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FINANCIAL STREET PROPERTY CO., LIMITED

金融街物業股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1502)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2022 increased by approximately 6.61% to approximately RMB669.55 million from approximately RMB628.01 million for the six months ended 30 June 2021.
- Gross profit for the six months ended 30 June 2022 decreased by approximately 6.01% to approximately RMB130.56 million as compared to the six months ended 30 June 2021.
- For the six months ended 30 June 2022, the Company's profit for the period was RMB69.46 million, representing a decrease of approximately 15.79% from approximately RMB82.48 million for the six months ended 30 June 2021.
- Profit attributable to the owners of the Company was approximately RMB61.95 million, representing a decrease of approximately 19.09% from approximately RMB76.57 million for the six months ended 30 June 2021.
- As at 30 June 2022, the Group's gross floor area ("GFA") under management ("GFA under management") increased by 23.87% to approximately 34.81 million square meters ("sq.m.") from approximately 28.10 million sq.m. as at 30 June 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Financial Street Property Co., Limited (the “**Company**” or “**Financial Street Property**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited and restated)
Revenue	6	669,552	628,014
Cost of sales and services		<u>(538,995)</u>	<u>(489,104)</u>
Gross profit		130,557	138,910
Other income	7	6,350	6,984
Other (losses)/gains, net	8	(27,677)	194
Administrative expenses		(34,785)	(27,357)
Provision for expected credit loss (“ECL”) allowance of trade and other receivables		<u>(5,661)</u>	<u>(5,303)</u>
Operating profit		68,784	113,428
Finance income	9	6,269	4,477
Finance costs	9	<u>(1,344)</u>	<u>(826)</u>
Finance costs, net	9	4,925	3,651
Exchange gains/(losses), net		28,079	(7,125)
Share of profit/(loss) from interests in associates, net		15	(111)
Share of profit from interests in joint ventures, net		<u>—</u>	<u>—</u>
Profit before income tax	10	101,803	109,843
Income tax expense	11	<u>(32,348)</u>	<u>(27,366)</u>
Profit for the period		<u>69,455</u>	<u>82,477</u>

		For the six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited and restated)
Profit for the period attributable to:			
Owners of the Company		61,949	76,573
Non-controlling interests (“NCI”)		7,506	5,904
		69,455	82,477
Earnings per share, basic and diluted			
<i>(RMB)</i>	13	0.166	0.205
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of retirement benefit obligations		1	72
Other comprehensive income for the period, net of tax		1	72
Total comprehensive income for the period		69,456	82,549
Other comprehensive income attributable to:			
Owners of the Company		61,950	76,645
NCI		7,506	5,904
		69,456	82,549

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022	As at 31 December 2021
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Investment properties		9,662	11,798
Property, plant and equipment		76,717	76,840
Interests in associates		12,723	15,273
Interests in joint ventures		2,550	-
Goodwill		325	325
Intangible assets		7,707	8,523
Prepayments		641	4,351
Other financial assets at amortised cost	15	6,787	6,688
Deferred tax assets		13,543	3,171
Total non-current assets		130,655	126,969
Current assets			
Note and trade receivables	14	291,931	210,379
Prepayments		12,784	16,572
Other financial assets at amortised cost	15	29,959	23,913
Derivative financial instruments		-	18,274
Bank deposits with the maturity over three months		23,201	23,194
Restricted bank deposits		74,172	62,652
Cash and cash equivalents		1,361,711	1,397,612
Total current assets		1,793,758	1,752,596
Total assets		1,924,413	1,879,565

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Share capital	16	373,500	373,500
Reserves		583,323	583,322
Retained earnings		163,940	184,908
Equity attributable to owners of the Company		1,120,763	1,141,730
NCI		29,976	22,470
Total equity		1,150,739	1,164,200
Non-current liabilities			
Lease liabilities		28,748	35,758
Deferred tax liabilities		405	451
Retirement benefit obligations		5,095	5,264
Total non-current liabilities		34,248	41,473
Current liabilities			
Trade and other payables	17	557,825	508,405
Derivative financial instruments		9,532	–
Contract liabilities		113,358	131,938
Current tax liabilities		35,733	11,436
Current portion of lease liabilities		22,644	21,768
Current portion of retirement benefit obligations		334	345
Total current liabilities		739,426	673,892
Total liabilities		773,674	715,365
Total equity and liabilities		1,924,413	1,879,565

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

Financial Street Property Co., Limited (the “**Company**”, formerly known as “**Beijing Financial Street Property Management Co., Ltd.**”) was incorporated in the People’s Republic of China (the “**PRC**”) as a limited liability company on 20 May 1994. On 19 September 2019, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company’s registered office is No. 33, Financial Street, Xicheng District, Beijing, the PRC.

The Company’s H Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 6 July 2020.

The Company’s immediate holding company is Beijing Huarong Zonghe Investment Co., Ltd. (the “**immediate holding company**”), an investment company established in the PRC. The ultimate holding company of the Company is Beijing Financial Street Investment (Group) Co., Ltd. (the “**ultimate holding company**”), a limited liability company incorporated in the PRC, which is under the control of the State-owned Assets Supervision and Administration Commission of Beijing Xicheng District Municipal Government (“**SASAC**”).

The Company and its subsidiaries (together, the “**Group**”) are primarily engaged in the provision of property management and related services in the PRC.

The unaudited condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated, and were authorised for issue by the Board of Directors on 24 August 2022.

2. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

(i) Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Business combination under common control

Beijing Yongtaiheng Health Service Co., Ltd. (“Yongtaiheng”)

Yongtaiheng was an enterprise formerly under the Beijing Xicheng District Health Commission and was subsequently transferred to ultimate holding company and became a wholly-owned subsidiary of ultimate holding company on 11 August 2021 with the approval of the Beijing Xicheng District Government.

On 29 November 2021, the Company and ultimate holding company entered into an equity transfer agreement, pursuant to which, ultimate holding company agreed to sell and the Company agreed to purchase the 100% equity interests in Yongtaiheng at a consideration of RMB3,452,000.

