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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 2020

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2020 increased by approximately 18.74% to approximately RMB508.78 million from approximately RMB428.50 million for the six months ended 30 June 2019.
- Gross profit for the six months ended 30 June 2020 increased by approximately 23.28% to approximately RMB105.15 million as compared to the six months ended 30 June 2019 and the gross profit margin for the six months ended 30 June 2020 increased to approximately 20.67% from approximately 19.90% for the six months ended 30 June 2019.
- Profit before income tax for the six months ended 30 June 2020 amounted to approximately RMB84.48 million (For the six months ended 30 June 2019: approximately RMB68.55 million). Profit attributable to the owners of the Company for the six months ended 30 June 2020 was approximately RMB58.19 million, representing an increase of approximately 27.38% from approximately RMB45.68 million for the six months ended 30 June 2019.
- As at 30 June 2020, cash and cash equivalents were approximately RMB565.86 million.
- As at 30 June 2020, the Group's gross floor area ("GFA") under management increased by 16.76% to approximately 21.6 million sq.m. from approximately 18.5 million sq.m. as at 30 June 2019.

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 2020, together with the comparative figures for the corresponding period in 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	508,783	428,502
Cost of sales and services	6	<u>(403,631)</u>	<u>(343,209)</u>
Gross profit		105,152	85,293
Administrative expenses	6	(27,823)	(23,048)
Reversal of impairment losses on financial assets		355	427
Other income	4	3,969	1,405
Other gains/(losses), net	5	<u>50</u>	<u>(261)</u>
Operating profit		81,703	63,816
Finance income		3,039	3,883
Finance costs		<u>(1,262)</u>	<u>(696)</u>
Share of profit from investment in associates	7	1,777	3,187
		<u>999</u>	<u>1,550</u>
Profit before income tax		84,479	68,553
Income tax expense	8	<u>(22,093)</u>	<u>(17,773)</u>
Profit for the period		<u>62,386</u>	<u>50,780</u>
Profit attributable to:			
Owners of the Company		58,190	45,684
Non-controlling interests		4,196	5,096
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		<u>(335)</u>	<u>(1)</u>
Other comprehensive loss for the period, net of tax		<u>(335)</u>	<u>(1)</u>
Total comprehensive income for the period		<u>62,051</u>	<u>50,779</u>
Attributable to:			
Owners of the Company		57,855	45,683
Non-controlling interests		4,196	5,096
Earnings per share, basic and diluted (RMB)	9	<u>0.216</u>	<u>0.170</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
	<i>Note</i>		
Assets			
Non-current assets			
Investment properties		12,107	13,736
Property, plant and equipment		19,435	18,608
Right-of-use assets		35,417	35,939
Intangible assets		2,140	1,417
Investments in associates		19,231	22,484
Deferred income tax assets		14,587	12,285
Prepayments		1,513	2,654
Total non-current assets		104,430	107,123
Current assets			
Trade receivables	10	160,109	116,029
Prepayments		20,215	11,458
Other financial assets at amortised cost	11	28,306	32,566
Bank deposits with the maturity over three months		68,675	16,191
Restricted bank deposits		37,255	30,721
Cash and cash equivalents		565,864	666,123
Total current assets		880,424	873,088
Total assets		984,854	980,211
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	12	270,000	270,000
Reserves		22,003	22,338
Retained earnings		75,513	100,303
		367,516	392,641
Non-controlling interests		10,643	7,244
Total equity		378,159	399,885

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Non-current liabilities			
Lease liabilities		33,844	36,208
Retirement benefit obligations		<u>7,772</u>	<u>7,204</u>
Total non-current liabilities		<u>41,616</u>	<u>43,412</u>
Current liabilities			
Trade and other payables	14	464,925	434,147
Contract liabilities		67,312	66,892
Current tax liabilities		18,526	23,594
Current portion of lease liabilities		13,964	11,946
Current portion of retirement benefit obligations		<u>352</u>	<u>335</u>
Total current liabilities		<u>565,079</u>	<u>536,914</u>
Total liabilities		<u>606,695</u>	<u>580,326</u>
Total equity and liabilities		<u>984,854</u>	<u>980,211</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

The Company’s parent company is Beijing Huarong Zonghe Investment Co., Ltd. (the “Parent Company”), an investment company established in the PRC under the control of Beijing Financial Street Investment (Group) Co., Ltd. The ultimate parent company of the Company is Beijing Financial Street Investment (Group) Co., Ltd. (“Financial Street Group” or the “Ultimate Parent Company”).

