



# KWG LIVING GROUP HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability Stock Code: 3913

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2021  
INTERIM REPORT



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# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

KONG Jiannan (*Chief Executive Officer*)  
YANG Jingbo  
WANG Yue

### Non-executive Director

KONG Jianmin (*Chairman*)

### Independent Non-executive Directors

LIU Xiaolan  
FUNG Che Wai, Anthony  
NG Yi Kum

### Audit Committee

LIU Xiaolan  
FUNG Che Wai, Anthony  
NG Yi Kum (*Chairperson*)

### Remuneration Committee

KONG Jiannan  
FUNG Che Wai, Anthony  
NG Yi Kum (*Chairperson*)

### Nomination Committee

KONG Jianmin (*Chairperson*)  
FUNG Che Wai, Anthony  
NG Yi Kum

### Company Secretary

CHAN Ching Nga

### Authorised Representatives

KONG Jiannan  
CHAN Ching Nga

### Auditor

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## Compliance Advisor

Maxa Capital Limited

## Legal Advisors

As to Hong Kong law: Sidley Austin  
As to Cayman Islands law: Conyers Dill & Pearman

## Registered Office

Cricket Square, Hutchins Drive, P.O. Box 2681,  
Grand Cayman, KY1-1111, Cayman Islands

## Principal Place of Business in Hong Kong

Unit 8205A, Level 82, International Commerce Centre,  
1 Austin Road West, Kowloon, Hong Kong

## Principal Share Registrar

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive, P.O. Box 2681,  
Grand Cayman, KY1-1111, Cayman Islands

## Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17/F, Hopewell Centre,  
183 Queen's Road East, Wan Chai, Hong Kong

## Principal Bankers

Agricultural Bank of China Limited  
China Construction Bank Corporation  
Hang Seng Bank Limited  
Industrial and Commercial Bank of China (Asia) Limited  
Industrial and Commercial Bank of China Limited  
Standard Chartered Bank (Hong Kong) Limited

## Website

[www.kwgliving.com](http://www.kwgliving.com)

## Stock Code

3913

The history of KWG Living Group Holdings Limited (“**KWG Living**” or the “**Company**”, together with its subsidiaries, collectively the “**Group**” or “**KWG Living Group**” can be traced back to 2004. Its shares (the “**Shares**”) were listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 3913) on 30 October 2020 (the “**Listing Date**”).

The Group is a leading comprehensive smart property service operator in China. Over nearly past 20 years, the Group has formulated a regional layout with core regions including the Greater Bay Area, Yangtze River Delta and Midwestern China, and its services cover diversified businesses involving residence, shopping malls, office buildings, hospitals and schools. At the same time, the Group proactively establishes a service system of standardization and scientific technology to continuously improve its services efficiency and service quality enabled by technology, through which it enhances its market position and comprehensive competitiveness year by year and was awarded the honor as “the leading companies in terms of service quality among the 2021 Top 100 Property Management Companies in China” and “2021 China’s property service industry leading enterprise in market operation” in 2021 by Service Quality China Index Academy.

On the other hand, with the successive delivery of commercial projects from KWG Group Holdings Limited (“**KWG Holdings**”, together with its subsidiaries, collectively “**KWG Group**”), the Group accumulated its commercial operation capability rapidly in recent years and its operation involves Chengdu U-fun, Chengdu M • Cube, Suzhou U-fun, Guangzhou ifp and other commercial projects. In addition, the commercial operation capabilities of the Group service third-party developers through assets-light output and received well market recognition.

Looking forward, the Group will fully leverage every industry opportunity to realize high-qualified and rapid scale business growth to further consolidate its scalable effects and market position through active mergers and acquisitions, external expansion and assets-light output strategies. On the other hand, the Group will render diversified value-added services focusing on property owners’ needs for food, clothing, housing and transportation and realize the linkages among residences, commercial properties, public facilities and other businesses for the purpose of providing all-around quality experience relating to living, shopping and works for property owners as well as achieving the Group’s faster rapid development.

# CHAIRMAN'S STATEMENT

## Dear Shareholders,

I am pleased to report that, for the six months ended 30 June 2021 (the “**Period**”), the Group’s revenue grew by 83.1% compared to the same period of 2020 to approximately RMB1,228.6 million. At the same time, thanks to technology empowerment and the enhancement in operational efficiency, the gross profit margin of the Group increased by 5.2 percentage points as compared to the same period of 2020 to 44.2%, underlining further improvement in its profitability. Driven by both revenue and gross profit margin, the Group’s profit for the Period increased by 156.1% to approximately RMB318.9 million from approximately RMB124.5 million for the same period of 2020, indicating a strong growth momentum.

During the Period, the Group’s contracted Gross Floor Area (the “**GFA**”) increased by 315.2% from approximately 53.4 million square meters as at 31 December 2020 to approximately 221.7 million square meters as at 30 June 2021; meanwhile, the GFA under management also increased by 296.9% from approximately 41.6 million square meters as at 31 December 2020 to approximately 165.1 million square meters as at 30 June 2021.

On the back of its market-proven comprehensive strengths, qualitative growth thanks to lean management control and premium value-added services well-recognised by customers, the Group received the awards of “2021 Top 100 Property Management Companies in China by Service Quality” and “2021 Leading Enterprises in Market-based Operations in the Property Management Industry of China” presented by China Index Academy during the Period. In recognition of its efficient operational capability, in particular its commercial operational capability, and its high-end service regime, the Group was honored with the awards of “2021 TOP10 Enterprises in High-end Property Servicing Ability” and “2021 TOP10 Property Management Companies with High-end Service Regime” presented by E-House CRIC. Thanks to its outstanding performance in full business coverage and multi-path operation, the Group has also won recognition in the capital market as the “Best IR Company for an IPO” and “2021 TOP20 Listed Property Management Companies in China by Capital Market Performance” named by Hong Kong Investor Relations Association and Guandian Index Academy, respectively.

As an industry closely related to the good life of the people, the property management sector continued to enjoy firm policy support in 2021. In the “Summary of the 14th Five-Year-Plan and Visionary Goals 2035” announced by the National People’s Congress (the “**NPC**”) on 12 March 2021, the key words “properties” and “community” are frequently cited. In the “Opinion on Further Promoting the Development of Quarter-hour Convenient Urban Living Circles” published by 12 ministries, including the Ministry of Commerce, on 28 May 2021, competent property management companies are encouraged to extend the scope of their business to retirement services and household services in an advancement of the concept of “property service + daily-living service” to provide more convenience and quality to consumers. Subsequently, local governments actively announced policies and rules emphasising regulation of corporate operation, enhancement of service quality and improvement of governance standard at local levels, presenting a historic opportunity for property companies with premium brands.

Behind each opportunity stands ceaseless perseverance and endeavor. The Group will fulfill social responsibility earnestly, adhere to high service quality, remain true to our original aspiration, firmly capitalise on this important strategic window, and grasp market opportunities to expand through multiple channels and improve its nationwide layout. In the meantime, we will seek to identify personalized requirements of customers in different scenarios and extend its business boundaries to drive corporate transformation and industry upgrade through digitalization.

## 1. Qualitative expansion across all business segments driven by the strategic guidance of “multiple drivers”

While seizing market opportunities to further develop its existing business according to its stated strategy, the Group management was also actively engaged in merger and acquisition and bidding to achieve a nationwide high quality expansion across all business formats.

In terms of merger and acquisition strategy, the Company has persisted in reviewing the relevant layout, business segment, growth quality and team structure prior to making any investment decision to ensure that only the best targets will be selected. Regarding post-acquisition management, the Company has adhered to the principles of consolidating the foundation, focusing on empowerment, exercising appropriate management control and removing hazards and risks to safeguard future operations. In line with the philosophy of “openness, inclusivity and mutual success” for cooperation, the Group advanced the swift implementation of premium projects under negotiation on the back of its professional transaction design, efficient execution, sound delivery and ability to integrate. The integration of resources of the two parties has proceeded in a stable manner, contributing to high-density coverage of vantage regions, expansion of business boundaries across sectors and improvement in management credentials.

Since the Listing, the Company has announced the acquisitions of Guangzhou Runtong Property Management Company Limited (“**Guangzhou Runtong**”), Cedar Technology Group Co., Ltd. (“**Cedar Technology**”) and Shanghai Shenqin Property Management Service Co., Ltd. (“**Shanghai Shenqin**”) and so on. Following the aforesaid acquisitions, the third-party ratio of the Group’s GFA under management has exceeded 80%, resulting in greater independence of the Company’s operations, further improvement in its marketization level and stronger brand effect to safeguard its business.

Thanks to realignments to the organizational structure, rigorous implementation of management standards, staff training and an optimized incentive policy during the Period, the Company reported encouraging results in expansion for the first half of the year, making breakthroughs in the residential, commercial and public facilities sectors. In cities where it had already established a strong presence, the Group secured numerous opportunities for further cooperation with customers or referrals by customers, having won the approval of customers on the back of track records of premium services. In cities where we were newcomers, we adopted a multi-member, multi-brand and multi-segment approach and resorted to our diverse channels to swiftly enhance our influence and strengthen the competitive barrier in sub-segments.