The total amount of such consideration has been settled by the Company in cash on 6 December 2021 and charge to the Group’s reserves.

Beijing Huarong Property Agency Co., Ltd. (“Huarong Property Agency”)

Before 17 May 2021, Huarong Property Agency was an associate and 30% of equity interests held by the Company.

On 17 May 2021, the Company and immediate holding company entered into an equity transfer agreement, pursuant to which, immediate holding company agreed to sell and the Company agreed to purchase 70% of equity interests Huarong Property Agency at a consideration of RMB1,191,000. After the equity transfer, Huarong Property Agency became a direct wholly-owned subsidiary of the Company. The total amount of such consideration has been settled by the Company in cash on 6 December 2021 and charge to the Group's reserves.

As the Company, Yongtaiheng and Huarong Property Agency are under the common control of the SASAC, the equity transfers are business combinations under common control. The equity transfers are accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations (“**AG 5**”) issued by the HKICPA as if the equity transfers had occurred on the date when the combining entities, i.e. the Company, Yongtaiheng and Huarong Property Agency first come under the common control of the SASAC. By applying the merger accounting, the assets and liabilities of the combining entities are combined using their existing book values from the SASAC's perspective.

In applying AG 5 to the equity transfers as described above, the comparative amounts of the unaudited condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2021 have also been restated to include the financial performance, changes in equity and cash flows of Yongtaiheng and Huarong Property Agency as if they were within the Group since 1 January 2021.

The details of the acquisition and the reconciliation of the effect arising from the common control combination in connection with the acquisition of Target Assets and Businesses were set out in the financial statements included in the Company's 2021 Annual Report.

(ii) Application of amendments to HKFRSs

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the following amended HKFRSs effective as of 1 January 2022. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

4. FINANCIAL RISK MEASUREMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements does not include all financial risk management 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.

There have been no material changes in the risk management policies of the Group since the year ended 31 December 2021.

5. SEGMENT

The board of directors of the Company is the Group's chief operating decision-maker ("CODM"). The board of directors has determined the operating segments for the purposes of allocating resources and assessing performance.

During the six months ended 30 June 2022 and 2021, the Group is principally engaged in the provision of property management and related services in the PRC and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole. The board of directors considers the performance assessment of the Group should be based on the results of the Group as a whole. Therefore, the board of directors considers there to be only one operating segment during the six months ended 30 June 2022 and 2021, respectively, under the requirement of HKFRS 8.

6. REVENUE

Revenues recognised during the six months ended 30 June 2022 and 2021, respectively, are as follows:

	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)
Revenue from contract with customers		
Property management and related services		
– recognised on a lump sum basis from property management	504,900	460,563
– recognised on a commission basis from property management services	6,444	7,130
– value-added services	126,504	132,481
Catering services	28,072	23,018
	<u>665,920</u>	<u>623,192</u>
Revenue from other sources		
Rental income	<u>3,632</u>	<u>4,822</u>
	<u>669,552</u>	<u>628,014</u>

For the six months ended 30 June 2022, Financial Street Group and its joint ventures and associates (the “**Financial Street Affiliates Group**”) contributed 14% of the Group’s revenue (For the six months ended 30 June 2021: 11%). Other than the Financial Street Affiliates Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group’s revenue during the six months ended 30 June 2022 and 2021, respectively.

As the Group is domiciled in the PRC where all of its revenues from external customers for the six months ended 30 June 2022 and 2021, respectively, were derived and where all of its non-current assets (other than financial instruments and deferred tax assets, post-employment benefit assets) are located, no geographical segment information is shown.

7. OTHER INCOME

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)
Government grants (<i>Note</i>)	2,759	4,034
Recognition of additional deductible input VAT	3,591	2,950
	<u>6,350</u>	<u>6,984</u>

Note:

During the six months ended 30 June 2021, the Group received government subsidies amounting to RMB3,000,000 for listing H Shares on the Main Board of the Stock Exchange of Hong Kong Limited.

The remaining government grants were received from PRC local government authorities on a discretionary basis for local business development and employment.

There was no unfulfilled conditions and other contingencies attached to the receipt of subsidy.

8. OTHER (LOSSES)/GAINS, NET

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)
Loss arising on change in fair value of derivative financial instruments	(27,806)	–
Net (losses)/gains on disposal of property, plant and equipment	(4)	18
Others	133	176
	<u>(27,677)</u>	<u>194</u>

9. FINANCE INCOME/(COSTS)

	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)
Finance income		
Interest income on bank deposits	6,124	4,477
Interest income on loans to an associate (Note 15)	99	–
Interest income on a loan to NCI (Note 15)	46	–
	<u>6,269</u>	<u>4,477</u>
Finance costs		
Interest expenses for lease liabilities	(1,344)	(826)
	<u>4,925</u>	<u>3,651</u>

10. PROFIT BEFORE INCOME TAX

Profit for the periods is arrived at after charging/(crediting):

	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)
Staff costs – including directors' emoluments		
– Included in direct operating expenses	221,719	217,860
– Included in administrative expenses	24,080	13,536
Cost of cleaning, security and maintenance services	217,135	197,819
Utilities	39,547	34,667
Depreciation		
– Property, plant and equipment	15,592	9,706
– Investment properties	2,136	1,463
Amortisation of intangible assets	816	577
Provision for ECL allowance		
– Trade receivables (<i>note 14</i>)	5,426	5,293
– Other receivables (<i>note 15</i>)	235	10
Cost of raw material and consumables for catering services	27,019	17,257
Lease charges:		
– Short term leases	3,056	3,467
– Leases of low value items	3,549	3,132
Professional service fee	1,044	2,175
Taxes and surcharges	2,675	2,883
Auditor's remuneration		
– Audit services	521	521
Exchange (gains)/losses, net	(28,079)	7,125
Other expenses	14,891	11,400

11. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and restated)
Current income tax		
– PRC Corporate Income Tax	42,766	32,140
Deferred tax	(10,418)	(4,774)
Total income tax expense	<u>32,348</u>	<u>27,366</u>

PRC Corporate Income Tax

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

The general Corporate Income Tax rate in the PRC is 25% (For the six months ended 30 June 2021: 25%). Beijing Financial Street Savills Jingnan Property Management Co., Ltd. was qualified as small and micro businesses and enjoyed a preferential income tax rate of 2.5% as approved by the local tax authority (For the six months ended 30 June 2021: 10%); Beijing Jintongtai Catering Co., Ltd. was qualified as small and micro businesses and enjoyed a preferential income tax rate of 5% as approved by the local tax authority (For the six months ended 30 June 2021: 5%); Beijing Jinxi Lilin Health Management Co., Ltd., Beijing Ronglutong Consulting Service Co., Ltd. and Beijing IZEE Mitsuyado Catering Management Co., Ltd. were qualified as small and micro businesses and enjoyed a preferential income tax rate of 2.5% as approved by the local tax authority (For the six months ended 30 June 2021: 5%); and the newly incorporated subsidiaries, namely Beijing Financial Street Worldunion Real Estate Management Co., Ltd., Hubei Financial Street Savills Property Management Co., Ltd., Beijing Financial Street New City Property Management Co., Ltd. and Beijing IZEE Alley Catering Management Co., Ltd. were qualified as small and micro businesses and enjoyed a preferential income tax rate of 2.5% as approved by the local tax authority.

12. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Final dividends declared by the Company	82,917	57,519
Final dividends declared to NCI by subsidiaries	<u>–</u>	<u>11,371</u>
	<u>82,917</u>	<u>68,890</u>

In the Board meeting of the Company on 24 March 2022, the Board proposed a dividend of RMB82,917,000 which represented the Company's accumulated distributable retained earnings as at 31 December 2021. The proposed dividend was then approved in the shareholders' general meeting on 9 June 2022.

In the Board meeting of the Company on 25 March 2021, the Board proposed a dividend of RMB57,519,000 which represented the Company's accumulated distributable retained earnings as at 31 December 2020. The proposed dividend was then approved in the shareholders' general meeting on 24 June 2021.

In addition, Beijing Financial Street Savills Property Management Co., Ltd., a non-wholly owned subsidiary, declared a dividend of RMB56,853,000 to its then shareholders in June 2021, among which RMB11,371,000 was payables to its non-controlling shareholder.

The board of directors of the Company has resolved not to declare an interim dividend for the six months ended 30 June 2022 (For the six months ended 30 June 2021: nil).

13. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for employee share scheme.

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	61,949	76,573
Weighted average number of ordinary shares in issue ('000)	373,500	373,500
Basic earnings per share (RMB)	<u>0.166</u>	<u>0.205</u>

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as the Group had no dilutive potential ordinary shares during the six months ended 30 June 2022 and 2021, respectively.

14. NOTE AND TRADE RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables		
– related parties	139,737	129,514
– third parties	167,446	76,825
	<u>307,183</u>	<u>206,339</u>
Less: ECL allowance of trade receivables	(15,672)	(10,246)
	<u>291,511</u>	<u>196,093</u>
Trade receivables, net		
Note receivables	420	14,286
	<u>291,931</u>	<u>210,379</u>
Note and trade receivables, net		

The directors of the Group consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

All note receivables of the Group are commercial's acceptance bills and usually collected within six months from the date of issue.

The credit terms given to trade customers are determined on an individual basis with normal credit period ranged from 0–365 days.

The ageing analysis of the trade receivables before loss allowances as at 30 June 2022 and 31 December 2021 based on the invoice date is as follows:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 1 year	243,899	163,140
1–2 years	45,646	38,137
2–3 years	14,628	3,004
Over 3 years	3,010	2,058
Total	307,183	206,339

The movement in the ECL allowance of trade receivables is as follows:

	For the six months ended 30 June 2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Balance at 1 January	10,246	7,210
ECL allowance recognised during the period	5,426	5,293
Balance at 30 June	15,672	12,503

15. OTHER FINANCIAL ASSETS AT AMORTISED COST

Other financial assets at amortised cost include the following:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Loan and interest receivable from an associate (Note 9)	6,787	6,688
Loan and interest receivable from a NCI (Note 9)	–	2,474
Payments on behalf of property owners, tenants and property developers	19,052	12,620
Deposits		
– Related parties	2,278	2,605
– Third parties	8,769	6,370
Other	540	289
	<u>37,426</u>	<u>31,046</u>
Less: ECL allowance of other receivables	(680)	(445)
	36,746	30,601
Less: non-current portion		
Loan and interest receivable from an associate	(6,787)	(6,688)
	<u><u>29,959</u></u>	<u><u>23,913</u></u>

The amount due from an associate is unsecured, interest bearing at 4.45% and not repayable within the next 12 months from the reporting date.

The amount due from a NCI is unsecured, interest bearing at 3.85% and repayable within the next 12 months from the reporting date.

Due to the short-term nature of other receivables, their carrying amount is approximate to their fair value.

The movement in the ECL allowance of other financial assets at amortised cost are as follows:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Balance at 1 January	445	565
ECL allowance recognised during the period	235	10
Balance at 30 June	680	575

16. SHARE CAPITAL

	For the six months ended 30 June 2022 (Unaudited)		For the six months ended 30 June 2021 (Unaudited)	
	<i>Number of shares '000</i>	<i>RMB'000</i>	<i>Number of shares '000</i>	<i>RMB'000</i>
Issued and fully paid				
Balance as at 1 January and 30 June	373,500	373,500	373,500	373,500

17. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables (<i>note a</i>)	<u>141,611</u>	<u>120,956</u>
Other payables		
– Receipts on behalf of property owners, tenants and property developers	175,118	202,617
– Deposits (<i>note b</i>)	107,443	101,282
– Others	4,508	2,757
Payroll and welfare payables	39,266	73,707
Dividend payable	82,917	–
Other tax payables	<u>6,962</u>	<u>7,086</u>
Total	<u><u>557,825</u></u>	<u><u>508,405</u></u>

Notes:

- (a) The Group was granted by its suppliers credit periods ranging from 0 – 180 days. Based on the invoice dates, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 1 year	122,483	105,749
1 – 2 years	9,730	12,921
Over 2 years	<u>9,398</u>	<u>2,286</u>
	<u><u>141,611</u></u>	<u><u>120,956</u></u>

- (b) The balances mainly represent the deposits paid by the property owners, tenants and property developers for property management and refurbishment.