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved by the board of directors for issue on 27 August 2020.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION OF INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information for the six months reporting period ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

The interim information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

The accounting policies adopted are consistent with those of the previous financial year, except for the estimation of income tax (see Note 8) and the adoption of new and amended standards as set out below.

New standards and amendments to standards adopted by the Group

Amendments to HKFRS 3 – Regarding definition of a business
Amendments to HKAS 1 and HKAS 8 – Regarding definition of material
Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Regarding interest rate benchmark reform

The above new standards or amendments to standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as adopting these standards.

New standards and amendments to standards not yet been adopted by the Group

New standards and amendments that have been issued but not yet effective on 1 January 2020 and not been early adopted by the Group are as follows:

	Effective for annual periods beginning on or after
Amendments to HKFRS 16 – COVID-19-Related Rent Concessions	1 June 2020
Amendments to HKAS 37 – Onerous contracts – Cost of fulfilling a contract	1 January 2022
Annual Improvements – Annual Improvements to HKFRS standard 2018-2020	1 January 2022
Amendments to HKAS 16 – Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to HKFRS 3 – Reference to the Conceptual Framework	1 January 2022
HKFRS 17 – Insurance contract	1 January 2023
Amendments to HKAS 1 – Classification of liabilities as current or non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The director of the Company are of the view that the above new standards and amendments to existing standards that have been issued are not expected to have any significant impact on the Group.

3 SEGMENT AND REVENUE INFORMATION

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 2020 and 2019, 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 2020 and 2019, respectively, under the requirement of HKFRS 8.

Revenues recognised during the six months ended 30 June 2020 and 2019, respectively, are as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Property management and related services (including rental services)		
– recognised on a lump sum basis from properties management and related services	493,164	413,669
– recognised on a commission basis from properties management services	5,017	4,908
– rental services	3,432	2,839
Catering services	7,170	7,086
	508,783	428,502

For the six months ended 30 June 2020, Financial Street Group and its joint ventures and associates (the “Financial Street Affiliates Group”) contributed 18% of the Group’s revenue (For the six months ended 30 June 2019: 14%). 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 2020 and 2019, respectively.

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	For the six months ended 30 June	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Segment revenue		
– recognised over time	498,181	418,577
– recognised at a point in time	7,170	7,086
Rental income	3,432	2,839
	508,783	428,502

As the Group is domiciled in the PRC from where all of its revenues from external customers for the six months ended 30 June 2020 and 2019, respectively, are derived and in where all of its assets are located, no geographical segment information is shown.

4 OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Government grants		
– Additional deduction of input VAT	2,891	1,002
– Other	1,078	403
	3,969	1,405

5 OTHER GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Fair value gains on investment in wealth management products	78	192
Net losses on disposal of property, plant and equipment	(18)	(52)
Other	(10)	(401)
	<u>50</u>	<u>(261)</u>

6 EXPENSES BY NATURE

Expenses included in cost of cleaning, security and maintenance services, employee benefit expense, utilities and other costs are further analysed as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Employee benefit expense	172,655	153,395
Cost of cleaning, security and maintenance services	166,585	133,493
Utilities	33,001	36,856
Raw material and components used in property management and related services	16,180	16,281
Depreciation and amortisation	9,582	9,948
Anti-epidemic expenses	4,784	–
Cost of raw material and consumables for catering services	4,701	5,196
Professional service fee	4,608	1,327
Listing expenses	2,837	–
Taxes and surcharges	2,192	2,109
Other expenses	14,329	7,652
	<u>431,454</u>	<u>366,257</u>

7 FINANCE INCOME/(COSTS)

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits	2,973	3,883
Interest income on loans to an associate	66	—
	<u>3,039</u>	<u>3,883</u>
Finance costs		
Interest expenses for lease liabilities	(1,262)	(696)
	<u>1,777</u>	<u>3,187</u>

8 INCOME TAX EXPENSE

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	24,285	18,625
Deferred income tax	(2,192)	(852)
	<u>22,093</u>	<u>17,773</u>

Under the Law of the PRC on Corporate Income Tax (the "CIT Law") and implementation regulations of the CIT Law, the income tax rate of 25% is applicable to all of the Group's subsidiaries for the six months ended 30 June 2020 and 2019, respectively, except that:

- (i) Beijing Jinxi Lilin Health Management Co., Ltd., Beijing Financial Street Savills Jingnan Property Management Co., Ltd. (formerly named "Beijing Zhongzhao Financial Street Savills Property Management Co., Ltd.") and Beijing IZEE Mitsuyado Catering Management Co., Ltd. are qualified as small and micro businesses and enjoy a preferential income tax rate of 10% as approved by the local tax authority for the six months ended 30 June 2020 and 2019, respectively;
- (ii) Beijing Jintongtai Catering Co., Ltd., Beijing Ronglutong Consulting Service Co., Ltd. and Beijing Financial Street Residential Property Management Co., Ltd. are qualified as small and micro businesses and enjoy a preferential income tax rate of 5% as approved by the local tax authority for the six months ended 30 June 2020 and 2019, respectively.

9 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 period, adjusted for bonus elements in ordinary shares issued during the period and excluding shares held for employee share scheme.

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (<i>RMB'000</i>)	58,190	45,684
Weighted average number of ordinary shares in issue (<i>note i</i>)	270,000	269,303
Basic earnings per share (<i>RMB</i>)	0.216	0.170

- (i) In addition, the number of ordinary shares outstanding during the six months ended 30 June 2019 have also been adjusted retroactively for the proportional changes in the number of ordinary shares outstanding as a result of the conversions from reserves to share capital in the computation of both basic and diluted earnings per share for the six months ended 30 June 2019.

(b) Diluted earnings per share

No diluted earnings per share is presented as the Group has no dilutive potential ordinary shares during the six months ended 30 June 2020 and 2019, respectively.

10 TRADE RECEIVABLES

	As at 30 June 2020	As at 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables		
– related parties	66,025	41,714
– third parties	102,159	82,734
	168,184	124,448
Less: allowance for impairment of trade receivables	(8,075)	(8,419)
Trade receivables – net	160,109	116,029

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

The credit terms given to trade customers are determined on an individual basis with normal credit period mainly within 180 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within 1 year	163,222	120,097
1 – 2 years	2,847	2,920
Over 2 years	2,115	1,431
	<hr/>	<hr/>
Total	168,184	124,448
	<hr/> <hr/>	<hr/> <hr/>

The movements on the provision for impairment of trade receivables are as follows:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
At beginning of period	8,419	6,147
Reversal of impairment of trade receivables	(344)	(366)
Receivables written off during the period as uncollectible	–	(13)
	<hr/>	<hr/>
At end of period	8,075	5,768
	<hr/> <hr/>	<hr/> <hr/>

11 OTHER FINANCIAL ASSETS AT AMORTISED COST

Other financial assets at amortised cost include the following:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Other receivables		
– related parties	7,931	11,428
– third parties		
Payments on behalf of property owners, tenants and property developers	16,604	16,532
Deposits	1,103	2,261
Other	2,882	2,570
	<hr/>	<hr/>
	28,520	32,791
	<hr/>	<hr/>
Less: provision for impairment of other receivables	(214)	(225)
	<hr/>	<hr/>
	28,306	32,566
	<hr/> <hr/>	<hr/> <hr/>

The movements on the provision for impairment of other financial assets at amortised cost are as follows:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
At beginning of period	225	216
Reversal of impairment of other receivables	(11)	(61)
At end of period	<u>214</u>	<u>155</u>

12 PAID-IN CAPITAL/SHARE CAPITAL

	Number of shares	Paid-in capital/ Share capital <i>RMB'000</i>
For the six months ended 30 June 2020 (Unaudited)		
Balance as at 1 January 2020	270,000	270,000
Balance as at 30 June 2020	<u>270,000</u>	<u>270,000</u>
For the six months ended 30 June 2019 (Unaudited)		
Issued and fully paid		
Balance as at 1 January 2019	–	52,500
Capital contribution from owners	–	16,000
Balance as at 30 June 2019	<u>–</u>	<u>68,500</u>

13 DIVIDENDS

	For the six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Dividends declared and paid to owners of the Company	82,980	117,075
Dividends declared and paid to non-controlling interest	797	–
	<u>83,777</u>	<u>117,075</u>

In the Board meeting of the Company on 22 April 2020, the Board proposed a dividend of RMB82,980,000 which represented the Company's accumulated distributable retained profits as at 31 December 2019. The proposed dividend was then approved in the shareholders' general meeting on 6 May 2020. The dividend has been paid in full.