## 2. Unleashing the management and operational potential of commercial properties with a focus on product ability and operational ability

Amidst a market landscape dominated by increasing market concentration, the growth in demand for premium commercial properties remained robust. Based on its core competitive abilities to determine accurate positioning, grind out scenarios, create highlights and enhance brand influence, the Group reported excellent operating data for its shopping centers and offices for the Period, as total sales of shopping centers increased by 82.0%, period-on-period, while the occupancy rate stood at 90.0% under the ongoing impact of the pandemic. The overall occupancy rate for offices stood above 90.0%. Revenue from non-residential property management and commercial operational services grew 84.9%, period-on-period, to approximately RMB383.9 million.

The capability to offer products is the prerequisite for business growth. Taking into consideration the spending preferences and habits of people in different cities and regions, the Group has dynamically integrated the characteristics of customer groups in surrounding areas into its commercial designs, positioning and portfolio of business types. The designs are customized to cater to local conditions, as spatial designs for venues are integrated with their functional themes. The positioning of properties is tailored to ensure the compatibility of spatial designs with customers’ needs. The portfolio of business types is determined according to market trends, as good products that customers are willing to spend on are accurately offered through the introduction of a diverse range of brands and business types, such that the retail commercial activities of new city areas are upgraded in a subtle manner.

Operating capability is the guarantee for growth. In connection with shopping centers, the Group has successively developed three proprietary brands — “Ufun”, “M•CUBE” and “Ufun Walk” — plus the asset-light brand of Colour Fun, catering to different consumer groups and project size. On top of its existing product lines, we have integrated renowned IP, media and cultural and artistic elements with a DNA that seeks constant evolution and innovation in an ongoing injection of customized contents into its products, which has resulted in growth for both customer flow and revenue. In connection with office properties, we have successively forged the high-end office brands of ifp, imp and icp with presence in prime locations in various cities in an effort to create signature projects in the industry. Meanwhile, we focused on forging critical abilities for asset-light output and continued to develop signature city projects at prime locations in tier-one and tier-two cities on the back of our sophisticated operational model, brand strengths well recognized by the governments and property owners, as well as experience in cooperation with peers and other partners in the business ecosystem.

In addition to sound business rationale, the Company also intends to gradually fulfil city functions such as socializing, culture, art and public facilities in the future, with a view to more sustainable future development.

### **3. Reshaping the mode of value contribution to fulfil the mission of corporate sustainability and accelerating industry upgrade through digitalization**

Against an increasingly complicated business environment, challenging traditional boundaries and breaking from business conventions have become the new normal for the business community or even the society as a whole. In the real estate industry, digitalized technologies have become an important driving force for corporate profitability and market differentiation. Focused on customers' experience, the Group deconstructed its business processes and nurtured its operating ability to forge a responsive organization, in an effort to realize transformation through digitalization and accelerate industry upgrade by reshaping the mode of value contribution.

In commercial asset management, the Group endeavored to create, based on user data research, strategic deliberations and system development tests, a digitalized platform for commercial asset management focused on: 1) intelligentization of tenancy solicitation, accumulating tenancy resources with the aid of the digitalized tenancy solicitation platform to facilitate tenancy solicitation at source through all channels; 2) digitalization of all service channels, namely, digitalized management of all channels of contact for tenants and consumers; 3) digitalization of commercial operation, namely, digitalization of operational tasks and brand empowerment; 4) digitalization of internal and external coordination, namely, two-way coordination between the corporation and the tenants; and 5) management visualization, namely, the visualization of business flow facilitated by Big Data and driven by algorithm to provide business alert and support decision-making.

Meanwhile, under the trend of digitalization, value is no longer derived from one singular chain. The Group has contributed value to customers, to the staff of the Group, to the value chain, to the upstream and downstream and to all partners connected to the Company on an ongoing basis. For example, in connection with staff, lean management of human resources has been facilitated with the aid of the digitalization platform. With a scenario-based mentality, products that could empower business with precision have been forged through the digitalization of management actions, thereby resolving management bottleneck relating to the lower limit of the labor resources industry.

In the future, the Group will continue to invest in technology and seek to connect the people, assets and production activities within the property premises through technology, such that more customers could be served, more partners could be brought in and more services could be offered, in a bid to drive the upgrade of the industry by building business ecosystems and creating digitalized industrial applications.

#### 4. Driving united effort with performance-based incentive regime integrating medium-, short- and long-term targets

To build continuously succession teams of talents that will support our rapid growth in scale and expansion into multiple business sectors in adherence to the Group's human resources management principle of "enhancing performance, emphasizing growth and fostering a cultural norm", we have linked medium-, short- and long-term business performance with rewards to ensure that the interests of the core management and key personnel are consistent with those of the Company's shareholders (the "**Shareholder(s)**"). By allowing our staff to share the benefits of the corporation's growth, we have enhanced their sense of "achievement". By making improvements to our training regime with enriched course contents such that the staff could attain co-growth with the enterprise, we have enhanced their sense of "fulfilment". Through vigorous effort to promote our corporate culture with a view to the internalization of such values as our staff's conscientious code of conduct, we have enhanced their sense of "identity".

To foster the sense of the "sharing of risk as well as reward", the Group has adopted a share option incentive scheme as a means of long-term incentive, whereby incentives are awarded subject to 100% fulfilment of business performance targets. The incentives are available to core management members and key personnel consistently making outstanding contributions to the Company. The list of eligible participants is reviewed regularly and adjusted dynamically to cover different job functions and business lines across all business segments of the Company. Depending on the rankings and contributions of the partners, the incentives may be awarded in different forms, such as restrictive shares and share options, with an incentive measure that is extremely competitive among its peers.

Meanwhile, medium and short-term policies are closely linked to business results. Under the link with strong business performance, the annual performance-based reward is linked to the completion of profit targets, whereby appraisal is conducted on a project basis and staff are motivated by progressive incentives to aim for higher goals. At the same time, an accountability mechanism complemented by monitoring and compliance regimes has also been established to assure the bottom line of the Company. Specific business incentives are provided to motivate the principals and teams of key business segments, such as market development and value-added businesses, in order to encourage the delivery of value and enhance the overall business results of the Company.

During the Period, the Group reported further optimization in its talent portfolio and improvements in operational and management efficiency on the back of its "people-oriented" development philosophy and pinpoint empowerment in human resources. Its innovative model for digitalized learning techniques has also won the recognition of industry associations, as evidenced by several major awards for innovation in human resources, including the "2020 Outstanding Business Value Through Human Resources Management Award" and "Award for Innovation in Digitalized Corporate Learning" jointly presented by Guangdong Human Resource Management Association and other organizations.

#### 5. Future outlook

Year 2021 is the commencement year of the "14th Five-Year-Plan" and a crucial period for China's advancement from moderate affluence towards socialist modernization, while it is also the first full financial year following the Group's listing. We are grateful for the trust and support of every Shareholder and stakeholder, and our heartfelt gratitude and respect also goes to every employee who has participated in the anti-pandemic and flood prevention initiatives. As we have passed the halfway mark of 2021, we will continue to work with commitment and persistence, keeping abreast of latest developments as we improve our servicing and operational capabilities to preserve and enhance the value of our customers' assets, bring positive experience to the people and create investment value for Shareholders on a consistent basis.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

### Overview

We are a comprehensive property management and operational service operator in China with sound reputation and rapid development. As at 30 June 2021, the Group provided property management services and value-added services in 126 cities in China, with a contracted GFA of approximately 221.7 million sq.m. and GFA under management of approximately 165.1 million sq.m. The Group's services cover a variety of properties, including residential properties and non-residential properties (such as office buildings, shopping malls, schools, government offices and hospitals, among others) and related value-added services. The Group actively expanded the scale of its management business in persistent with a "multiple-driver" strategy and the following major strategic acquisitions had been announced during the first half of 2021:

- On 17 January 2021, the Group conditionally agreed to acquire 80% equity interests in Cedar Technology. The transaction was considered and approved at the extraordinary general meeting of the Company held on 5 July 2021. Cedar Technology is a leading "smart city" service operator in the PRC with over 1,000 projects under management in sectors such as residential properties, commercial properties, municipal facilities, schools and hospitals, spanning 17 provinces and 109 cities across the nation and serving approximately 31 million property owners.

Following the acquisition of Cedar Technology, the Group has achieved leaping growth in GFA under management in a rapid expansion of its geographical footprint and stronger presence across different business sectors, considerably enhancing its brand coverage and penetration.

- On 29 June 2021, the Group conditionally agreed to acquire 80% equity interests in Shanghai Shenqin. Focused on the public building sector, Shanghai Shenqin radiates from the properties of government agency to public properties, school properties and other property types through deep cultivation of channels and management model replication.

Following the acquisition of Shanghai Shenqin, the Group's project concentration in the Yangtze River Delta region will further increase and its ability to serve across all business sectors will be further enhanced. In particular, both the efficiency and quality of its services in the public building sector will be improved.

