily common area value-added services. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

## Breakdown of the Group's Revenue by Business Segments and Regions

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

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Residential property management services</b>				
Pre-sale management services	44,183	2.3	98,912	5.2
Property management services	733,118	38.1	653,398	34.6
Community value-added services	119,872	6.2	97,320	5.2
Sub-total	897,173	46.6	849,630	45.0
<b>Non-residential property management and commercial operational services</b>				
Pre-sale management services	11,088	0.6	11,746	0.6
Property management services				
— Commercial properties	256,912	13.4	224,517	11.9
— Public property and urban area	657,618	34.2	684,056	36.2
Commercial operational services	40,541	2.1	60,709	3.2
Other value-added services	60,039	3.1	57,415	3.1
Sub-total	1,026,198	53.4	1,038,443	55.0
Total	1,923,371	100.0	1,888,073	100.0

### *Residential Property Management Services*

The Group provides pre-sale management services, property management services and community value-added services for numerous residential property projects across the country and continues to actively expand the residential property projects developed by third-party developers. For the six months ended 30 June 2024, the revenue of the Group's residential property management services segment increased by approximately 5.6% year-on-year to approximately RMB897.2 million as compared to approximately RMB849.6 million for the corresponding period last year. Among them, revenue from pre-sale management services decreased by 55.3% year-on-year, mainly attributable to the pressure in the real estate market, which led to a decrease in the number of sales offices

of the Group's residential properties under management during the six months ended 30 June 2024. Revenue from property management services increased by approximately 12.2% year-on-year. Such increase was mainly due to the increase in the GFA under management of the Group's residential segment during the six months ended 30 June 2024 as compared to the corresponding period in 2023.

During the first half of 2024, the Group continued to focus on economically developed and advantaged regions and deeply cultivated in the local residential property management services market. For the six months ended 30 June 2024, the revenue of the residential property management services segment in the Greater Bay Area and the Yangtze River Delta region increased by approximately 8.8% and 3.0% year-on-year, respectively, and the revenue in these economically developed regions accounted for approximately 57.6% of the total revenue from the residential segment, which reflected the Group's branding effect as well as its continuous market expansion capability in these economically developed regions.

The table below sets forth a breakdown of the Group's revenue generated from residential property management services for the periods indicated by regions:

	<b>Six months ended 30 June</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Revenue</b>	<b>%</b>	<b>Revenue</b>	<b>%</b>
	<b>(RMB'000)</b>		<b>(RMB'000)</b>	
Greater Bay Area	<b>345,231</b>	<b>38.5</b>	317,268	37.3
Yangtze River Delta <sup>(1)</sup>	<b>171,524</b>	<b>19.1</b>	166,520	19.6
Midwest China and Hainan <sup>(2)</sup>	<b>332,926</b>	<b>37.1</b>	321,896	37.9
Bohai Economic Rim <sup>(3)</sup>	<b>47,492</b>	<b>5.3</b>	43,946	5.2
<b>Total</b>	<b><u>897,173</u></b>	<b><u>100.0</u></b>	<b><u>849,630</u></b>	<b><u>100.0</u></b>

Notes:

- (1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.
- (2) Include Sichuan Province, Yunnan Province, Hubei Province, Hunan Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Guizhou Province, Henan Province, Fujian Province, Hainan Province, Xinjiang Uygur Autonomous Region and Chongqing Municipality.
- (3) Include Beijing Municipality, Tianjin Municipality and Shandong Province.



## ***Non-residential Property Management and Commercial Operational Services***

The Group provides property management services for non-residential properties such as commercial properties and public buildings, and provides commercial operational services for commercial properties such as shopping centers and office buildings. For the six months ended 30 June 2024, the revenue of the Group's non-residential property management services segment decreased by approximately 1.2% year-on-year to approximately RMB1,026.2 million as compared to approximately RMB1,038.4 million for the corresponding period last year. Such decrease was mainly due to the contraction of the urban services business.

During the first half of 2024, the Group continued to cultivate its non-residential property management and commercial operational services business, deepening its regional strengths while mapping high-potential regions. For the six months ended 30 June 2024, the revenue of the non-residential property management services segment in the Greater Bay Area and the Yangtze River Delta region accounted for approximately 72.3% of the total revenue from the non-residential segment. For the six months ended 30 June 2024, revenue from the non-residential property management services segment in the Greater Bay Area decreased slightly as compared to the corresponding period in 2023, mainly due to the contraction of the urban services business in the region.