The carrying amounts of trade and other payables are considered to approximate their fair values, due to their short-term nature.

18. SUBSEQUENT EVENT

Proposed acquisition of part of equity interest in a target company in Hong Kong

Please refer to the announcement dated 23 June 2021 published by the Company for further details. This acquisition has not yet been completed as at 30 June 2022.

Save as disclosed in this announcement, the Group had no significant events after the end of reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

As one of the leading comprehensive property management service providers for commercial and business properties in China, the Group focuses on mid- to high-end property management services. The Group has been providing property management services for over 28 years since 1994, and has expanded its property management business across six regions (namely Northern China, Southwestern China, Eastern China, Southern China, Northeastern China and Central China), covering a wide range of properties and providing property owners and residents with tailored quality services through a one-stop service platform to improve the quality and satisfaction of their living and working space.

In the first half of 2022, sporadic outbreaks of COVID-19 cases hit multiple places in the country, posing challenges to the property services industry. Facing difficulties, the Group rose to the occasion. On one hand, the Group strengthened its pandemic prevention and control mechanism, to protect the health and safety of property owners, improve the quality of its services and maintain normal working and living order. With its excellent service and brand influence, the Group was awarded with various honours including the 2022 Top 100 Property Management Companies in China. On the other, the Group continued to strengthen its efforts in external expansion, to enhance its competitiveness, rationalise and optimise its organisational structure and incentive system, improve the standardised expansion process and enhance the efficiency of its external expansion.

In the first half of 2022, the property management and related businesses of the Group were carried out in an orderly manner and it further expanded in the field of public property services, undertaking a number of new projects in industrial parks, schools and scenic spots, with its business network covering 16 provinces, municipalities and autonomous regions. As at 30 June 2022, the GFA under management of the Group amounted to approximately 34.81 million sq.m., representing an increase of approximately 23.87% over the corresponding period of last year, and the number of projects under management was 224, representing an increase of 48 projects over the corresponding period of last year. Among the newly added areas, approximately 5.14 million sq.m. of GFA under management originated from independent third parties, accounting for 76.68% of the total newly added areas.

The Group continues to develop and deepen the cooperation with independent third parties. In the first half of 2022, the Company established joint ventures named Rongjing Property Services (Beijing) Company* (融京物業服務(北京)有限公司) and Beijing Rongying Property Services Company* (北京融英物業服務有限公司) with Beijing Shoushi Yimin Commercial Chain Co. Ltd. (北京首食益民商業連鎖有限公司) and Beijing Pakeying Technology Co., Ltd. (北京帕克英科技有限公司), respectively, and also established a joint venture named Ronghua Property Management (Huai'an) Company Limited (融華物業管理(淮安)有限公司) with Huayang Environmental Management (Jiangsu) Co., Ltd. (花漾環境管理(江蘇)有限公司). Beijing Financial Street Savills Property Management Co., Ltd. (“**Financial Street Savills**”), a subsidiary of the Company, established a joint venture named Beijing Jinwu Xiada Real Estate Management Co., Ltd.* (北京金物夏達不動產管理有限公司) with CRED Holding Co., Ltd.* (中房置業股份有限公司) and Shanghai Xiada Investment Management Center (Limited Partnership)* (上海夏達投資管理中心(有限合夥)), to further replenish our talent and technology resources and strengthen our competitive edge. Such joint ventures will achieve deep integration of the advantages of the shareholders in market and customer resources and leverage on their rich experience to further expand the regional markets in Northern and Central China and exploit business opportunities in other fields such as public property and asset operation, diversify and expand their market-oriented businesses, so as to help the Group accelerate its scale development.

The representative projects of the Group newly acquired in the first half of 2022 are summarised as follows:

- (i) Beijing Daxing Free Trade Zone Innovation Service Centre project. The project is an innovative low-density international business community with a focus on office space and complemented with commercial showcases and apartments for experts, which possesses four core functions featuring industrial incubator, financial innovation, exhibition and reception and supporting facilities;
- (ii) Beijing Huadian Engineering Building project, which comprises office, restaurant and residential properties. The Group provides property management services for four of its buildings;
- (iii) The Group provides integrated property management services for the office areas of over 80 business outlets of Ping An Life Insurance Company of China, Ltd. in Chongqing;
- (iv) Shandong Dongying Shengli Petroleum Technology Innovation Park project. Positioned as an intelligent manufacturing industry, the project focuses on building a special industrial cluster led by high-end petroleum equipment, intelligent equipment and new energy, with 39 supporting individual buildings;

- (v) China National Tobacco Corporation, Chongqing Branch, Fuling Cigarette Sub-warehouse project, for which the Group provides integrated property services for the company's industrial park, various office areas and operational premises, as well as sorting and delivery services;
- (vi) Beijing International Studies University Seven-year Comprehensive Training Program project. The project is located in Yanqing District, Beijing, and is an important base for implementing the talent training reform program in the capital and cultivating new high-end technical and skilled talents;
- (vii) The Olympic Sports Centre and Hua Gu Grand Theatre property service project in Fengyang County, Chuzhou City, Anhui Province. The project includes various types of premises such as swimming pool, basketball court, table tennis court, badminton court, tennis court, theatre etc.; and
- (viii) The Xunliao Bay Sandbar Park project in Huizhou, Guangdong Province. The project covers an area of about 80,000 sq.m. and is one of the main tourism projects of the Xunliao Bay Scenic Area in 2022, aiming to create a night-time business economy for Xunliao Bay.