In addition, Beijing Financial Street Savills Jingnan Property Management Co., Ltd., a non-wholly owned subsidiary, declared a dividend of RMB1,626,000 to its then shareholders in March 2020, among which RMB797,000 had been paid 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 2020 (For the six months ended 30 June 2019: nil).

14 TRADE AND OTHER PAYABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables	129,648	80,818
Other payables	285,575	293,567
– Deposits (<i>note a</i>)	133,949	138,714
– Receipts on behalf of property owners, tenants and property developers	130,429	133,465
– Others	21,197	21,388
Payroll and welfare payables	40,726	50,862
Other tax payables	8,976	8,900
Total	<u>464,925</u>	<u>434,147</u>

- (a) The balances mainly represent the deposits paid by the property owners, tenants and property developers for property management and refurbishment.
- (b) The carrying amounts of trade and other payables are considered to approximate their fair values, due to their short-term nature.
- (c) The ageing analysis of trade payables based on invoice date is as follows:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within 1 year	124,475	77,615
1 – 2 years	4,687	2,584
Over 2 years	486	619
Total	<u>129,648</u>	<u>80,818</u>

15 SUBSEQUENT EVENTS

On 6 July 2020, the Company issued a total of 90,000,000 H shares at the offering price of HK\$7.36 per share, which were listed on the Main Board of The Stock Exchange of Hong Kong Limited. The over-allotment option described in the prospectus was subsequently fully exercised in respect of an aggregate of 13,500,000 H shares. The over-allotment Shares have been issued and allotted by the Company at HK\$7.36 per H share under the International Offering.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

As one of the leading comprehensive property management service providers for commercial and business properties (especially office buildings) in China, the Group focuses on mid- to high-end properties. The Group has been providing property management services for over 26 years since 1994, and since then has expanded the property management business across six regions (namely North China, Southwest China, East China, South China, Northeast 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 enhance their quality of life and satisfaction.

The Group mainly provides (A) property management and related services, mainly including (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; and (B) catering services.

In the first half of 2020, the whole service industry was confronted with challenges in the face of the sudden COVID-19 pandemic worldwide, but the property management industry has experienced rigid demand for its services in this captive market. Based on the strategic positioning of “capital, assets, funds and resources” and by adhering to diversified innovation and focusing on the needs of developing our main business, the Group has faced its challenges, continued to optimize management and control and enhance overall market strength, improved our all-round operational capabilities and strengthened our core competitiveness.

In the first half of 2020, in terms of management effectiveness, the Group has, based on the fact that our multiple projects under management in Beijing obtained the qualification of “Class II safety production standardisation for property management of integrated buildings”, strengthened safety management and control, and after drawing on our experience in execution, initiated multi-dimensional advisory services and interactive assessments in business architecture and safety control, and thus won the recognition of several business headquarters customers. The Group has implemented the project of the category “two-wheel drive” to promote the establishment of “centralised data control platform” and “customer service platform” through a “one-stop, intelligent and flat” rapid service response management process, thereby achieving dual improvement of owner experience along with management efficiency and effectiveness.

In the first half of 2020, in terms of business expansion, the Group has made every effort to strengthen the expansion of market-oriented third-party projects aside from the long-term, steady and staunch support offered by the parent company group, *i.e.* Financial Street Affiliates Group. We have in the East China region reached strategic cooperation with a development company of a reputable institution in finance, entailing comprehensive cooperation in the areas of pre-project consultancy, project planning, property management, asset management, commercial operations, equipment and facilities management and other areas. We have successfully entered into a contract for the commercial project of “THE SPRINGS (尚浦領世) F1D”, a landmark building in Shanghai. With a total GFA of Phase I reaching about 136,000 sq.m., said project is mainly for office and commercial purpose. With the execution of the contract for this project, the Group has further expanded our business scale in East China and enhanced our recognition as a high-end commercial property service brand.

In addition, in the first half of 2020, the Group also expanded its market-oriented projects including but not limited to the following:

1. after being engaged for property management of the headquarters building of the Guiyang Branch of China Minsheng Banking Corp., Ltd., the Group further deepened its cooperation with China Minsheng Bank, additionally providing services for its 9 sub-branches and 24 small and micro business sub-branches;
2. in terms of public properties and educational properties in non-commercial properties, it provided property services for an elite international 12-year school in Shaoxing, Zhejiang;
3. leveraging upon its state-owned enterprise background, the Group initiated business development cooperation with State Grid and other state-owned enterprises in “water, power and heat supply, and property management” *Note* services; and
4. with rich experience in serving financial enterprises, the Group initiated business development cooperation with the headquarters of a large state-owned bank and the headquarters of a state-owned financial enterprise with regard to the provision of consulting services for office buildings, thus expanding the scope of business services of the Group in several respects.