The table below sets forth a breakdown of the Group's total revenue generated from non-residential property management and commercial operational services for the periods indicated by regions:

	<b>Six months ended 30 June</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Revenue</b>	<b>%</b>	<b>Revenue</b>	<b>%</b>
	<b>(RMB'000)</b>		<b>(RMB'000)</b>	
Greater Bay Area	<b>413,154</b>	<b>40.3</b>	461,250	44.5
Yangtze River Delta <sup>(1)</sup>	<b>328,768</b>	<b>32.0</b>	309,925	29.8
Midwest China and Hainan <sup>(2)</sup>	<b>137,633</b>	<b>13.4</b>	131,312	12.6
Bohai Economic Rim <sup>(3)</sup>	<b>146,643</b>	<b>14.3</b>	135,956	13.1
Total	<b><u>1,026,198</u></b>	<b><u>100.0</u></b>	<b><u>1,038,443</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.
- (2) Include Sichuan Province, Chongqing Municipality, Hubei Province, Hunan Province, Henan Province, Shaanxi Province, Jiangxi Province, Yunnan Province, Guizhou Province, Guangxi Zhuang Autonomous Region and Hainan Province.
- (3) Include Beijing Municipality, Tianjin Municipality and Shandong Province.

## FINANCIAL REVIEW

### Revenue

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

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

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Residential property management services	<b>897,173</b>	<b>46.6</b>	849,630	45.0
Non-residential property management and commercial operational services	<b>1,026,198</b>	<b>53.4</b>	1,038,443	55.0
Total	<b>1,923,371</b>	<b>100.0</b>	1,888,073	100.0

### *Residential Property Management Services*

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

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Pre-sale management services	<b>44,183</b>	<b>4.9</b>	98,912	11.6
Property management services	<b>733,118</b>	<b>81.7</b>	653,398	76.9
Community value-added services	<b>119,872</b>	<b>13.4</b>	97,320	11.5
Total	<b>897,173</b>	<b>100.0</b>	849,630	100.0

### ***Pre-sale Management Services***

Revenue generated from pre-sale management services under the Group's residential property management service segment decreased from approximately RMB98.9 million for the six months ended 30 June 2023 to approximately RMB44.2 million for the six months ended 30 June 2024. This decrease was primarily due to the decrease in the number of sales offices of residential properties under the Group's management, as a result of the continuous downturn of the real estate market in the PRC.

### ***Property Management Services***

Revenue generated from property management services under the Group's residential property management service segment increased from approximately RMB653.4 million for the six months ended 30 June 2023 to approximately RMB733.1 million for the six months ended 30 June 2024. This increase was primarily due to the increase in the Group's GFA under management for residential properties during the six months ended 30 June 2024.

### ***Community Value-added Services***

Revenue generated from community value-added services under the Group's residential property management service segment increased from approximately RMB97.3 million for the six months ended 30 June 2023 to approximately RMB119.9 million for the six months ended 30 June 2024. This increase was primarily due to the increase in property owners value-added services of the Group during the six months ended 30 June 2024.

### ***Non-residential Property Management and Commercial Operational Services***

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

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Pre-sale management services	<b>11,088</b>	<b>1.1</b>	11,746	1.1
Property management services	<b>914,530</b>	<b>89.1</b>	908,573	87.5
Commercial operational services	<b>40,541</b>	<b>4.0</b>	60,709	5.9
Other value-added services	<b>60,039</b>	<b>5.8</b>	57,415	5.5
Total	<b><u>1,026,198</u></b>	<b><u>100.0</u></b>	<b><u>1,038,443</u></b>	<b><u>100.0</u></b>

### ***Pre-sale Management Services***

Revenue generated from pre-sale management services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB11.7 million for the six months ended 30 June 2023 to approximately RMB11.1 million for the six months ended 30 June 2024. This decrease was primarily due to the decrease in the number of sales offices of non-residential properties under the Group's management during the six months ended 30 June 2024 as a result of the continuous downturn of the real estate market in the PRC.

### ***Property Management Services***

Revenue generated from property management services under the Group's non-residential property management and commercial operational service segment increased slightly from approximately RMB908.6 million for the six months ended 30 June 2023 to approximately RMB914.5 million for the six months ended 30 June 2024.

### ***Commercial Operational Services***

Revenue generated from commercial operational services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB60.7 million for the six months ended 30 June 2023 to approximately RMB40.5 million for the six months ended 30 June 2024. The decrease was primarily due to the decrease in the income from preliminary planning and consultancy services for the six months ended 30 June 2024.