The Group remains optimistic about the domestic commercial prospects and continue to strengthen its development in commercial property operation and management. In addition to 20 commercial projects in operation, the Group has more than 36 projects in the preparatory stage nationwide, which will be swiftly launched in the next 3 to 5 years. In the future, the Group will also seize opportune periods for asset-light output to engage in both asset-light and asset-heavy operations for qualitative growth in its operational scale.

## Business Model

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

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

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

Non-residential property management and commercial operational services: the Group manages and operates a diversified portfolio of non-residential properties mainly including commercial properties and public facilities. Commercial properties managed by the Group include shopping malls and office properties. The Group is engaged in:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers. The Group charges a fixed service fee for such services;
- property management services: services such as file management, cleaning, security, gardening and repair and maintenance services provided to property owners or tenants. The Group collects property management fees for such services;
- commercial operational services such as preliminary planning and consultancy services, tenancy sourcing services, tenancy management services and marketing and promotion services to property owners and property developers. The Group typically charges (i) a commission-based fee with respect to the operation of shopping malls; (ii) a profit mark-up on top of the costs with respect to the operation of office buildings; and (iii) a fixed service fee on a per square metre basis for its preliminary planning and consultancy services and tenancy sourcing services; and
- other value-added services: including primarily common area value-added services. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

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

	Six months ended 30 June			
	2021 RMB'000	%	2020 RMB'000	%
<b>Residential property management services</b>				
Pre-sale management services	177,841	14.5	129,787	19.4
Property management services	344,508	28.1	222,923	33.2
Community value-added services	322,313	26.2	110,542	16.5
Sub-total	844,662	68.8	463,252	69.1
<b>Non-residential property management and commercial operational services</b>				
Pre-sale management services	11,226	0.9	4,006	0.6
Property management services	287,974	23.4	142,491	21.2
Commercial operational services	55,181	4.5	38,092	5.7
Other value-added services	29,511	2.4	23,024	3.4
Sub-total	383,892	31.2	207,613	30.9
Total	1,228,554	100.0	670,865	100.0

## Residential Property Management Services

### Overview

The Group manages all of the residential properties solely developed by KWG Group. The Group also manages residential properties developed by KWG Group's joint ventures, associates or other related parties. In addition, the Group has expanded its business scale through proactive tender and bidding, and mergers and acquisitions to provide property management services to an increasing number of residential properties developed by third-party property developers. During the Period, its revenue from the residential property management service segment increased to approximately RMB844.7 million from approximately RMB463.3 million for the same period last year, representing a period-on-period increase of 82.3%. As at 30 June 2021, revenue generated from the residential property management service segment accounted for 68.8% of the Group's total revenue.

### Growth of Residential Property Management Services Portfolio

During the Period, the Group achieved rapid growth in contracted GFA and GFA under management through the multiple-drive strategy of "cooperation with developers + merger and acquisition + third-party expansion" in persistent implementation of the strategic goal of rapidly expanding GFA under management. As at 30 June 2021, the Group's contracted GFA was approximately 145.4 million sq.m., representing an increase of 269.0% as compared to that as at 31 December 2020; as at 30 June 2021, GFA under management was approximately 97.4 million sq.m., representing an increase of 234.7% as compared to that as at 31 December 2020.

The table below sets forth the movements of the Group's residential contracted GFA and GFA under management as at the dates indicated:

	Six months ended 30 June			
	2021		2020	
	Aggregate contracted GFA sq.m.'000	GFA under management sq.m.'000	Aggregate contracted GFA sq.m.'000	GFA under management sq.m.'000
At the beginning of the period	39,371	29,121	29,623	18,346
Additions	105,998	68,307	102	1,162
At the end of the period	145,369	97,428	29,725	19,508

### Geographic Presence of Residential Property Management Services Portfolio

Since the inception of its residential property management services, the Group had established a solid footprint in the Greater Bay Area and expanded its geographic presence nationwide. As at 30 June 2021, the Group had established business presence in 98 cities or autonomous counties in China. As at 30 June 2021, the Group managed a total of 783 residential properties and had been contracted to manage 1,138 residential properties.

The table below sets forth a breakdown of the Group's total GFA under management with respect to residential properties as at the dates indicated, and total revenue generated from residential property management services for the periods indicated by geographic region:

	Six months ended 30 June					
	2021			2020		
	Revenue RMB'000	%	GFA under management sq.m.'000	Revenue RMB'000	%	GFA under management sq.m.'000
Greater Bay Area	351,880	41.6	14,850	195,323	42.2	10,076
Yangtze River Delta <sup>(1)</sup>	231,972	27.5	19,141	123,888	26.7	5,325
Midwest China and Hainan <sup>(2)</sup>	179,596	21.3	61,581	103,705	22.4	3,077
Bohai Economic Rim <sup>(3)</sup>	81,214	9.6	1,856	40,336	8.7	1,030
Total	844,662	100.0	97,428	463,252	100.0	19,508

Notes:

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

### Community Value-added Services

Driven by government policies, the Group continues to explore the business model of “property service + daily-living service”. On the back of customers’ trust earned through its premium property management services, the Group consistently enhances its servicing ability and complements this ability with technology-empowered management to achieve cost savings and efficiency enhancement, thereby gaining a distinctively advantageous position for the promotion of value-added services.

To offer more conveniences in fulfilment of the requirements of property developers and owners, residents and tenants of properties under its management, the Group also provides community value-added services in the process of providing residential property management services by giving full play to its operational advantages. Such community value-added services mainly include: i) home-living services; and ii) property agency services; and iii) common area value-added services. During the Period, the Group’s revenue from the community value-added business reached approximately RMB322.3 million, representing a period-on-period increase of 191.7% which indicated sound growth potential.

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

#### Overview

The Group provides property management services to non-residential properties, including commercial properties and public facilities, as well as commercial operational services to commercial properties, including office building and shopping malls. As at 30 June 2021, revenue from the non-residential property management and commercial operational service segment accounted for 31.2% of the Group’s total revenue.

As at 30 June 2021, GFA under management of the Group’s non-residential properties was approximately 67.7 million sq.m., comprising approximately 16.0 million sq.m. of commercial properties under management and approximately 51.7 million sq.m. of public facilities under management. Among the above, the Group provided property management services for 1,101 shopping mall, office and public building projects; in the meantime, commercial operational services were provided to 20 shopping mall and office projects in operation. In the future, the Group will continue to step up with its effort in asset-light management output, helping property owners to preserve and enhance the value of their assets on the back of its ability in asset management and operation.

#### Growth of Non-residential Property Management Services Portfolio

The table below sets forth the movements of the Group’s non-residential contracted GFA and GFA under management as at the dates indicated:

	Six months ended 30 June			
	2021		2020	
	Aggregate contracted GFA sq.m.'000	GFA under management sq.m.'000	Aggregate contracted GFA sq.m.'000	GFA under management sq.m.'000
At the beginning of the period	14,043	12,450	4,454	3,268
Additions	62,739	55,679	428	186
Terminations	442	442	—	—
At the end of the period	76,340	67,687	4,882	3,454

### Geographic Distribution of Non-residential Property Management Services Portfolio

Since the inception of its non-residential property management and commercial operational services in 2006, the Group had established a solid footprint in the Greater Bay Area and expanded its geographic presence nationwide. As at 30 June 2021, non-residential properties managed were located in 76 cities or autonomous counties including major cities such as Beijing, Shanghai, Chengdu, and Suzhou. As at 30 June 2021, there were 1,101 non-residential properties under the management of the Group and 1,266 non-residential properties contracted for management by the Group.

As at 30 June 2021, 62.4% of the non-residential GFA under the Group's management are clustered in the Greater Bay Area and the Yangtze River Delta. The aforesaid regions provide good external business environment for the Group's non-residential property management and commercial operational services due to its more economically developed regions and high disposable income per capita. The table below sets forth a breakdown of the Group's total GFA under management with respect to non-residential properties as at the dates indicated, and total revenue generated from non-residential property management and commercial operational services for the periods indicated by geographic region:

	Six months ended 30 June					
	2021			2020		
	Revenue RMB'000	%	GFA under management sq.m.'000	Revenue RMB'000	%	GFA under management sq.m.'000
Greater Bay Area	198,466	51.7	16,974	67,305	32.4	1,888
Yangtze River Delta <sup>(1)</sup>	65,948	17.2	25,248	60,661	29.2	681
Midwest China and Hainan <sup>(2)</sup>	102,282	26.6	16,102	65,737	31.7	846
Bohai Economic Rim <sup>(3)</sup>	17,196	4.5	9,363	13,910	6.7	39
<b>Total</b>	<b>383,892</b>	<b>100.0</b>	<b>67,687</b>	<b>207,613</b>	<b>100.0</b>	<b>3,454</b>

Notes:

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

### Portfolio of Commercial Properties under Commercial Operational Services

The Group provides commercial operational services to certain commercial properties, including shopping malls and office buildings under the Group's management, the details of which are set out below:

### Shopping Malls In Operation

The table below sets forth certain information of each of the shopping malls to which the Group provided commercial operational services and was in operation as at 30 June 2021 by brand name:

Project <sup>(1)</sup>	Opening date <sup>(2)</sup>	Location	GFA <sup>(3)</sup> sq.m.
U-fun (悠方)			
1. Suzhou (蘇州)	April 2018	Suzhou	179,930
2. Chengdu (成都)	May 2018	Chengdu	231,526
3. Yushan (譽山)	October 2018	Guangzhou	31,781
4. Nansha (南沙)	June 2019	Guangzhou	95,087
5. Longjing (瀧景)	December 2019	Foshan	63,930
M • CUBE (摩方)			
1. Beijing (北京)	October 2018	Beijing	44,195
2. Chengdu (成都)	October 2020	Chengdu	67,291
Total			713,740

Notes:

- (1) Yushan U-fun, Suzhou U-fun, Chengdu U-fun, Chengdu M • CUBE and Beijing M • CUBE projects were solely developed and owned by KWG Group. Longjing U-fun and Nansha U-fun was jointly developed by KWG Group and independent third parties. The figures for Yushan U-fun and Longjing U-fun included Phase II GFA newly opened.
- (2) The Group typically starts to provide preparation stage services, such as preliminary planning and consultancy services and tenancy sourcing services, before the opening of a shopping mall.
- (3) This represents the GFA covered by commercial operational services provided by the Group.