Note The separation and transfer of “water, power and heat supply, and property management” means the highly policy-oriented and professional, sweeping and complex management operation in which the supply of water, power and heat and property management functions of state-owned enterprises (including enterprises and scientific research institutions) in their respective territories designated as family residential areas are separated and placed under the management of professional enterprises or public institutions.

Property Management and Related Services

As at 30 June 2020, the Group’s property management and related services covered 10 provinces and municipalities across six regions in China (including North China, Southwest China, East China, South China, Northeast China and Central China), with a total GFA under management of approximately 21.6 million sq.m. and a total of 158 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 2020	As at 30 June 2019
Contracted GFA (’000 sq.m.)	23,945	20,262
GFA under management (’000 sq.m.)	21,628	18,546
Number of properties under management	158	134

Geographic Coverage

The following map shows the geographic coverage of the properties under management of the Group as at 30 June 2020:



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

	As at 30 June 2020		As at 30 June 2019	
	GFA under management ('000 sq.m.)	Number of properties under management	GFA under management ('000 sq.m.)	Number of properties under management
North China	9,884	80	9,552	77
Southwest China	4,258	26	3,157	20
East China	3,691	21	2,952	14
South China	3,510	27	2,667	19
Northeast China	281	3	216	3
Central China	4	1	2	1
Total	21,628	158	18,546	134

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 hotel; 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 2020			As at 30 June 2019		
	GFA under management ('000 sq.m.)	Percentage %	Number of properties under management	GFA under management ('000 sq.m.)	Percentage %	Number of properties under management
Office building	6,376	29.5	49	6,162	33.2	46
Complexes	1,011	4.7	4	1,011	5.5	4
Retail buildings and hotel	625	2.9	3	625	3.4	3
Residential properties	9,917	45.8	53	7,704	41.5	44
Public properties, hospitals, educational properties and others	3,699	17.1	49	3,044	16.4	37
Total	21,628	100	158	18,546	100	134

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

	As at 30 June 2020			As at 30 June 2019		
	GFA under management ('000 sq.m.)	Percentage %	Number of properties under management	GFA under management ('000 sq.m.)	Percentage %	Number of properties under management
Property management services (lump-sum basis)	18,232	84.3	138	15,217	82.0	112
Property management services (commission basis)	3,396	15.7	20	3,329	18.0	22
Total	21,628	100	158	18,546	100	134

It is important to note that on a commission basis, the Group recorded only a pre-determined percentage of the property management fees, which generally ranged from 5.0% to 8.0%, 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 were mainly developed by Financial Street Affiliates Group, while the rest were developed by independent third-party property developers. As at 30 June 2020, the Group has managed property developed by Financial Street Affiliates Group encompassing an approximate GFA of 14.41 million sq.m., with the number of projects amounting to 108, representing a steady period-on-period increase. Meanwhile, as at 30 June 2020, the Group has managed the property developed by independent third-party property developers encompassing an approximate GFA of 7.22 million sq.m., with the number of projects also further increasing to 50.

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 2020			As at 30 June 2019		
	GFA under management ('000 sq.m.)	Percentage %	Number of properties under management	GFA under management ('000 sq.m.)	Percentage %	Number of properties under management
Properties developed by Financial Street Affiliates Group	14,411	66.6	108	11,877	64.0	88
Properties developed by independent third-party property developers	7,217	33.4	50	6,669	36.0	46
Total	<u>21,628</u>	<u>100</u>	<u>158</u>	<u>18,546</u>	<u>100</u>	<u>134</u>

Catering Services

Seven IZEECUP cafés, two IZEE-Mitsuyado restaurants, one IZEECHEF restaurant and one IZEEBAKE bakery were under the Group's operation as at 30 June 2020. For the six months ended 30 June 2020, our revenue from catering services amounted to approximately RMB7.17 million, accounting for approximately 1.41% of revenue for the six months ended 30 June 2020, representing an increase of approximately 1.19% as compared with approximately RMB7.09 million for the six months ended 30 June 2019.