### ***Other Value-added Services***

Revenue generated from other value-added services under the Group's non-residential property management and commercial operational service segment increased slightly from approximately RMB57.4 million for the six months ended 30 June 2023 to approximately RMB60.0 million for the six months ended 30 June 2024.

### **Cost of Sales**

The Group's cost of sales represents costs and expenses directly attributable to the provision of its services, which comprises (i) labour costs; (ii) subcontracting costs; (iii) utilities costs; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory and car parks; (vii) security expenses; and (viii) others. For the six months ended 30 June 2024, the total cost of sales of the Group was approximately RMB1,359.4 million, which increased by approximately RMB67.4 million or 5.2% as compared to approximately RMB1,292.0 million for the corresponding period in 2023. The increase was primarily due to the increase in GFA under management and revenue during the six months ended 30 June 2024.

## **Gross Profit and Gross Profit Margin**

The gross profit of the Group decreased by approximately RMB32.1 million or 5.4% to approximately RMB564.0 million for the six months ended 30 June 2024 from approximately RMB596.1 million for the six months ended 30 June 2023. The Group reported gross profit margin of approximately 29.3% for the six months ended 30 June 2024 (for the six months ended 30 June 2023: approximately 31.6%).

## **Other Income and Gains**

The other income and gains of the Group decreased by approximately RMB17.6 million or 66.7% to approximately RMB8.8 million for the six months ended 30 June 2024 from approximately RMB26.4 million for the six months ended 30 June 2023, and mainly comprised government grants, late penalty income and tax incentives on value-added tax of approximately RMB2.3 million, RMB1.8 million and RMB1.5 million, respectively.

## **Administrative Expenses**

Administrative expenses mainly consist of (i) salaries and allowances for the Group's administrative and management personnel; (ii) depreciation and amortisation costs; and (iii) office expenses. For the six months ended 30 June 2024, the administrative expenses of the Group were approximately RMB239.0 million, which decreased by approximately RMB23.1 million or 8.8% as compared to approximately RMB262.1 million for the corresponding period in 2023. Such decrease was mainly due to certain other intangible assets arising from acquisition of subsidiaries in previous year had been fully amortised in 2023. In addition, the decrease in administrative expenses also reflected the Group's continuous improvement in management efficiency.

## **Other Expenses, Net**

For the six months ended 30 June 2024, the other expenses of the Group was approximately RMB220.4 million (for the six months ended 30 June 2023: approximately RMB219.7 million) and mainly comprised impairment losses on trade receivables, other intangible asset and goodwill of approximately RMB127.0 million, RMB30.9 million and RMB55.4 million, respectively. After taking into consideration of the credit risk and market environment, the Group had recorded appropriate impairment provisions in view of the continuous downturn of the real estate market in the PRC during the six months ended 30 June 2024.

## **Income Tax**

For the six months ended 30 June 2024, the income tax of the Group was approximately RMB28.7 million (for the six months ended 30 June 2023: approximately RMB41.6 million).

## **FINANCIAL POSITION AND CAPITAL STRUCTURE**

### **Total Assets, Total Liabilities and Current Ratio**

As at 30 June 2024, the total assets of the Group was approximately RMB7,036.9 million (as at 31 December 2023: approximately RMB6,894.4 million), and the total liabilities was approximately RMB3,273.8 million (as at 31 December 2023: approximately RMB3,185.0 million). As at 30 June 2024, the current ratio of the Group was 1.81 (as at 31 December 2023: 1.82).

### **Cash and Cash Equivalents**

As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately RMB1,268.5 million, representing a decrease of approximately 12.1% as compared with approximately RMB1,442.9 million as at 31 December 2023. All of the Group's cash and cash equivalents were denominated in RMB except for approximately RMB0.1 million which were denominated in HKD and USD.

### **Borrowings and Charges on the Group's Assets**

As at 30 June 2024, the Group's total borrowings were approximately RMB612.3 million. Among which, approximately RMB156.8 million will be repayable within 1 year and approximately RMB455.5 million will be repayable between 2 and 5 years. The Group's bank and other borrowings were secured by trade receivables, other receivables and property, plant and equipment of the Group with total carrying value of approximately RMB147.9 million, and equity interest of a subsidiary of the Group. The carrying amounts of all the Group's bank and other borrowings were denominated in RMB. All of the Group's bank and other borrowings were charged at fixed interest rates except for loan balance of approximately RMB42.5 million which were charged at floating interest rates as at 30 June 2024.