### Not Yet in Operation

The table below sets forth certain information of the shopping malls to which the Group had been engaged to provide commercial operational services as at 30 June 2021. These commercial property projects had not commenced operation as at 30 June 2021:

Project	Expected Opening date <sup>(1)</sup>	Location	GFA <sup>(2)</sup> sq.m.
Chengdu Jiaozi Financial Avenue (成都交子金融大道) <sup>(3)</sup>	August 2021	Chengdu	6,506
Guangzhou Knowledge City U-fun (廣州知識城悠方)	December 2021	Guangzhou	77,138
Chongqing U-fun (重慶悠方)	December 2021	Chongqing	101,707
Beijing Tongzhou U-fun Walk (北京通州悠方天地)	December 2021	Beijing	152,828
Tangshan Colour Fun (唐山彩立方) <sup>(4)</sup>	August 2022	Tangshan	135,664
Chengdu Dayuan (成都大源)	October 2022	Chengdu	17,200
Total			491,043

## Notes:

- (1) Expected opening date represents the date on which a shopping mall is expected to open pursuant to the confirmation from the property developer. The actual opening date of a shopping mall may change subject to various factors, including but not limited to construction process, tenancy sourcing progress and other unforeseen circumstances.
- (2) This represents the GFA covered by commercial operational services by the Group.
- (3) Chengdu Jiaozhi Financial Avenue is an asset-light project developed by a third party. The Group provided commercial operational services for this project, such as market positioning, conversion and tenancy sourcing, prior to its opening, and will provide commercial operational services and property management services, such as continuous tenancy adjustment and marketing promotion, subsequent to its opening.
- (4) Tangshan Colour Fun (唐山彩立方) is an asset-light project developed by a third party. The Group provides commercial operational services for this project, such as positioning, renovation and tenancy sourcing prior its opening, and will provide commercial operational services and property management services, such as continuous tenancy adjustment and marketing promotion, subsequent to its opening.

**Office Buildings***In Operation*

The table below sets forth certain information of each of the office buildings to which the Group provided commercial operational services and was in operation as at 30 June 2021:

Project <sup>(1)</sup>	Opening date	Location	GFA <sup>(2)</sup> sq.m.
1. Guangzhou Hejing International Finance Place (廣州合景國際金融廣場)	October 2007	Guangzhou	102,400
2. Suzhou Leader Plaza (蘇州領匯廣場)	December 2015	Suzhou	104,913
3. Guangzhou International Metropolitan Plaza (廣州環球都會廣場)	May 2016	Guangzhou	33,333
4. Chengdu International Commerce Place (成都環匯商業廣場)	August 2016	Chengdu	270,000
5. International Commerce Place (環匯商業廣場)	October 2016	Guangzhou	73,697
6. Shanghai International Metropolitan Plaza (上海環球都會廣場)	June 2018	Shanghai	149,292
7. Guangxi Hejing International Finance Place (廣西合景國際金融廣場)	December 2018	Nanning	134,000
<b>Total</b>			<b>867,635</b>

## Notes:

- (1) Except for Guangzhou International Metropolitan Plaza, which was jointly developed by KWG Group and other independent third parties, the rest of the office buildings operated by us were solely developed and owned by KWG Group.
- (2) Represents the GFA covered by commercial operational services provided by the Group.

## Financial Review

### Revenue

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

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

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Residential property management services	<b>844,662</b>	<b>68.8</b>	463,252	69.1
Non-residential property management and commercial operational services	<b>383,892</b>	<b>31.2</b>	207,613	30.9
Total	<b>1,228,554</b>	<b>100.0</b>	670,865	100.0

### Residential Property Management Services

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

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Pre-sale management services	<b>177,841</b>	<b>21.0</b>	129,787	28.0
Property management services	<b>344,508</b>	<b>40.8</b>	222,923	48.1
Community value-added services	<b>322,313</b>	<b>38.2</b>	110,542	23.9
Total	<b>844,662</b>	<b>100.0</b>	463,252	100.0

### Pre-sale Management Services

Revenue generated from pre-sale management services under the Group's residential property management service segment increased from approximately RMB129.8 million for the six months ended 30 June 2020 to approximately RMB177.8 million for the Period. This increase was primarily due to the increase in the number of sales offices under the Group's management.

### *Property Management Services*

Revenue generated from property management services under the Group's residential property management service segment increased from approximately RMB222.9 million for the six months ended 30 June 2020 to approximately RMB344.5 million for the Period. This increase was primarily due to the increase in the Group's GFA under management for residential properties, which was resulted from both the Group's continuous cooperation with KWG Group, its joint ventures, associates and other related parties and the Group's efforts to expand the third-party customer base.

### *Community Value-added Services*

Revenue generated from community value-added services under the Group's residential property management service segment increased from approximately RMB110.5 million for the six months ended 30 June 2020 to approximately RMB322.3 million for the Period. This increase was primarily due to the Group's effort to (i) provide more community value-added services driven by the increase in its GFA under management; and (ii) diversify the types of community value-added services it provided for residential properties.

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

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

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Pre-sale management services	11,226	2.9	4,006	1.9
Property management services	287,974	75.0	142,491	68.6
Commercial operational services	55,181	14.4	38,092	18.4
Other value-added services	29,511	7.7	23,024	11.1
Total	383,892	100.0	207,613	100.0

### *Pre-sale Management Services*

Revenue generated from pre-sale management services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB4.0 million for the six months ended 30 June 2020 to approximately RMB11.2 million for the Period. This increase was primarily due to the increase in the number of sales offices under the Group's management.

### *Property Management Services*

Revenue generated from property management services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB142.5 million for the six months ended 30 June 2020 to approximately RMB288.0 million for the Period. This increase was primarily due to the increase in its GFA under management for non-residential properties, which was resulted from both the Group's continuous cooperation with KWG Group, its joint ventures, associates and other related parties and the Group's efforts to expand the third-party customer base.

### **Commercial Operational Services**

Revenue generated from commercial operational services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB38.1 million for the six months ended 30 June 2020 to approximately RMB55.2 million for the Period. Such increase was mainly due to the increase in preliminary planning and consultancy services and tenant sourcing services the Group provided in the first half of 2021.

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

Revenue generated from other value-added services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB23.0 million for the six months ended 30 June 2020 to approximately RMB29.5 million for the Period. This increase was primarily due to the increase in its value-added services provided driven by the increase in its GFA under management for non-residential properties.

### **Cost of Sales**

The Group's cost of sales represents costs and expenses directly attributable to the provision of its services, which comprises (i) labor costs; (ii) subcontracting costs; (iii) utilities; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory and car parks; (vii) security expenses; and (viii) others. For the Period, the total cost of sales of the Group was approximately RMB685.1 million, which was increased by approximately RMB276.1 million or 67.5% as compared to approximately RMB409.0 million for the corresponding period in 2020. The rate of increase in cost of sales was lower than that of the Group's revenue, primarily due to the control and standardisation of various services and processes by the technological means of the Group so as to improve efficiency and save costs.

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

Based on the above reasons, the gross profit of the Group increased by approximately RMB281.6 million or 107.6% to approximately RMB543.4 million for the Period from approximately RMB261.8 million for the corresponding period in 2020. The Group reported gross profit margin of 44.2% for the Period (for the six months ended 30 June 2020: 39.0%).

### **Other Income and Gains**

The other income and gains of the Group increased by approximately RMB4.0 million or 83.3% to approximately RMB8.8 million for the Period from approximately RMB4.8 million for the corresponding period in 2020, and mainly comprised bank interest income and tax incentives on value-added tax of approximately RMB4.3 million and RMB2.0 million respectively.

