



華發物業服務集團有限公司

Huafa Property Services Group Company Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 982)

INTERIM REPORT **2021**



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Corporate Information

Board of Directors

Executive directors

Mr. Li Guangning (*Chairman*)

Mr. Zhou Wenbin (*Chief Executive Officer*)
(appointed with effect from 30 July 2021)

Mr. Xie Wei

Mr. Tze Kan Fat

Ms. Guo Jin (resigned with effect
from 30 July 2021)

Non-executive directors

Ms. Zhou Youfen

Mr. Shong Hugo

Independent non-executive directors

Dr. Chen Jieping

Mr. Pu Yonghao

Mr. Guo Shihai

Audit Committee

Dr. Chen Jieping (*Chairman*)

Mr. Pu Yonghao

Mr. Guo Shihai

Remuneration Committee

Mr. Pu Yonghao (*Chairman*)

Dr. Chen Jieping

Mr. Guo Shihai

Mr. Xie Wei

Mr. Zhou Wenbin (appointed with effect
from 30 July 2021)

Ms. Guo Jin (resigned with effect
from 30 July 2021)

Nomination Committee

Mr. Guo Shihai (*Chairman*)

Dr. Chen Jieping

Mr. Pu Yonghao

Legal Adviser

Bird & Bird

Auditor

PricewaterhouseCoopers

Certified Public Accountants and

Registered Public Interest Entity Auditor

Joint Company Secretaries

Mr. Liang Liang

Ms. Chan Sau Ling

Head Office and Principal Place of Business in Hong Kong

Room 3605, 36/F

Cheung Kong Center

2 Queen's Road Central

Central, Hong Kong

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Principal Bankers

Hang Seng Bank Limited

Dah Sing Bank Limited

Bermuda Resident Representative

Conyers Corporate Services (Bermuda) Limited

Authorised Representatives

Mr. Zhou Wenbin

(appointed with effect from 30 July 2021)

Ms. Chan Sau Ling

Mr. Xie Wei

(resigned with effect from 30 July 2021)

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

982

Website Address

www.huafapropertyservices.com

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021 (unaudited)

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Continuing operations			
Revenue	4	665,919	482,807
Cost of sales	6	(468,599)	(333,934)
Gross profit		197,320	148,873
Other income and other gains, net	5	11,099	849
Administrative expenses	6	(58,561)	(45,633)
Net impairment losses on financial assets		(8,642)	(4,652)
Operating profit		141,216	99,437
Finance expenses, net	7	(6,812)	(15,525)
Share of results of associates		–	573
Share of results of a joint venture		(1,049)	–
Profit before income tax		133,355	84,485
Income tax expense	8	(49,357)	(30,242)
Profit for the period from continuing operations		83,998	54,243
Discontinued operations			
Loss for the period from discontinued operations	9	–	(51,331)
Profit for the period		83,998	2,912
Profit/(loss) attributable to:			
Owners of the Company		83,970	15,641
Non-controlling interests		28	(12,729)
		83,998	2,912
Profit/(loss) for the period attributable to owners of the Company arising from:			
Continuing operations		83,970	54,243
Discontinued operations		–	(38,602)
		83,970	15,641

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Earnings per share for profit attributable to owners of the Company (HK cents)			
Basic and diluted	10	<u>0.835</u>	<u>0.155</u>
Basic and diluted earnings/(loss) per share attributable to owners of the Company arising from (HK cents):			
Continuing operations	10	<u>0.835</u>	<u>0.539</u>
Discontinued operations	10	<u>–</u>	<u>(0.384)</u>
		<u>0.835</u>	<u>0.155</u>
Profit for the period		<u>83,998</u>	<u>2,912</u>
Other comprehensive income/(loss) for the period, net of tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		<u>5,422</u>	<u>(7,671)</u>
Total comprehensive income/(loss) for the period		<u>89,420</u>	<u>(4,759)</u>
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		<u>89,392</u>	<u>7,970</u>
Non-controlling interests		<u>28</u>	<u>(12,729)</u>
		<u>89,420</u>	<u>(4,759)</u>
Total comprehensive income/(loss) for the period attributable to owners of the Company arising from:			
Continuing operations		<u>89,392</u>	<u>46,993</u>
Discontinued operations		<u>–</u>	<u>(39,023)</u>
		<u>89,392</u>	<u>7,970</u>

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	22,647	22,107
Right-of-use assets		18,763	19,536
Intangible assets	13	4,469	4,683
Deferred tax assets		25,786	24,113
Interests in associates		–	39,907
Interest in a joint venture		1,281	1,136
Financial asset at fair value through profit or loss	14	15,525	7,988
		<u>88,471</u>	<u>119,470</u>
Current assets			
Inventories		3,568	2,507
Trade receivables	15	313,362	209,214
Other receivables, deposits and prepayments		46,072	33,860
Restricted bank balances		5,363	896
Cash and cash equivalents		641,849	664,864
		<u>1,010,214</u>	<u>911,341</u>
Total assets		<u>1,098,685</u>	<u>1,030,811</u>
Deficit			
Share capital		2,515	2,515
Deficit		(274,283)	(363,675)
Total deficit attributable to owners of the Company		<u>(271,768)</u>	<u>(361,160)</u>
Non-controlling interests		990	–
Total deficit		<u>(270,778)</u>	<u>(361,160)</u>