### **Trade Receivables**

The Group's trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. The Group's trade receivables as at 30 June 2024 amounted to approximately RMB2,851.0 million, representing an increase of approximately RMB409.8 million or 16.8% as compared to approximately RMB2,441.2 million as at 31 December 2023. Due to the continuous downturn of the real estate market in the PRC during the six months ended 30 June 2024, the pace of recovery of trade receivables continued to be slow. At the same time, the Group had made appropriate impairment provisions during the six months ended 30 June 2024.

## **Trade Payables**

The Group's trade payables as at 30 June 2024 amounted to approximately RMB595.8 million, representing an increase of approximately RMB61.0 million or 11.4% as compared to approximately RMB534.8 million as at 31 December 2023.

## **Gearing Ratio**

Gearing ratio is calculated by the net debt (total debt net of cash and cash equivalents and restricted cash) divided by total equity. As the Group was in a net cash position as at 30 June 2024 and 31 December 2023, the gearing ratio was not applicable to the Group.

## **Contingent Liabilities**

As at 30 June 2024 and 31 December 2023, the Group did not have any material contingent liabilities.

## **Foreign Exchange Risk**

The Group mainly operates in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. During the first half of 2024, the Group had not engaged in hedging activities for managing foreign exchange rate risk.

## **USE OF NET PROCEEDS FROM THE LISTING**

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

On 29 June 2021, the Group resolved to revise the allocation of the Net Proceeds. Details of the re-allocation are set out in the Company's announcement dated 29 June 2021.

On 10 January 2022, the Board resolved to further adjust the allocation proportion of the Net Proceeds as set out in the announcement of the Company dated 10 January 2022 (the “**Announcement**”).

As at 30 June 2024, an analysis of the utilisation of the Net Proceeds is as follows:

Use of the Net Proceeds as set out in the Announcement	Revised allocation as stated in the Announcement <i>HK\$ million</i>	Unutilised or unplanned Net Proceeds as at 1 January 2024 <i>HK\$ million</i>	Utilised Net Proceeds during the six months ended 30 June 2024 <i>HK\$ million</i>	Unutilised or unplanned Net Proceeds as at 30 June 2024 <i>HK\$ million</i>
To pursue strategic acquisitions and investment opportunities	2,703.4	—	—	—
To upgrade the intelligent service systems:				
— to purchase and upgrade hardware, establish smart terminal equipment and Internet of Things Platform	84.2	73.4	1.1	72.3
— to develop and upgrade the intelligence service systems	36.4	—	—	—
Diversification into value-added services:				
— to cooperate with companies that provide complementary community products and services	36.4	36.4	—	36.4
For general corporate purposes and working capital	52.7	—	—	—
<b>Total</b>	<b><u>2,913.1</u></b>	<b><u>109.8</u></b>	<b><u>1.1</u></b>	<b><u>108.7</u></b>

Barring unforeseen circumstances, based on the Directors' best estimation, the unutilised or unplanned Net Proceeds will be applied according to the intentions disclosed above before 31 December 2025. However, the actual timing for utilising the Net Proceeds may change.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had 16,143 employees (as at 31 December 2023: 16,814 employees). Compensation for employees of the Group is made with reference to the market as well as individual performance and contributions, and extensive use of bonuses to link performance with reward is adopted. The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the Group also provides comprehensive benefit packages and career development opportunities, including performance-based bonus payments, share options, share awards, retirement schemes, medical benefits, and both internal and external training appropriate to individual needs.



## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

## **CORPORATE GOVERNANCE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability. During the six months ended 30 June 2024, the Company has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), save for the deviations for reasons set out below. The Company will continue to review and monitor its corporate governance practices to ensure the compliance of the CG Code.

Code provision C.1.6 of Part 2 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and code provision F.2.2 of Part 2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. KONG Jianmin, a non-executive Director and the chairman of the Board, was unable to attend the annual general meeting of the Company convened and held on 5 June 2024 due to his other business engagements. In the absence of Mr. KONG Jianmin from the annual general meeting, Mr. KONG Jiannan, an executive Director, acted as the chairman of the annual general meeting to ensure an effective communication with the Shareholders. Mr. KONG Jianmin has also followed up with Mr. KONG Jiannan for any opinions or concerns of the Shareholders expressed at the annual general meeting afterwards.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2024.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2024. As at 30 June 2024, the Company did not hold any treasury shares.

## **AUDIT COMMITTEE**

The Audit Committee comprises three members who are independent non-executive Directors.