Building a strong defense against the outbreak and showing the brand advantage

The spread of novel coronavirus pneumonia worldwide posed new challenges to all trades and industries at the beginning of 2020. However, benefiting from stable GFA under management and predictable future delivered area, the property management industry still maintains steady and rapid growth. In the fight against the outbreak, all corners of society including the government, owners and customers more deeply realize the value of property management enterprises. In the face of the outbreak, the Group has always upheld its social responsibility as a state-owned enterprise, and “stayed true to its original vision and kept its mission firmly in mind”. In coordinating its employees, customers, enterprises, society and other elements, it has formulated the “123” epidemic prevention and control mechanism, namely, one uniform system of management and control, two aspects of prevention, and implementation of three groups of plans. With respect to actual prevention and control, we comprehensively take various measures to effectively assure the safety of customers and owners, including but not limited to the use of advanced technologies including contactless body-temperature reader doorways, thermal imaging temperature measurement, mobile applications and other advanced technologies, for tracking epidemic information, continuous frequent disinfection, and enhanced personnel management and control. Through epidemic prevention measures that are scientific, orderly, precise, appropriate, intelligent and data-driven, the Group shows remarkable advantages in operation management and resource allocation capabilities, which effectively facilitates work and production resumption. Through delivering fitting and proper services in the process of epidemic prevention, the Group has won plaudits from customers, thereby further enhancing customer retention and its brand superiority.

FUTURE PROSPECTS

In terms of business development, in the second half of 2020, the Group will continue to provide its customers with a wide range of diversified property management services and value-added services, relying on the vast property service market in China. Meanwhile, with our strong brand awareness, rich industry experience and professional management expertise, we will further expand areas covered by our businesses and the scale of our businesses.

In terms of society and environment, in the second half of 2020, the Group will continue to carry forward the public spirit of a state-owned enterprise, its social responsibilities as a state-owned enterprise, and make continuous contributions especially in the protracted fight against the novel coronavirus pneumonia. Meanwhile, the Group will implement normalized epidemic prevention and control to be organically integrated with resumption of work and production. It will promote service quality improvement with a multi-pronged/multi-angled approach. It will continuously advance its data-driven deployment. It will spare no effort to protect the health and safety of customers, with careful and comprehensive prevention and control measures.

In terms of corporate governance, in the second half of 2020, the Group will in accordance with the requirements of laws, regulations and regulatory standards of Mainland China and Hong Kong, strengthen the scientific management system of the Company, and promote standardized corporate governance, vigilantly implement risk control and compliance, so as to ensure compliant operations.

The successful listing of the H shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) is not only a milestone in the history of our development but also a new starting point for further superb achievements in the future. In the second half of 2020, the Group will harness the power conferred upon by capital, properly maintain market value and use the Net Proceeds (as defined below), and exploit technology-endowed capabilities and conceptually innovative core elements of modern property management and operation, and continuously improve our own capabilities. As a superb, customer-acclaimed listed company with standardized operations and on a continuous path of steady growth and progress, we will satisfy investors with exceptional performance.

FINANCIAL REVIEW

Revenue

The Group derived revenue mainly from: (i) property management and related services; and (ii) catering services. Revenue increased by approximately 18.74% from approximately RMB428.50 million for the six months ended 30 June 2019 to approximately RMB508.78 million for the six months ended 30 June 2020.

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

	2020		Six months ended 30 June 2019		Changes	
	RMB'000	Proportion	RMB'000	Proportion	RMB'000	Rate of change
Property management and related services:						
Property management services	388,999	76.46%	340,657	79.50%	48,342	14.19%
Value-added services	109,182	21.46%	77,920	18.19%	31,262	40.12%
Rental services	3,432	0.67%	2,839	0.66%	593	20.89%
Catering services	7,170	1.41%	7,086	1.65%	84	1.19%
Total	508,783	100%	428,502	100%	80,281	18.74%

- 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 RMB421.42 million for the six months ended 30 June 2019 to approximately RMB501.61 million for the six months ended 30 June 2020, representing an increase of approximately 19.03%. The increase in property management income was mainly attributable to the increase in the GFA under management arising from the rapid increase in the projects undertaken by the Group. The increase in the revenue from value-added services was mainly due to greater customer retention and the steady improvement of various operating businesses.
- Revenue generated from our catering services: our revenue from catering services increased from approximately RMB7.09 million for the six months ended 30 June 2019 to approximately RMB7.17 million for the six months ended 30 June 2020.