### **Administrative Expenses**

Administrative expenses mainly consist of (i) salaries and allowances for the Group's administrative and management personnel; (ii) depreciation and amortisation costs; and (iii) office expenses. For the Period, the administrative expenses of the Group were approximately RMB143.1 million, which increased by approximately RMB45.3 million or 46.3% as compared to approximately RMB97.8 million for the corresponding period in 2020. Such increase was mainly due to the increase in the expenses arising from business expansion.

### **Income Tax**

For the Period, the income tax of the Group was approximately RMB87.7 million (for the six months ended 30 June 2020: approximately RMB42.0 million). The increase was primarily due to the increase in taxable income.

### **Financial Position and Capital Structure**

As at 30 June 2021, the total assets of the Group was approximately RMB4,354.8 million (as at 31 December 2020: approximately RMB4,228.5 million), and the total liabilities was approximately RMB1,187.0 million (as at 31 December 2020: approximately RMB1,235.1 million). As at 30 June 2021, the current ratio of the Group was 3.38 (as at 31 December 2020: 3.15). As at 30 June 2021 and 31 December 2020, the Group did not have any outstanding borrowings.

### Trade Receivables

The Group's trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. The Group's trade receivables as at 30 June 2021 amounted to approximately RMB668.0 million, representing an increase of approximately RMB61.3 million or 10.1% as compared to approximately RMB606.7 million as at 31 December 2020.

### Trade Payables

The Group's trade payables as at 30 June 2021 amounted to approximately RMB163.2 million representing an increase of approximately RMB8.7 million or 5.6% as compared to approximately RMB154.5 million as at 31 December 2020.

### Gearing Ratio

Gearing ratio is calculated by the net debt (total debt net of cash and cash equivalents and restricted cash) divided by total equity. The Group was in a net cash position as at 30 June 2021 and 31 December 2020, respectively.

### Pledge of Assets

As at 30 June 2021 and 31 December 2020, none of the assets of the Group were pledged.

### Contingent Liabilities

As at 30 June 2021 and 31 December 2020, the Group did not have any material contingent liabilities.

### Interest Rate Risk

As the Group had no significant interest-bearing assets and liabilities, the Group is not exposed to material risk directly relating to changes in market interest rate.

### Foreign Exchange Risk

The Group mainly operates in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. During the first half of 2021, the Group had not engaged in hedging activities for managing foreign exchange rate risk.

## OTHER INFORMATION

### Interests of Directors and chief executive

As at 30 June 2021, the interests and short positions of the directors (the “**Directors**”) or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive are taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), were as follows:

#### Long positions in the Shares and underlying Shares

Name of Director	Number of Shares held			Total	% of the issued voting Shares <sup>(1)</sup>
	Personal interests (beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
KONG Jianmin	2,300,000	846,718,661 <sup>(2)</sup>	219,635,885 <sup>(4)</sup>	1,068,654,546	52.96
KONG Jiannan	—	81,827,772 <sup>(3)</sup>	985,977,774 <sup>(4)</sup>	1,067,805,546	52.92

Notes:

- (1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,017,810,233 Shares) as at 30 June 2021.
- (2) Plus Earn Consultants Limited (“**Plus Earn**”) and Hero Fine Group Limited (“**Hero Fine**”) are wholly-owned and controlled by Mr. KONG Jianmin. By virtue of the SFO, Mr. KONG Jianmin is deemed to be interested in the Shares in which Plus Earn and Hero Fine are interested.
- (3) Peace Kind Investments Limited (“**Peace Kind**”) is wholly-owned and controlled by Mr. KONG Jiannan. By virtue of the SFO, Mr. KONG Jiannan is deemed to be interested in the Shares in which Peace Kind is interested.
- (4) On 14 October 2020, Plus Earn, Hero Fine, Right Rich Consultants Limited (“**Right Rich**”), Excel Wave Investments Limited (“**Excel Wave**”), Wealth Express Investments Limited (“**Wealth Express**”) and Peace Kind entered into a shareholders’ agreement (the “**Shareholders’ Agreement**”), pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Mr. KONG Jianmin and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.

#### Long position in the shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	% of the issued voting Shares
KONG Jianmin	Plus Earn	Beneficial owner	1,000	100

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share Option Scheme

The Company has adopted a share option scheme (the “**Share Option Scheme**”), which was approved by the Shareholders by passing an ordinary resolution at the annual general meeting of the Company held on 3 June 2021. As at 30 June 2021, no option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme.

On 23 July 2021, a total of 594,000 options (“**Options**”) were granted to certain eligible participants, subject to their acceptance, under the Share Option Scheme. Details of such grant of Options were set out in the announcement of the Company dated 23 July 2021 headed “Grant of Options”. As at the date of the interim report, all the Options remain outstanding.

## Share Award Scheme

The Company has adopted a share award scheme (the “**Share Award Scheme**”), which was approved by the board of the Directors (the “**Board**”) at the Board meeting held on 23 July 2021. Subsequently, the Board has further resolved to approve the grant of a total of 1,444,000 awarded Shares (“**Awarded Shares**”) to 16 selected participants (including 5 connected persons of the Company and 11 ordinary employees of the Company and/or any member of the Group).

A summary of the Share Award Scheme and details of the grant of Awarded Shares were set out in the announcement of the Company dated 23 July 2021 headed “Adoption of Share Award Scheme and Grant of Awarded Shares”.

## Interests of substantial Shareholders and other persons

As at 30 June 2021, so far as the Directors or chief executive of the Company were aware of, persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

### Long positions in the Shares

Name of substantial Shareholder	Number of Shares held			Total	% of the issued voting Shares <sup>(1)</sup>
	Personal interests (beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
Plus Earn <sup>(4)</sup>	678,390,949	—	387,963,597 <sup>(3)</sup>	1,066,354,546	52.85
Hero Fine <sup>(4)</sup>	168,327,712	—	898,026,834 <sup>(3)</sup>	1,066,354,546	52.85
Peace Kind <sup>(4)</sup>	80,376,772	—	985,977,774 <sup>(3)</sup>	1,066,354,546	52.85
KONG Jiantao	—	139,259,113 <sup>(2)</sup>	927,095,433 <sup>(3)</sup>	1,066,354,546	52.85
Right Rich	136,667,833	—	929,686,713 <sup>(3)</sup>	1,066,354,546	52.85
Excel Wave	2,079,450	—	1,064,275,096 <sup>(3)</sup>	1,066,354,546	52.85
Wealth Express	511,830	—	1,065,842,716 <sup>(3)</sup>	1,066,354,546	52.85

## OTHER INFORMATION

### Notes:

- (1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,017,810,233 Shares) as at the 30 June 2021.
- (2) Right Rich, Excel Wave and Wealth Express are wholly-owned and controlled by Mr. KONG Jiantao. By virtue of the SFO, Mr. KONG Jiantao is deemed to be interested in the Shares in which Right Rich, Excel Wave and Wealth Express are interested.
- (3) On 14 October 2020, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind entered into the Shareholders' Agreement, pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.
- (4) Mr. KONG Jiannan is a director of Peace Kind and Mr. KONG Jianmin is a director of Plus Earn and Hero Fine.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Interim Dividend

The Board has resolved not to declare any interim dividend for the Period.

## Corporate Governance

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has complied with the code provisions as set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2021. The Company will continue to review and monitor its corporate governance practices to ensure the compliance of the CG Code.

## Changes in Directors' Information

Save for the change in the information of Directors as set out below, since the date of the Company's 2020 annual report, there is no other change in the information of Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Ms. YANG Jingbo was promoted as the Chief Financial Officer of the Group on 24 March 2021, responsible for the finance and treasury matters of the Group.
- Mr. WANG Yue was promoted as the Vice President of the Group on 24 March 2021, responsible for the residential property management matters of the Group.

## Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the Period.

## Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

## Audit Committee

The audit committee of the Company (the “**Audit Committee**”) comprises three members who are independent non-executive Directors.

The Audit Committee has reviewed the interim report.

## Employees and Remuneration Policy

As at 30 June 2021, the Group has approximately 10,000 employees (31 December 2020: approximately 9,380 employees). Compensation for employees of the Group is made with reference to the market as well as individual performance and contributions, and extensive use of bonuses to link performance with reward is adopted. The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs.

## Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

### Acquisition of Shanghai Shenqin

Pursuant to an acquisition agreement entered into by Guangdong Hejing Youhuo Holdings Group Co., Ltd. (“**Hejing Youhuo**”), being an indirect wholly-owned subsidiary of the Company, and the shareholders of Shanghai Shenqin dated 29 June 2021, the Group conditionally agreed to acquire 80% equity interests in Shanghai Shenqin at a cash consideration of RMB498.0 million. Shanghai Shenqin is principally engaged in property management.

As at the date of the interim report, such acquisition has been completed and Shanghai Shenqin has become a subsidiary of the Group. Details of the acquisition are set out in the Company’s announcement dated 29 June 2021.

### Acquisition of Cedar Technology

Pursuant to an acquisition agreement entered into by Hejing Youhuo and the shareholders of Cedar Technology dated 17 January 2021, the Group conditionally agreed to acquire 80% equity interests in Cedar Technology at a cash consideration of RMB1,316.0 million. Cedar Technology is principally engaged in property management.