Property Management and Related Services

As at 30 June 2022, the Group's property management and related services covered 16 provinces and municipalities across six regions in China (including Northern China, Southwestern China, Eastern China, Southern China, Northeastern China and Central China), with a total GFA under management of approximately 34.81 million sq.m. and a total of 224 properties under management.

The table below sets forth (i) the contracted GFA; (ii) the GFA under management; and (iii) the number of properties under management, as at the dates indicated:

	As at 30 June 2022	As at 30 June 2021
Contracted GFA ('000 sq.m.)	37,824	32,019
GFA under management ('000 sq.m.)	34,805	28,097
Number of properties under management	224	176

Types of Properties under Management

The Group managed a diversified portfolio of properties covering commercial and business properties, including office buildings, complexes, retail buildings and hotels; and non-commercial properties, including residential properties, public properties, hospitals, educational properties and others. Regarding the property management services, the Group employs the lump-sum basis and commission basis as the two revenue models under which property management fees are charged. On a lump-sum basis, the Group records all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of services. On a commission basis, the Group essentially acts as the agent of the property owners and therefore records only a pre-determined percentage of the property management fees or cost of services as set out in the property management service contracts as revenue. By adopting these two revenue models, the Group is able to cover the expenses incurred in connection with providing property management services.

The table below sets forth the breakdowns of (i) the GFA under management; and (ii) the number of properties under management by type of properties as at the dates indicated:

	As at 30 June 2022			As at 30 June 2021		
	GFA under management (<i>'000 sq.m.</i>)	Percentage (%)	Number of properties under management	GFA under management (<i>'000 sq.m.</i>)	Percentage (%)	Number of properties under management
Retail buildings and hotels	265	0.8	2	652	2.3	3
Office buildings	7,023	20.2	60	6,992	24.9	54
Complexes	1,200	3.4	5	1,011	3.6	4
Residential properties	13,457	38.7	72	11,736	41.8	59
Public properties, hospitals, educational properties and others	12,860	36.9	85	7,706	27.4	56
Total	<u>34,805</u>	<u>100</u>	<u>224</u>	<u>28,097</u>	<u>100</u>	<u>176</u>

The table below sets forth the breakdowns of the GFA under management:

	As at 30 June 2022		As at 30 June 2021	
	GFA under management (<i>'000 sq.m.</i>)	Percentage (%)	GFA under management (<i>'000 sq.m.</i>)	Percentage (%)
Property management services (lump-sum basis)	31,331	90.0	24,647	87.7
Property management services (commission basis)	3,474	10.0	3,450	12.3
Total	<u>34,805</u>	<u>100</u>	<u>28,097</u>	<u>100</u>

It is important to note that on a commission basis, the Group recorded only a pre-determined percentage of the property management fees, as set out in the property management service contracts as revenue, while all the property management fees are recorded as revenue on a lump-sum basis.

Nature of the Property Developers Served

The properties under the Group's management include properties developed by Financial Street Affiliates Group and properties developed by independent third parties. As at 30 June 2022, the Group managed the properties developed by Financial Street Affiliates Group encompassing an approximate GFA of 18.19 million sq.m., with the number of projects increased from 113 as at 30 June 2021 to 121, representing a steady period-on-period increase. Meanwhile, as at 30 June 2022, the Group managed properties developed by independent third parties encompassing an approximate GFA of 16.62 million sq.m., and the number of projects also further increased significantly year-on-year to 103 from 63 as at 30 June 2021.

The table below sets forth the breakdowns of (i) the GFA under management; and (ii) the number of properties under management of the Group by property developers as at the dates indicated:

	As at 30 June 2022			As at 30 June 2021		
	GFA under management (<i>'000 sq.m.</i>)	Percentage (%)	Number of properties under management	GFA under management (<i>'000 sq.m.</i>)	Percentage (%)	Number of properties under management
Properties developed by Financial Street Affiliates Group	18,189	52.3	121	16,625	59.2	113
Properties developed by independent third parties	16,616	47.7	103	11,472	40.8	63
Total	<u>34,805</u>	<u>100</u>	<u>224</u>	<u>28,097</u>	<u>100</u>	<u>176</u>

Value-added Services

The value-added business of the Group mainly comprises six segments, namely operating businesses, consultancy services, asset operation, resources management, customized services and other income. For the six months ended 30 June 2022, our revenue from value-added services amounted to approximately RMB126.50 million, accounting for approximately 18.89% of revenue for the six months ended 30 June 2022, representing a decrease of approximately 4.51% as compared with the revenue of approximately RMB132.48 million for the six months ended 30 June 2021.

Future Prospects

By enhancing its confidence in development, the Group will rely on its experience in high-end commercial property services, the brand influence and its core competitive advantages to strengthen its market development capabilities and help its business scale to grow gradually. It will continue to focus on the service quality and customer satisfaction to deliver brand value, enhance market recognition, accelerate the improvement of the special value-added service system, promote the synergistic development of resources and industries among various business segments, and promote the sustainable and high-quality development of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue was mainly derived from: (i) property management and related services; and (ii) catering services. Revenue increased by approximately 6.61% from approximately RMB628.01 million for the six months ended 30 June 2021 to approximately RMB669.55 million for the six months ended 30 June 2022.