Cost of Sales and Services

The Group's cost of sales and services mainly consists of (i) subcontracting costs; (ii) employee benefit expenses; (iii) utilities; (iv) raw material and components used in property management and related services; (v) cost of raw material and consumables for catering services; and (vi) other expenses. The Group's cost of sales and services increased by 17.61% from RMB343.21 million for the six months ended 30 June 2019 to RMB403.63 million for the six months ended 30 June 2020. The growth rate of the cost of sales was lower than the growth rate of revenue, primarily due to the decline in costs as a result of continuous and effective cost management and control.

Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 23.28% from approximately RMB85.29 million for the six months ended 30 June 2019 to approximately RMB105.15 million for the six months ended 30 June 2020. The overall gross profit margin of the Group for the six months ended 30 June 2020 was approximately 20.67%, representing a steady increase as compared to the overall gross profit margin of 19.90% for the six months ended 30 June 2019, mainly due to the increase in the scale of property management services and the optimisation of internal processes, which stimulated overall growth in 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:

	Six months ended 30 June					
	2020		2019		Changes	
	Gross Profit	Gross Profit/(Loss) Margin	Gross Profit	Gross Profit/(Loss) Margin	Amount	%
	RMB'000	%	RMB'000	%	RMB'000	%
Property management and related services:						
Commercial and business properties	83,836	25.93	78,506	26.85	5,330	(0.92)
Non-commercial properties	23,130	12.99	9,476	7.34	13,654	5.65
Catering services	(1,814)	(24.62)	(2,689)	(37.93)	875	13.31
Total	<u>105,152</u>	<u>20.67</u>	<u>85,293</u>	<u>19.90</u>	<u>19,859</u>	<u>0.77</u>

Administrative Expenses

Administrative expenses of the Group increased by approximately 20.72% from approximately RMB23.05 million for the six months ended 30 June 2019 to approximately RMB27.82 million for the six months ended 30 June 2020, primarily due to the increase in listing expenses.

Income Tax Expense

Income tax expense of the Group increased by approximately 24.31% from approximately RMB17.77 million for the six months ended 30 June 2019 to approximately RMB22.09 million for the six months ended 30 June 2020, primarily due to an increase in profit before income tax from approximately RMB68.55 million for the six months ended 30 June 2019 to approximately RMB84.48 million for the six months ended 30 June 2020.

Profit for the Period

Profit of the Group increased by approximately 22.86% from approximately RMB50.78 million for the six months ended 30 June 2019 to approximately RMB62.39 million for the six months ended 30 June 2020, primarily due to an increase in profit caused by business expansion during the six months ended 30 June 2020.

Total Comprehensive Income for the Period

Total comprehensive income of the Group increased from approximately RMB50.78 million for the six months ended 30 June 2019 to approximately RMB62.05 million for the six months ended 30 June 2020, representing an increase of approximately 22.20%, which was mainly due to the expansion of the business scale and effective cost control measures.

Liquidity, Capital Structure and Financial Resources

As at 30 June 2020, the Group's cash and bank balances were approximately RMB671.79 million, representing a decrease of approximately RMB41.25 million from approximately RMB713.04 million as at 31 December 2019.

The Group's financial situation remained stable. The balance of net current assets of the Group remained at a stable level of approximately RMB315.35 million as at 30 June 2020, as compared to approximately RMB336.17 million as at 31 December 2019. As at 30 June 2020, the Group's current ratio (current assets/current liabilities) was approximately 1.56 (31 December 2019: approximately 1.63).

As at 30 June 2020, the Group did not have any borrowings (31 December 2019: nil).

Trade and Other Receivables

Trade receivables mainly arise from property management and related services. Trade receivables of the Group increased by 37.99% from approximately RMB116.03 million as at 31 December 2019 to approximately RMB160.11 million as at 30 June 2020, primarily due to (i) the increase in trade receivables from property management and related 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. Other receivables of the Group decreased by approximately RMB4.26 million from approximately RMB32.57 million as at 31 December 2019 to approximately RMB28.31 million as at 30 June 2020, primarily due to the settlement of certain non-trade payments.

Trade and Other Payables

Trade payables mainly represent amount payable to suppliers and subcontractors, including for purchase of materials. As at 30 June 2020, our balance of trade payables amounted to approximately RMB129.65 million, representing an increase as compared with approximately RMB80.82 million as at 31 December 2019, 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 corresponding increase in its balance.