As at the date of the interim report, such acquisition has been completed and Cedar Technology has become a subsidiary of the Group. Details of such acquisition are set out in the announcement of the Company dated 18 January 2021 and the circular of the Company dated 17 June 2021.

Save as disclosed above, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorised by the Board for other material investments or additions of capital assets during the Period.

## Use of Net Proceeds from the Listing

The shares of the Company were listed on the Stock Exchange on 30 October 2020 by way of Global Offering (as defined in the prospectus (the “**Prospectus**”) of the Company dated 19 October 2020), raising the total net proceeds (after deducting professional fees, underwriting commissions and other related listing expenses) of approximately Hong Kong dollars (“**HK\$**”) 2,913.1 million (the “**Net Proceeds**”).

## OTHER INFORMATION

By using the allocations basis as stated in the Prospectus, the Group intended to use the Net Proceeds as follows: (i) approximately 60%, or approximately HK\$1,747.7 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately 25%, or approximately HK\$728.3 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately 10%, or approximately HK\$291.4 million for further diversifying its value-added services; and (iv) approximately 5%, or approximately HK\$145.7 million for its general corporate purposes and working capital.

The Group further revised the allocation of the Net Proceeds on 29 June 2021. As set out in the announcement of the Company dated 29 June 2021 (the “**Announcement**”), the unutilised and unplanned Net Proceeds were intended to be allocated and used as follows: (i) approximately HK\$705.7 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately HK\$241.3 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately HK\$145.6 million for further diversifying its value-added services; and (iv) approximately HK\$72.8 million for its general corporate purposes and working capital.

As at 30 June 2021, an analysis of the utilisation of Net Proceeds is as follows:

Use of the Net Proceeds as set out in the Announcement	Revised allocation as stated in the Announcement HK\$ million	Utilised or reserved Net Proceeds as at 30 June 2021 HK\$ million	Unutilised or unplanned Net Proceeds as at 30 June 2021 HK\$ million	Expected time of full utilisation
To pursue strategic acquisitions and investment opportunities	2,453.4	2,453.4	—	Not applicable
To upgrade the intelligent service systems:				
— to purchase and upgrade hardware, establish smart terminal equipment and Internet of Things Platform	168.5	—	168.5	Before 31 December 2023
— to develop and upgrade the intelligence service systems	72.8	—	72.8	Before 31 December 2023
Diversification into value-added services:				
— to cooperate with companies that provide complementary community products and services	72.8	—	72.8	Before 31 December 2022
— to form a designated team that utilizes big-data technology	72.8	—	72.8	Before 31 December 2022
For general corporate purposes and working capital	72.8	—	72.8	Not applicable
<b>Total</b>	<b>2,913.1</b>	<b>2,453.4</b>	<b>459.7</b>	

The unutilised or unplanned Net Proceeds will be applied according to the intentions disclosed above. The expected time of utilisation for the unutilised or unplanned Net Proceeds is based on the Directors’ best estimation barring unforeseen circumstances, and may be subject to change based on the future development of the Company’s business and the market conditions.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>REVENUE</b>	4	1,228,554	670,865
Cost of sales		(685,111)	(409,017)
Gross profit		543,443	261,848
Other income and gains	4	8,782	4,825
Selling and distribution expenses		(862)	(582)
Administrative expenses		(143,094)	(97,825)
Other expenses, net		(2,889)	(2,605)
Finance costs	6	(105)	(162)
Share of profit of an associate		1,349	934
<b>PROFIT BEFORE TAX</b>	5	406,624	166,433
Income tax expense	7	(87,741)	(41,956)
<b>PROFIT FOR THE PERIOD</b>		318,883	124,477
Attributable to:			
Owners of the parent		315,198	124,007
Non-controlling interests		3,685	470
		318,883	124,477
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (express in RMB cents per share)	9	16	8

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>318,883</b>	124,477
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,899	(53)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	1,899	(53)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	(27,850)	(34)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(27,850)	(34)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(25,951)</b>	(87)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>292,932</b>	124,390
Attributable to:		
Owners of the parent	289,247	123,920
Non-controlling interests	3,685	470
	<b>292,932</b>	124,390

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at	
		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		8,185	8,240
Right-of-use assets		4,724	6,827
Goodwill	10	260,208	260,208
Other intangible assets	11	145,144	157,856
Investment in an associate		9,303	7,954
Deferred tax assets		26,172	14,741
Other non-current assets		258	287
<b>Total non-current assets</b>		<b>453,994</b>	456,113
<b>CURRENT ASSETS</b>			
Trade receivables	12	667,951	606,708
Prepayments, other receivables and other assets		151,248	200,942
Restricted cash		5,170	5,150
Cash and cash equivalents		3,076,424	2,959,619
<b>Total current assets</b>		<b>3,900,793</b>	3,772,419
<b>CURRENT LIABILITIES</b>			
Trade payables	13	163,241	154,465
Other payables and accruals		445,822	628,367
Contract liabilities	4	109,748	95,695
Lease liabilities		3,493	3,557
Dividend payable	8	321,069	200,000
Tax payable		111,608	115,922
<b>Total current liabilities</b>		<b>1,154,981</b>	1,198,006
<b>NET CURRENT ASSETS</b>		<b>2,745,812</b>	2,574,413
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,199,806</b>	3,030,526

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at	
		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		1,268	3,172
Deferred tax liabilities		30,737	33,879
Total non-current liabilities		32,005	37,051
Net assets		3,167,801	2,993,475
<b>EQUITY</b>			
Share capital	15	17,499	17,499
Reserves		3,108,227	2,939,456
Equity attributable to owners of the parent		3,125,726	2,956,955
Non-controlling interests		42,075	36,520
<b>Total equity</b>		<b>3,167,801</b>	<b>2,993,475</b>

**Kong Jiannan**  
Director

**Yang Jingbo**  
Director

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus funds	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2021	17,499	2,539,041	—	(26,608)	48,442	(73,766)	452,347	2,956,955	36,520	2,993,475
Profit for the period	—	—	—	—	—	—	315,198	315,198	3,685	318,883
Other comprehensive loss for the period: Exchange differences on translation into presentation currency	—	—	—	—	—	(25,951)	—	(25,951)	—	(25,951)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(25,951)	315,198	289,247	3,685	292,932
Contribution from a shareholder	—	—	—	593	—	—	—	593	—	593
Transfer to statutory surplus funds	—	—	—	—	28,935	—	(28,935)	—	—	—
2020 final dividend declared (note 8)	—	(121,069)	—	—	—	—	—	(121,069)	—	(121,069)
Proceeds from capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	1,870	1,870
At 30 June 2021	17,499	2,417,972	—	(26,015)	77,377	(99,717)	738,610	3,125,726	42,075	3,167,801
At 1 January 2020	—*	—	7,000	—	10,181	(123)	367,525	384,583	12,845	397,428
Profit for the period	—	—	—	—	—	—	124,007	124,007	470	124,477
Other comprehensive loss for the period: Exchange differences on translation into presentation currency	—	—	—	—	—	(87)	—	(87)	—	(87)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(87)	124,007	123,920	470	124,390
Contribution from a shareholder	—	—	—	343	—	—	—	343	—	343
Transfer to statutory surplus funds	—	—	—	—	14,062	—	(14,062)	—	—	—
Issue of shares (note 15)	—*	—	—	—	—	—	—	—*	—	—*
Acquisition of a subsidiary under common control	—	—	(7,000)	(27,550)	—	—	—	(34,550)	—	(34,550)
At 30 June 2020	—*	—	—	(27,207)	24,243	(210)	477,470	474,296	13,315	487,611

\* The amount is less than RMB1,000.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		406,624	166,433
Adjustments for:			
Finance costs	6	105	162
Share of profit of an associate		(1,349)	(934)
Bank interest income	4	(4,264)	(1,159)
(Gain)/loss on disposal of items of property, plant and equipment, net	5	(25)	71
Depreciation of property, plant and equipment		2,100	1,001
Depreciation of right-of-use assets		2,103	2,349
Amortisation of other intangible assets	11	13,402	11,054
Impairment losses on financial assets, net		1,907	1,262
Share-based payment expense		593	343
Cash flows from operations before changes in working capital		421,196	180,582
Changes in working capital		(37,765)	(56,856)
Cash generated from operations		383,431	123,726
Interest received		4,264	1,159
Interest paid		(105)	(162)
Income tax paid		(106,627)	(47,510)
Net cash flows from operating activities		280,963	77,213

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries	14	(135,400)	—
Purchase of items of property, plant and equipment		(2,046)	(1,028)
Purchase of items of other intangible assets		(690)	—
Cash advances made to related parties		—	(156,824)
Repayment from related parties		—	2,100
Proceeds from disposal of items of property, plant and equipment		27	234
Net cash flows used in investing activities		(138,109)	(155,518)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal portion of lease payments		(1,968)	(2,114)
Cash advances from related parties		—	167,301
Repayment of cash advances to related parties		—	(1,000)
Acquisition of a subsidiary under common control		—	(34,550)
Proceeds from capital injection from non-controlling shareholders		1,870	—
Net cash flows (used in)/from financing activities		(98)	129,637
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		2,959,619	416,765
Effect of foreign exchange rate changes, net		(25,951)	—
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>3,076,424</b>	<b>468,097</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		3,076,424	468,097
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		3,076,424	468,097

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. Corporate and Group Information

KWG Living Group Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 11 September 2019. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2021 (the “**Period**”), the Company and its subsidiaries (collectively the “**Group**”) were involved in the provision of residential property management services and non-residential property management and commercial operational services in the People’s Republic of China (the “**PRC**”) (the “**Listing Business**”).