The following table sets forth the breakdown of revenue by our services provided for the periods indicated:

	2022		Six months ended 30 June 2021		Changes	
	<i>RMB'000</i>	<i>Proportion</i>	<i>RMB'000</i> (Restated)	<i>Proportion</i> (Restated)	<i>RMB'000</i>	<i>Rate of change</i>
Property management and related services:						
Property management services	511,344	76.38%	467,693	74.46%	43,651	9.33%
Value-added services	126,504	18.89%	132,481	21.10%	(5,977)	(4.51%)
Rental services	3,632	0.54%	4,822	0.77%	(1,190)	(24.68%)
Catering services	28,072	4.19%	23,018	3.67%	5,054	21.96%
Total	669,552	100%	628,014	100%	41,538	6.61%

- Revenue generated from our property management and related services mainly includes: (i) customer services, (ii) security services, (iii) cleaning and gardening services, (iv) engineering, repair and maintenance services, (v) carpark management services, and (vi) other related services, which increased from approximately RMB605.00 million for the six months ended 30 June 2021 to approximately RMB641.48 million for the six months ended 30 June 2022, representing an increase of approximately 6.03%. The property management income maintained growth, which was benefited from the increase of projects under management. The slight decrease in value-added services was mainly due to the withdrawal of assistance services provided by the Company after completion of sales.
- Revenue generated from our catering services: our revenue from catering services increased from approximately RMB23.02 million for the six months ended 30 June 2021 to approximately RMB28.07 million for the six months ended 30 June 2022.

Cost of Sales and Services

The Group's cost of sales and services mainly consists of (i) subcontracting costs; (ii) employee welfare expenses; (iii) utilities; (iv) raw materials and components used in property management and related services; (v) cost of raw materials and consumables for catering services; and (vi) other expenses. The Group's cost of sales and services increased by 10.20% from RMB489.10 million for the six months ended 30 June 2021 to RMB539.00 million for the six months ended 30 June 2022. The continuous expansion of the GFA under management of non-commercial properties such as residential and public properties has increased the rate of the cost, coupled with the impact from external market environment and other elements, resulting in a higher cost growth rate than the revenue growth rate.

Gross Profit and Gross Profit Margin

The overall gross profit of the Group decreased by approximately 6.01% from approximately RMB138.91 million for the six months ended 30 June 2021 to approximately RMB130.56 million for the six months ended 30 June 2022. The overall gross profit margin of the Group for the six months ended 30 June 2022 was approximately 19.50%, representing a decrease as compared to the overall gross profit margin of 22.12% for the six months ended 30 June 2021. The gross profit of commercial and business properties indicated a stable growth, increased by 1.2 percentage points for the six months ended 30 June 2022 as compared to that of the six months ended 30 June 2021. Catering services experienced losses as a result of the pandemic and the suspension of dine-in services for a period of time, which, in turn, has impacted the overall gross profit margin. The table below sets forth the Group's gross profit and gross profit margin by type of service for the periods indicated:

	2022		Six months ended 30 June 2021		Changes	
	Gross Profit <i>RMB'000</i>	Gross Profit Margin (%)	Gross Profit <i>RMB'000</i> (Restated)	Gross Profit Margin (%) (Restated)	Amount <i>RMB'000</i>	Gross Profit Margin (%)
Property management and related services:						
Commercial and business properties	114,393	28.11	104,034	26.91	10,359	1.20
Non-commercial properties	27,358	11.66	33,803	15.48	(6,445)	(3.82)
Catering services	<u>(11,194)</u>	<u>(39.88)</u>	<u>1,072</u>	<u>4.66</u>	<u>(12,266)</u>	<u>(44.54)</u>
Total	<u>130,557</u>	<u>19.50</u>	<u>138,909</u>	<u>22.12</u>	<u>(8,352)</u>	<u>(2.62)</u>

Administrative Expenses

Administrative expenses of the Group increased by approximately 27.16% from approximately RMB27.36 million for the six months ended 30 June 2021 to approximately RMB34.79 million for the six months ended 30 June 2022, primarily due to the increase in investment of informatisation, and the increase in various expenses involved in personal rearrangement and other expenses.

Income Tax Expense

Income tax expense of the Group increased by approximately 18.20% from approximately RMB27.37 million for the six months ended 30 June 2021 to approximately RMB32.35 million for the six months ended 30 June 2022, primarily due to the loss incurred in the catering industry resulting from the impact of general market environment, which was excluded from the income tax calculation.

Profit for the Period

Profit of the Group decreased by approximately 15.79% from approximately RMB82.48 million for the six months ended 30 June 2021 to approximately RMB69.46 million for the six months ended 30 June 2022, primarily due to the decrease in gross profit and the impact of income tax.

Total Comprehensive Income for the Period

Total comprehensive income of the Group decreased from approximately RMB82.55 million for the six months ended 30 June 2021 to approximately RMB69.46 million for the six months ended 30 June 2022, representing a decrease of approximately 15.86%, which was mainly due to the decrease in net profit margin.

Liquidity, Capital Structure and Financial Resources

As at 30 June 2022, the Group's cash and bank balances were approximately RMB1,459.08 million, representing a decrease of approximately RMB24.38 million from approximately RMB1,483.46 million as at 31 December 2021.

The Group's financial situation remains stable. The net current assets of the Group remains at a stable level of approximately RMB1,054.33 million as at 30 June 2022, as compared to approximately RMB1,078.70 million as at 31 December 2021. As at 30 June 2022, the Group's current ratio (current assets/current liabilities) was approximately 2.43 (as at 31 December 2021: approximately 2.60).

As at 30 June 2022, the Group did not have any borrowings (as at 31 December 2021: nil).

Trade and Other Receivables

Trade receivables mainly arise from property management and related services. Trade receivables of the Group increased by 48.66% from approximately RMB196.09 million as at 31 December 2021 to approximately RMB291.51 million as at 30 June 2022, primarily due to (i) the increase in trade receivables from property management services as a result of the increase in the total GFA under management; and (ii) trade receivables being within the credit period.

Other receivables mainly include payments and deposits paid on behalf of owners, tenants and property developers. Total other receivables of the Group increased by approximately RMB6.05 million from approximately RMB23.91 million as at 31 December 2021 to approximately RMB29.96 million as at 30 June 2022, primarily due to (i) the increase in payment on behalf of property owners, tenants and property developers from the operation of property management and relevant services as a result of the increase in the total GFA under management; and (ii) receivables being within the credit period.