The Audit Committee has reviewed the Interim Financial Information.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

There were no material events of the Group subsequent to 30 June 2024 and up to the date of this announcement.

## **INTERIM REPORT**

The 2024 interim report of the Company containing all the financial and other related information of the Group required by the Listing Rules will be published on the Company's website ([www.kwgliving.com](http://www.kwgliving.com)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)), and printed copies will be sent to the Shareholders (if requested) before the end of September 2024.

## **(2) CHANGE OF CHIEF EXECUTIVE OFFICER**

The Board hereby announces that Mr. WANG Jianhui has tendered his resignation as the chief executive officer of the Company (the “**Chief Executive Officer**”) with effect from 29 August 2024 due to his other career development.

Mr. WANG Jianhui has confirmed that he has no disagreement with the Board and he is not aware of any matters in relation to his resignation that need to be brought to the attention of the Shareholders or the Stock Exchange.

The Board hereby further announces that with effect from 29 August 2024, Mr. WANG Zhongqi has been appointed as the Chief Executive Officer, where he will be responsible for the overall management of the Group. Mr. WANG Zhongqi's biographical details are set forth below:

**WANG Zhongqi**, aged 41, joined the Group in October 2021 as a vice president and has been responsible for the overall strategic deployment, business planning and major operational decisions of the Group, leading the improvement of service operation quality and the diversified innovation of business models, and contributing to the high-quality development of the Group. He currently holds directorships in various subsidiaries of the Company.

Mr. WANG Zhongqi has been deeply involved in the property management industry for more than 18 years, and has multi-disciplinary and multi-functional business practice and group management experience. From July 2006 to August 2014, he served as the group operation and development manager of Longfor Property Service Group Co., Ltd.\* (龍湖物業服務集團有限公司), a wholly-owned subsidiary of Longfor Group Holdings Limited (a company listed on the Stock Exchange, stock code: 960), where he was responsible for group's diversified business innovation. From September 2014 to April 2018, he served as the director of group operation and development of Ever Sunshine Services Group Limited (formerly known as CIFI Ever Sunshine Services Group Limited) (a company listed on the Stock Exchange, stock code: 1995), where he was responsible for the deployment of business development and achievement of results of the group, and participated in the preparation for the listing of the group's shares on the National Equities Exchange and Quotations of the PRC and the Stock Exchange. From April 2018 to September 2021, he served as the chief marketing officer and regional general manager of S-Enjoy Service Group Co., Limited (a company listed on the Stock Exchange, stock code: 1755), where he was responsible for the group's innovation strategy research, the incubation and establishment of the business of business units, and the overall operation and management of regional companies. He has extensive experience in benchmarking enterprises and working experience in listed companies.

Mr. WANG Zhongqi obtained a double bachelor's degree in management and law from Southwest University of Political Science and Law in the PRC in July 2006.

Mr. WANG Zhongqi has entered into a labour contract with the Group in respect of his appointment as the Chief Executive Officer for a term of three years commencing from 29 August 2024 to 28 August 2027. Pursuant to the labour contract, he is entitled to an emolument before tax of RMB2,031,600 per annum (including basic salary and other allowances of RMB1,625,280 per annum as well as discretionary performance bonus of RMB406,320 per annum) and other benefits, which is determined by the Board based on the recommendation of the remuneration committee of the Company with reference to his experience and responsibilities in the Company, the prevailing market conditions and the Company's remuneration policy.

As at the date of this announcement, Mr. WANG Zhongqi is the beneficial owner of 10,000 shares of the Company.

Save as disclosed above and as at the date of this announcement, Mr. WANG Zhongqi (i) does not hold any other positions with any members of the Group; (ii) does not, nor did he in the last three years, hold any directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) does not have any other interests in the shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Mr. WANG Zhongqi has confirmed that there is no other information relating to his appointment that is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters in connection with his appointment that need to be brought to the attention of the Shareholders.

The Board would like to express its sincere gratitude to Mr. WANG Jianhui for his contribution to the Company during his tenure of office and welcome Mr. WANG Zhongqi on his new appointment in the Company.

By order of the Board  
**KWG Living Group Holdings Limited**  
**Mr. KONG Jianmin**  
*Chairman*

Hong Kong, 27 August 2024

*As at the date of this announcement, the Board comprises Mr. KONG Jianmin (Chairman) as Non-executive Director; Mr. KONG Jiannan and Ms. YANG Jingbo as Executive Directors; and Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum as Independent Non-executive Directors.*

*\* For identification purpose only*