The Company’s shares became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 30 October 2020 (the “**Listing Date**”) (the “**Listing**”).

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

### 2.1 Basis of Presentation

In preparation for the Listing, the companies now comprising the Group underwent a group reorganisation (“**Reorganisation**”) and the Listing Business were transferred to the Company. For the details of the principle steps of the Reorganisation, please refer to Note 1 to the financial statements of the annual report of the Group for the year ended 31 December 2020.

The Reorganisation was completed in October 2020. The unaudit condensed consolidated statement of profit or loss, unaudit condensed consolidated statement of comprehensive income, unaudit condensed consolidated statement of changes in equity and unaudit condensed consolidated statement of cash flows for the six months ended 30 June 2020 have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the six months period ended 30 June 2020 or since their respective dates of incorporation/establishment/acquisition, where applicable.

The unaudited condensed consolidated interim financial information for the Period (“**Interim Financial Information**”) has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting*.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

### 2.2 Changes to the Group’s Accounting Policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the Period’s financial information.

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

*Interest Rate Benchmark Reform — Phase 2*

*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

## 2.2 Changes to the Group's Accounting Policies (Continued)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The adoption of the revised HKFRSs has had no significant financial effect on the Group's Interim Financial Information.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and it has had no significant financial effect on the Group's Interim Financial Information.

## 3 Operating Segment Information

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

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

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

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

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

### 3 Operating Segment Information (Continued)

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

#### Six months ended 30 June 2021

	Residential property management services RMB'000 (Unaudited)	Non- residential property management and commercial operational services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue</b>	844,662	383,892	1,228,554
<b>Segment result</b>	321,277	134,363	455,640
<i>Reconciliation:</i>			
Unallocated operating costs			(54,804)
Other income and gains			8,782
Other expenses, net			(2,889)
Finance costs			(105)
Profit before tax			406,624
Income tax expense			(87,741)
Profit for the period			318,883

#### Six months ended 30 June 2020

	Residential property management services RMB'000 (Unaudited)	Non- residential property management and commercial operational services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	463,252	207,613	670,865
Segment result	79,276	94,285	173,561
<i>Reconciliation:</i>			
Unallocated operating costs			(9,186)
Other income and gains			4,825
Other expenses, net			(2,605)
Finance costs			(162)
Profit before tax			166,433
Income tax expense			(41,956)
Profit for the period			124,477

### 3 Operating Segment Information (Continued)

#### Geographical information

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

#### Information about major customers

For the six months ended 30 June 2021 and 2020, approximately RMB620,753,000 and RMB337,550,000 of revenue were derived from KWG Group Holdings Limited ("KWG Holdings") and its subsidiaries (collectively "KWG Group") and its joint ventures, associates and other related parties, respectively.

### 4. Revenue, Other Income and Gains and Contract Liabilities

Revenue comprised proceeds from residential property management services and non-residential property management and commercial operational services for the six months ended 30 June 2021 and 2020. An analysis of revenue is as follows:

#### Revenue from contracts with customers

##### (a) Disaggregated revenue information

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Types of services by segment</b>		
<i>Residential property management services</i>		
Pre-sale management services	177,841	129,787
Property management services	344,508	222,923
Community value-added services	322,313	110,542
	844,662	463,252
<i>Non-residential property management and commercial operational services</i>		
Pre-sale management services	11,226	4,006
Property management services	287,974	142,491
Commercial operational services	55,181	38,092
Other value-added services	29,511	23,024
	383,892	207,613
Total revenue from contracts with customers	1,228,554	670,865

## 4. Revenue, Other Income and Gains and Contract Liabilities (Continued)

## Revenue from contracts with customers (Continued)

## (a) Disaggregated revenue information (Continued)

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Timing of revenue recognition</b>		
Revenue from contracts with customers recognised over time	876,730	537,299
Revenue from contracts with customers recognised at a point in time	351,824	133,566
	<b>1,228,554</b>	<b>670,865</b>

*Contract liabilities*

The Group recognised the following revenue-related contract liabilities:

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Third parties	107,879	93,444
Related parties (note 17)	1,869	2,251
	<b>109,748</b>	<b>95,695</b>

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

#### 4. Revenue, Other Income and Gains and Contract Liabilities (Continued)

##### Revenue from contracts with customers (Continued)

##### (b) Performance obligations

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

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

##### Other income and gains

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Bank interest income	4,264	1,159
Government grants	791	1,674
Gain on disposal of items of property, plant and equipment, net	25	—
Late penalty income	1,144	195
Tax incentives on value-added tax*	1,979	1,784
Others	579	13
	<b>8,782</b>	<b>4,825</b>

\* There are no unfulfilled conditions or contingencies relating to these incentives.

## 5. Profit Before Tax

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Cost of services provided	685,111	409,017
Depreciation of property, plant and equipment*	2,100	1,001
Depreciation of right-of-use assets*	2,103	2,349
Amortisation of other intangible assets	13,402	11,054
(Gain)/loss on disposal of items of property, plant and equipment, net	(25)	71
Employee benefit expense (excluding directors' and chief executive's remuneration)*		
Wages and salaries	405,350	267,427
Pension scheme contributions	34,089	13,297
	<b>439,439</b>	280,724
Impairment losses on financial assets, net:		
Trade receivables	1,907	262
Other receivables	—	1,000

\* The depreciation of property, plant and equipment, depreciation of right-of-use assets and employee benefit expense are included in "Cost of sales" and "Administrative expenses" in the condensed consolidated statement of profit or loss.

## 6. Finance Costs

An analysis of finance costs is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Interest on lease liabilities	105	162

## 7. Income Tax

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

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

## 7. Income Tax (Continued)

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current	102,314	42,572
Deferred	(14,573)	(616)
	87,741	41,956

## 8. Dividends

The board of directors of the Company (the “**Board**”) has resolved not to declare any interim dividend for the Period.

The 2020 final dividend of RMB6 cents per share, totalling RMB121,069,000, was approved by the Company’s shareholders (the “**Shareholder(s)**”) at the annual general meeting on 3 June 2021.

Pursuant to the Company’s board resolution dated 31 August 2020, the Company declared the 2020 interim dividend in a total amount of RMB200,000,000.

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

The calculation of the basic and diluted earnings per share amount for the Period, is based on the profit for the Period attributable to owners of the parent of approximately RMB315,198,000 (six months ended 30 June 2020: approximately RMB124,007,000), and the weighted average number of shares of 2,017,810,233 (six months ended 30 June 2020: 1,634,426,233) in issue during the Period. The weighted average number of shares for the six months ended 30 June 2020 has been adjusted on the assumption that the Group’s Reorganisation and capitalisation issue had been effective on 1 January 2020.

## 10. Goodwill

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
At beginning of the period/year:		
Cost	260,208	134,718
Acquisition of subsidiaries (note 14)	—	125,490
Cost and net carrying amount at end of the period/year	260,208	260,208

During the six months ended 30 June 2020 and 2021, the management of the Group determined that no impairment provision of goodwill should be recognised.

## 11. Other Intangible Assets

	Property management contracts RMB'000 (Unaudited)	Customer relationships RMB'000 (Unaudited)	Software RMB'000 (Unaudited)	Non-compete agreements RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>30 June 2021</b>					
Cost at 1 January 2021, net of accumulated amortisation	27,569	116,040	6,723	7,524	157,856
Additions	—	—	690	—	690
Amortisation provided during the Period	(5,562)	(6,496)	(807)	(537)	(13,402)
At 30 June 2021	22,007	109,544	6,606	6,987	145,144
At 30 June 2021:					
Cost	54,265	129,915	10,706	7,524	202,410
Accumulated amortisation	(32,258)	(20,371)	(4,100)	(537)	(57,266)
Net carrying amount	22,007	109,544	6,606	6,987	145,144
	Property management contracts RMB'000 (Audited)	Customer relationships RMB'000 (Audited)	Software RMB'000 (Audited)	Non-compete agreements RMB'000 (Audited)	Total RMB'000 (Audited)
<b>31 December 2020</b>					
Cost at 1 January 2020, net of accumulated amortisation	15,090	65,754	963	—	81,807
Additions	—	—	7,221	—	7,221
Acquisition of subsidiaries (note 14)	26,408	57,525	—	7,524	91,457
Amortisation provided during the year	(13,929)	(7,239)	(1,461)	—	(22,629)
At 31 December 2020	27,569	116,040	6,723	7,524	157,856
At 31 December 2020:					
Cost	54,265	129,915	10,016	7,524	201,720
Accumulated amortisation	(26,696)	(13,875)	(3,293)	—	(43,864)
Net carrying amount	27,569	116,040	6,723	7,524	157,856

## 12. Trade Receivables

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Related parties (note 17)	406,894	379,301
Third parties	271,226	240,207
	<b>678,120</b>	619,508
Less: Allowance for impairment of trade receivables	(10,169)	(12,800)
	<b>667,951</b>	606,708

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

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	607,905	558,918
1 to 2 years	41,433	28,001
2 to 3 years	15,416	16,695
Over 3 years	3,197	3,094
	<b>667,951</b>	606,708

### 13. Trade Payables

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Related parties (note 17)	8,686	4,855
Third parties	154,555	149,610
	<b>163,241</b>	<b>154,465</b>

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

	As at	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	135,817	147,957
1 to 2 years	22,179	3,400
2 to 3 years	3,272	1,698
Over 3 years	1,973	1,410
	<b>163,241</b>	<b>154,465</b>

### 14. Business Combination

#### Acquisition of Guangzhou Runtong

In December 2020, the Group acquired 80% equity interests in Guangzhou Runtong Property Management Co., Ltd. (“**Guangzhou Runtong**”) from third parties at a consideration of RMB214,400,000. Guangzhou Runtong is engaged in the property management business. The acquisition was made as part of the Group’s strategy to expand its property management operation in the PRC.