Trade and Other Payables

Trade payables mainly represent amount payable to suppliers and subcontractors, including for purchase of materials. As at 30 June 2022, our balance of trade payables amounted to approximately RMB141.61 million, representing an increase of approximately 17.07% as compared with approximately RMB120.96 million as at 31 December 2021, which was mainly due to the increase of the cost in security guards, cleaning, engineering and materials supply caused by the expansion of the Company's business scale, for which payments had not become due, thereby resulting in an increase in its balance.

Payroll and welfare payables mainly refer to salary and insurance. As at 30 June 2022, the payroll and welfare payables of the Group were approximately RMB39.27 million, representing a decrease of approximately 46.72% as compared with approximately RMB73.71 million as at 31 December 2021, mainly due to the bonus accrued last year was distributed this year.

Other payables mainly include payments and deposits collected on behalf of owners, tenants and property developers. Other payables decreased by approximately 6.39% from approximately RMB306.66 million as at 31 December 2021 to approximately RMB287.07 million as at 30 June 2022, primarily due to the payment of expenses with different settlement period involved.

Use of Proceeds from the Listing

The H Shares of Company was listed on the Stock Exchange on 6 July 2020 (the “**Listing Date**”) and issued 90,000,000 H Shares, and subsequently issued 13,500,000 H Shares on 29 July 2020 as a result of the full exercise of the over-allotment option. After deducting the underwriting fees and relevant expenses, net proceeds from the listing (the “**Net Proceeds**”) amounted to approximately HK\$710.48 million (equivalent to approximately RMB648.36 million). The unutilised Net Proceeds have been placed as interest-bearing deposits with licensed banks in Mainland China and Hong Kong. As at 30 June 2022, such Net Proceeds will continue to be utilised in accordance with the allocation method proposed in the prospectus of the Company dated 19 June 2020 (the “**Prospectus**”).

The analysis on the utilisation of the Net Proceeds from the Listing Date to 30 June 2022 is as follows:

	Planned use of the Net Proceeds as stated in the Prospectus and the use of additional Net Proceeds after taking into account the full exercise of the over-allotment option on 29 July 2020 <i>% of total amount</i>		Actual use of Net Proceeds up to 30 June 2022 <i>RMB million</i>	Unutilised Net Proceeds as at 30 June 2022 <i>RMB million</i>	Expected timeline of full utilisation of the remaining balance
Pursuing strategic acquisitions and investment opportunities and establishing new branches and subsidiaries to expand the Group’s business scale	60%	389.02	12.88	376.14	on or before 31 December 2023
Developing the Group’s value-added services business	20%	129.66	32.36	97.30	on or before 31 December 2023
Establishing and upgrading IT and intelligent facilities systems	10%	64.84	5.56	59.28	on or before 31 December 2023
The Group’s working capital and general corporate purposes	10%	64.84	0.00	64.84	on or before 31 December 2023
Total	100%	648.36	50.80	597.56	

Note: The expected timeline for utilising the remaining Net Proceeds is based on the best estimation made by our Group. It will be subject to change based on the current and future development of the market conditions.

For the detailed breakdown and description of the proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus. As at the date of this announcement, the Directors were not aware of any material change to the planned use of the Net Proceeds. Save as the delays in use of Net Proceeds caused by changes in market conditions and more time is required to identify the potential acquisition targets, the unutilised Net Proceeds and its subsequent planned term of use will be applied in a manner consistent with that mentioned in the Prospectus. The planned term of use in the Prospectus was determined according to the optimal estimation and assumption for the future market conditions and industrial development made by the Company when preparing the Prospectus, while the proceeds were applied according to the actual development of the Group’s business and the industry.

Pledge of Assets

As at 30 June 2022, none of the assets of the Group were pledged (as at 31 December 2021: nil).

Material Acquisitions and Disposals of Assets

On 21 June 2021, the Group entered into two letters of intent with two different vendors in relation to the possible acquisition of Zhuzhou Hongda Property Management Co., Ltd. (株 洲 宏 達 物 業 管 理 有 限 責 任 公 司) (“**Zhuzhou Hongda**”) and a property service company registered in Hong Kong, respectively. For further details of the aforesaid matters, please refer to the announcements of the Company dated 23 June 2021.

As the Group and vendors could not reach a final consensus on the terms of the transaction, after friendly negotiation and based on their respective actual and beneficial future business development, both parties decided to terminate the acquisition in relation to the possible acquisition of Zhuzhou Hongda on 15 August 2022. Meanwhile, as at the date of this announcement, the possible acquisition in relation to a property management company registered in Hong Kong is still in progress. the Group will continue to approach other acquisition projects to seek more strategic cooperation opportunities and promote business development.

Save as disclosed in this announcement, for the six months ended 30 June 2022, the Group did not have any material acquisitions or disposals of assets (for the six months ended 30 June 2021: nil).

Significant Investment Held and Future Plans for Material Investment and Capital Assets

For the six months ended 30 June 2022, the Group did not have any significant investment.

Save as disclosed above, there was no plan for any material investment, disposals or addition of capital assets as at the date of this announcement.

Liabilities to Assets Ratio

Liabilities to assets ratio is calculated based on our total liabilities as at the end of the relevant period divided by our total assets as at the end of such period. As at 30 June 2022, our liabilities to assets ratio was 0.40. As at 31 December 2021, our liabilities to assets ratio was 0.38. Gearing ratio is calculated by dividing the total amount of loan as at the corresponding date by the total amount of equity as at the same date. As at 30 June 2022 and 31 December 2021, the Group had no interest-bearing loan, therefore the gearing ratio does not apply.

Contingent Liabilities

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

Financial Policy

The Group has adopted prudent financial management policies and maintained a healthy liquidity position throughout the year. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

Foreign Exchange Risk

The Group's businesses are principally denominated/settled in RMB, which is the functional currency of the Group. Other than bank deposits denominated in Hong Kong dollars, the Group is not exposed to significant foreign exchange risk. In order to reduce the relevant exchange rate risk, our Group has signed 3 forward contracts with the Dongsanhuan Sub-branch, Beijing Branch of China Merchants Bank at a principal amount of approximately HKD746.9 million at the forward exchange rate of HK\$1 to RMB0.8424 or RMB0.8428 in July 2021. The terms of the forward contracts have been extended to 30 September 2022, respectively. The Group will continue to monitor its foreign exchange exposure and take prudent measures to avoid exchange losses.