Payroll and welfare payables mainly refer to salary and insurance. As at 30 June 2020, the payroll and welfare payables of the Group were approximately RMB40.73 million, representing a decrease of 19.93% compared with approximately RMB50.86 million as at 31 December 2019, mainly due to monthly provision for bonuses and payment of bonuses in the following year.

Other payables mainly include payments and deposits collected on behalf of owners, tenants and property developers. Other payables decreased by approximately 2.72% from approximately RMB293.57 million as at 31 December 2019 to approximately RMB285.58 million as at 30 June 2020, primarily due to payments on behalf of property owners, tenants and property developers for settling utility bills and the return of deposits.

Use of Proceeds from the Listing

The Company was listed on the Main Board of 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\$707.91 million (equivalent to approximately RMB646.02 million). The Group will utilize the Net Proceeds in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the prospectus dated 19 June 2020 (the "**Prospectus**"). Since the Listing Date and up to the date of this announcement, the Net Proceeds have not been deployed for any use.

Pledge of Assets

As at 30 June 2020, none of the assets of the Group were pledged (31 December 2019: nil).

Material Acquisitions and Disposals of Assets

For the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of assets (For the six months ended 30 June 2019: nil).

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

For the six months ended 30 June 2020, the Group did not have any significant investment, and save as disclosed in the Prospectus, 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 2020, our liabilities to assets ratio was 0.62. As at 31 December 2019, our liabilities to assets ratio was 0.59.

Note 1: 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 2020 and 31 December 2019, the Group had no interest-bearing loan, therefore the gearing ratio does not apply.

Note 2: The H shares issued by the Company were listed on the Main Board of The Stock Exchange on 6 July 2020, so as at 30 June 2020, the consolidated financial statements of the Group did not record the Net Proceeds.

Contingent Liabilities

As at 30 June 2020, the Group did not have any contingent liabilities (31 December 2019: nil).

Foreign Exchange Risk

The Group's businesses are principally conducted in RMB. The Group did not have any significant foreign currency exposure.

For the six months ended 30 June 2020, the Group did not enter into any forward contract to hedge its exposure to foreign exchange risk, and will continue to monitor foreign exchange risk. The management will consider hedging foreign exchange risk when the Group is substantially exposed.

Employees and Benefits Policies

As at 30 June 2020, the Group had 4,037 employees (31 December 2019: 4,048 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 them to acquire basic skills to perform their duties and to upgrade or improve their productivity.

OTHER INFORMATION

Events after the Reporting Period

On 6 July 2020, the Company issued 90,000,000 H shares at an offer price of HK\$7.36 per H share in a global offering and listed on the Main Board of the Stock Exchange.

On 24 July 2020, the sole global coordinator (for itself and on behalf of the international underwriters) fully exercised the over-allotment option described in the Prospectus in respect of 13,500,000 H shares, representing 15% of total number of the offer shares initially available under the global offering. The over-allotment shares were issued and allotted by the Company at HK\$7.36 per H share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), being the offer price per H share under the Global Offering. Listing of and dealings in such over-allotment shares commenced on the Stock Exchange at 9:00 a.m. on 29 July 2020.

Ms. Tong Suet Fong has resigned effective from 13 August 2020 from her position as a joint company secretary of the Company and Ms. Ho Wing Nga has been appointed as a joint company secretary of the Company effective from 13 August 2020.

Save as disclosed above, 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 2020.

Compliance with the Corporate Governance Code

Since the Listing Date and up to the date of this announcement, the Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except for code provision A.2.1 described below.

Under code provision A.2.1 of the CG Code, the roles of chairman of the board and the general manager should not be performed by the same individual. During the period from the Listing Date and up to the date of this announcement, 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 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 code provisions of 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

As the shares of the Company were not listed on the Stock Exchange as at 30 June 2020, the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules was not applicable before 30 June 2020.

The Company has adopted the Model Code as the code of conduct and rules governing dealings by all the Directors and supervisors (the “**Supervisors**”) of the Company in the securities of the Company. All the Directors and Supervisors will strictly comply with the required standards set out in the Model Code.

Audit Committee

The Company has established the audit committee (“**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, Mr. Song Baocheng and Mr. Jiang Rui. 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 2020. PricewaterhouseCoopers, the independent auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 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 2020 (For the six months ended 30 June 2019: 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>), respectively. The interim report of the Company for the six months ended 30 June 2020, which contains all the information required by the applicable Listing Rules, will be despatched 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, 27 August 2020

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