## 14. Business Combination (Continued)

### Acquisition of Guangzhou Runtong (Continued)

The fair values of the identifiable assets and liabilities of Guangzhou Runtong as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	2,628
Other intangible assets	89,723
Other non-current assets	112
Trade receivables	25,021
Prepayments, other receivables	13,662
Restricted cash	3,566
Cash and bank balances	12,650
Trade payables	(87)
Other payables and accruals	(13,708)
Deferred tax liabilities	(22,430)
<b>Total identifiable net assets at fair value</b>	<b>111,137</b>
Non-controlling interests	(22,227)
<b>Goodwill arising on acquisition</b>	<b>125,490</b>
Satisfied by cash during the year ended 2020	80,000
Satisfied by cash during the Period	134,400
<b>Total consideration</b>	<b>214,400</b>

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB25,021,000 and RMB12,662,000, respectively. The gross contractual amount of trade receivables and other receivables was approximately RMB25,021,000 and RMB12,662,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Guangzhou Runtong is as follows:

	<b>Six months ended 30 June 2021 RMB'000 (Unaudited)</b>
Cash consideration paid	(134,400)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(134,400)

## 14. Business Combination (Continued)

### Acquisition of Taizhou Yuncheng

In December 2020, the Group acquired 60% equity interests in Taizhou Yuncheng Property Management Co., Ltd. (“**Taizhou Yuncheng**”) from third parties at a consideration of RMB1,200,000. Taizhou Yuncheng is engaged in the property management business. The acquisition was made as part of the Group’s strategy to expand its property management operation in the PRC.

The fair values of the identifiable assets and liabilities of Taizhou Yuncheng as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB’000
Property, plant and equipment	145
Other intangible assets	1,734
Trade receivables	649
Prepayments, other receivables	427
Cash and bank balances	141
Other payables and accruals	(663)
Deferred tax liabilities	(433)
<b>Total identifiable net assets at fair value</b>	<b>2,000</b>
Non-controlling interests	(800)
<b>Goodwill arising on acquisition</b>	<b>—</b>
Satisfied by cash during the Period	1,000
Unpaid amount included in other payables and accruals	200
<b>Total consideration</b>	<b>1,200</b>

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB649,000 and RMB69,000, respectively. The gross contractual amount of trade receivables and other receivables was approximately RMB649,000 and RMB69,000, respectively. The transaction cost incurred for this acquisition is insignificant.

An analysis of the cash flows in respect of the acquisition of Taizhou Yuncheng is as follows:

	<b>Six months ended 30 June 2021 RMB’000 (Unaudited)</b>
Cash consideration paid	(1,000)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,000)

## 15. Share Capital

	30 June 2021		31 December 2020	
	No. of shares (Unaudited)	HK\$'000 (Unaudited)	No. of shares (Audited)	HK\$'000 (Audited)
Authorised:				
Ordinary shares at par value of HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000

	30 June 2021			31 December 2020		
	No. of shares (Unaudited)	HK\$'000 (Unaudited)	Equivalent to RMB'000 (Unaudited)	No. of shares (Audited)	HK\$'000 (Audited)	Equivalent to RMB'000 (Audited)
Issued and fully paid:						
Ordinary shares at par value of HK\$0.01 each	2,017,810,233	20,178	17,499	2,017,810,233	20,178	17,499

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue (Unaudited)	Share capital RMB'000 (Unaudited)
At 31 December 2020 and 1 January 2021	2,017,810,233	17,499
At 30 June 2021	2,017,810,233	17,499
	Number of shares in issue (Unaudited)	Share capital RMB'000 (Unaudited)
At 1 January 2020	1	—*
Issue of shares**	35	—*
At 30 June 2020	36	—*

\* The amount is less than RMB1,000.

\*\* On 24 June 2020, the Company adopted the "Share Incentive Scheme". As part of the arrangement under the Share Incentive Scheme, (i) KWG Holdings subscribed 35 ordinary shares of the Company at par; and (ii) KWG Holdings transferred its entire issued share capital in Happy Harmony International Limited to an employee at a consideration of US\$6,075,000.

## 16. Commitments

As at 30 June 2021 and 31 December 2020, the Group did not have any material capital commitment and has no lease contracts that have not yet commenced.

## 17. Related Party Transactions

### (a) Transactions with related parties

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Residential property management service income:		
Subsidiaries, joint ventures and associates of KWG Holdings	484,214	228,715
Non-residential property management and commercial operational service income:		
Subsidiaries, joint ventures and associates of KWG Holdings	135,570	108,020
Other related parties*	969	815
	<b>136,539</b>	108,835
Rental cost and expenses:		
Subsidiaries of KWG Holdings	5,540	7,632
Information technology expenses:		
KWG Holdings	1,000	1,000

\* Other related parties are entities that are controlled by Mr. Kong Jiantao, an executive director of KWG Holdings.

The prices for the above services fees and other transactions were determined in accordance with the terms mutually agreed by the contracting parties.

## 17. Related Party Transactions (Continued)

*(b) Outstanding balances with related parties*

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Receivables from related parties</b>		
Trade receivables		
Subsidiaries, joint ventures and associates of KWG Holdings	406,894	379,301
Prepayments and other receivables		
Subsidiaries and joint ventures of KWG Holdings	—	4,205
<b>Payables to related parties</b>		
Trade payables		
Subsidiaries and joint ventures of KWG Holdings	8,686	4,855
Other payables		
Subsidiaries and joint ventures of KWG Holdings	6,302	1,847
Other related parties	—	—*
Lease liabilities		
Subsidiaries of KWG Holdings	867	1,120
Contract liabilities		
Subsidiaries and joint ventures of KWG Holdings	1,869	2,251
Dividend payable		
A subsidiary of KWG Holdings	194,440	194,440

\* The amount is less than RMB1,000.

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Salaries, allowances and benefits in kind	4,081	2,437
Pension scheme contributions	89	34
	<b>4,170</b>	2,471

## 18. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accrual, approximate to their carrying amounts largely due to the short term maturities of these instruments.

### Fair value hierarchy

The Group did not hold any financial assets and liabilities measured at fair value as at 30 June 2021 and 31 December 2020.

## 19. Event After the Reporting Period

### Approval of Major Transaction

On 5 July 2021, the acquisition of Cedar Technology Group Co., Ltd. was considered and approved by the Shareholders at the extraordinary general meeting (the “**EGM**”) of the Company. Details of the EGM are set out in the Company’s announcement dated 5 July 2021.

### Grant of Options

On 23 July 2021, the Board had approved the grant of a total of 594,000 options to subscribe for the ordinary shares of HK\$0.01 in the share capital of the Company to certain eligible participants (“**Grantees**”), subject to acceptance by the Grantees, under the share option scheme adopted by the Company on 3 June 2021. Details of the grant of options are set out in the Company’s announcement headed “Grant of Options” and dated 23 July 2021.

### Adoption of Share Award Scheme and Grant of Awarded Shares

On 23 July 2021, the Company adopted a share award scheme (the “**Scheme**”) to recognise and motivate the contributions of certain selected participants and to give incentives thereto in order to retain them for the continual operation and development of the Group.

According to the Scheme, the Board has further resolved to approve the grant of a total of 1,444,000 awarded shares to 16 selected participants (including 5 connected persons of the Company and 11 ordinary employees of the Group). Such awarded shares shall be granted by way of purchase of existing shares on the Stock Exchange. The awarded shares represent approximately 0.0716% of the issued share capital of the Company as at 23 July 2021.

Details of the information above are set out in the Company’s announcement headed “Adoption of Share Award Scheme and Grant of Awarded Shares” and dated 23 July 2021.

## 20. Approval of the Interim Financial Information

The Interim Financial Information was approved and authorised for issue by the Board on 23 August 2021.