Employees and Welfare Policies

As at 30 June 2022, the Group had 4,725 employees (as at 31 December 2021: 4,382 employees). Employee remuneration is determined based on employee performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programs, and will make necessary adjustments in order to be in line with remuneration levels within industry norms. In addition to basic salaries, employees may be granted discretionary bonus based on individual performance. The Group offers training to its employees so as to enable the new joiners to acquire basic skills to perform their duties and to upgrade or improve their productivity. In addition, Beijing Rongxin Hetai Enterprise Management Co., Ltd. (“**Rongxin Hetai**”) is one of our substantial shareholders. The purpose of its establishment is to enable the employees of the Group to indirectly hold the shares of the Company through being shareholders of Rongxin Hetai, so as to motivate the employees of the Group.

SIGNIFICANT EVENTS

Change of the Board and the Supervisory Committee of the Company

At the annual general meeting of the Company held on 9 June 2022 (the “**AGM**”), all the resolutions in relation to the re-election and new appointment of Directors were passed. Following the conclusion of the AGM, Mr. Zhou Peng and Mr. Jiang Rui ceased to serve as Directors of the Company. Mr. Zhou Peng and Mr. Jiang Rui have confirmed that they have no disagreement with the Board respectively and there is no matter relating to their termination that needs to be brought to the attention of the Shareholders. In addition, Mr. Li Liang and Ms. Zhao Lu have been appointed as a non-executive Director of the Company after the AGM, respectively.

After the conclusion of the AGM, the second session of the Board consists of the following members: Mr. Sun Jie (executive Director), Ms. Xue Rui (executive Director), Mr. Shen Mingsong (non-executive Director), Mr. Liang Jianping (non-executive Director), Mr. Li Liang (non-executive Director), Ms. Zhao Lu (non-executive Director), Mr. Song Baocheng (independent non-executive Director), Ms. Tong Yan (independent non-executive Director) and Ms. Lu Qing (independent non-executive Director).

In addition, all resolutions regarding the re-election of supervisors of the Company (the “**Supervisors**”) were also approved at the AGM. Ms. Lyu Min has also been re-elected as an employee representative Supervisor of the second session of the Supervisory Committee of the Company at the employee representative’s meeting of the Company held on 5 May 2022, for a term commencing on the establishment date of the second session of the Supervisory Committee and ending on the expiry of the term of office of the second session of the Supervisory Committee.

Following the conclusion of the AGM, the second session of the Supervisory Committee consisted of the following members: Mr. Liu Anpeng (Shareholder representative Supervisor), Ms. Gao Minghui (Shareholder representative Supervisor) and Ms. Lyu Min (employee representative Supervisor)

For further details, please refer to the announcements dated 24 March 2022, 5 May 2022 and 9 June 2022, and the circular dated 22 April 2022 of the Company.

Events After the Reporting Period

Save as disclosed in this announcement, no other significant events of the Group occurred after the Reporting Period.

Purchase, Sale or Redemption of Listed Securities or Redeemable Securities of the Company

Neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities at any time during the six months ended 30 June 2022.

Compliance with the Corporate Governance Code

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the shareholders of the Company as a whole.

During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Stock Exchange Listing Rules (the “**Listing Rules**”), except for code provision C.2.1 described below.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman of the board of directors and the general manager should not be performed by the same individual. During the Reporting Period, the roles of chairman of the Board (“**Chairman**”) and general manager of the Company are performed by Mr. Sun Jie. Taking into account Mr. Sun Jie's strong expertise and insight into the property management industry, the Board considered that the roles of Chairman and general manager being performed by Mr. Sun Jie enables a more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of Chairman and general manager separately.

COMPLIANCE WITH 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 10 to the Listing Rules as the code of conduct and rules governing dealings by all the Directors and Supervisors in the securities of the Company. Having made specific enquiries to all Directors and Supervisors, they have confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period.

Pursuant to the Company’s requirements, the relevant management personnel and employees of the Company are also subject to the Model Code, which prohibits them from dealing in the Company’s securities whenever they possess inside information related to the securities of the Company. The Company was not aware of any incidents of non-compliance with the Model Code by the relevant personnel and employees of the Company during the Reporting Period.

Audit Committee

The Company has established the audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Ms. Tong Yan (independent non-executive Director), Ms. Zhao Lu (non-executive Director) and Mr. Song Baocheng (independent non-executive Director). The chairman of the Audit Committee is Ms. Tong Yan. The Audit Committee has reviewed the unaudited interim results and interim report for the six months ended 30 June 2022. Grant Thornton Hong Kong Limited, the independent auditor of the Company, has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Interim Dividend

The Board has not recommended the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

Publication of the Interim Results and Interim Report

This announcement can be accessed on both the Stock Exchange’s and the Company’s website via (<http://www.hkexnews.hk>) and (<http://www.jrjlife.com>). The interim report of the Company for the six months ended 30 June 2022, which contains all the information required by the applicable Listing Rules, will be dispatched to the Shareholders and published on the above websites in due course.

Appreciation

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business partners for their trust and support.

By Order of the Board
Financial Street Property Co., Limited
Sun Jie
Chairman

Beijing, the PRC, 24 August 2022

As at the date of this announcement, the Board comprises Mr. Sun Jie and Ms. Xue Rui as executive directors; Mr. Shen Mingsong, Mr. Liang Jianping, Mr. Li Liang and Ms. Zhao Lu as non-executive directors; and Mr. Song Baocheng, Ms. Tong Yan and Ms. Lu Qing as independent non-executive directors.

* *for identification purpose only*