	<i>Note</i>	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		237	327
Deferred tax liabilities		8,833	–
		<u>9,070</u>	<u>327</u>
Current liabilities			
Trade payables	16	58,613	60,787
Contract liabilities		67,306	57,747
Other payables and accruals		314,323	326,818
Bank borrowings	17	896,300	519,000
Amount due to a related party	18	–	416,690
Lease liabilities		1,026	1,218
Income tax payable		22,825	9,384
		<u>1,360,393</u>	<u>1,391,644</u>
Total liabilities		<u>1,369,463</u>	<u>1,391,971</u>
Total equity and liabilities		<u>1,098,685</u>	<u>1,030,811</u>

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

Capital and reserves attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 31 December 2020 (Audited)	2,515	169,105	4,451	36,057	(534)	(765,738)	21,199	171,785	(361,160)	-	(361,160)
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	83,970	83,970	28	83,998
Other comprehensive income											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	5,422	-	5,422	-	5,422
Total comprehensive income for the period	-	-	-	-	-	-	5,422	83,970	89,392	28	89,420
Transaction with non-controlling interests											
Capital injection	-	-	-	-	-	-	-	-	-	962	962
At 30 June 2021 (Unaudited)	2,515	169,105	4,451	36,057	(534)	(765,738)	26,621	255,755	(271,768)	990	(270,778)
As at 1 January 2020	2,515	169,105	4,451	25,186	(534)	62,288	(3,404)	145,867	405,474	12,680	418,154
Acquisition of subsidiaries through business combination under common control	-	-	-	-	-	(828,026)	-	-	(828,026)	-	(828,026)
Comprehensive income/(loss)											
Profit/(loss) for the period	-	-	-	-	-	-	-	15,641	15,641	(12,729)	2,912
Other comprehensive loss											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(7,671)	-	(7,671)	-	(7,671)
Total comprehensive income/ (loss) for the period	-	-	-	-	-	-	(7,671)	15,641	7,970	(12,729)	(4,759)
At 30 June 2020 (Unaudited)	2,515	169,105	4,451	25,186	(534)	(765,738)	(11,075)	161,508	(414,582)	(49)	(414,631)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Cash flows from operating activities		
Cash generated from/(used in) continuing operations	13,209	(26,538)
Income tax paid	(28,619)	(25,045)
Net cash used in operating activities from continuing operations	(15,410)	(51,583)
Net cash generated from operating activities from discontinued operations	–	40,852
Net cash used in operating activities	(15,410)	(10,731)
Cash flows from investing activities		
– Interest received	4,146	1,643
– Purchase of property, plant and equipment	(4,294)	(2,490)
– Acquisition of subsidiaries	(395,416)	(248,408)
– Disposal of subsidiaries	39,391	(5,049)
– Purchase of right-of-use assets	(616)	–
– Capital injection from non-controlling interests	962	–
Net cash used in investing activities from continuing operations	(355,827)	(254,304)
Net cash used in investing activities from discontinued operations	–	(149)
Net cash used in investing activities	(355,827)	(254,453)

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Cash flows from financing activities		
– Interest paid	(31,860)	(5,444)
– Proceeds from borrowings	416,800	433,000
– Repayment of borrowings	(39,500)	–
– Increase in restricted bank balances	(5,339)	–
– Decrease in restricted bank balances	872	1,619
– Principal and interest element of lease payment	(259)	(426)
Net cash generated from financing activities from continuing operations	<u>340,714</u>	<u>428,749</u>
Net cash generated from financing activities from discontinued operations	–	6,116
Net cash generated from financing activities	<u>340,714</u>	<u>434,865</u>
Net (decrease)/increase in cash and cash equivalents	(30,523)	169,681
Cash and cash equivalents at beginning of the period	664,864	600,112
Effect of foreign exchange rate changes, net	7,508	(13,519)
Cash and cash equivalents at end of the period	<u>641,849</u>	<u>756,274</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

1. General information of the Group

Huafa Property Services Group Company Limited (the “Company”) is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in (i) the provision of property management services in Mainland China, and (ii) hotel advisory and exhibition services in Mainland China.

The Company has its listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial position and performance of the Group was particularly affected by the following event and transaction during the period.

On 26 May 2021, the Group completed the disposal of the entire interest in Hazel Trend Limited (“Hazel Trend”) at a total consideration of HK\$40,000,000 to Guang Jie Investment Holding Limited, an indirectly wholly-owned subsidiary of Zhuhai Huafa Properties Company Limited and is an indirectly non-wholly owned subsidiary of Zhuhai Huafa Group Company Limited (“Zhuhai Huafa”). Hazel Trend is an investing holding company and holds 30% equity interest in associates, Dreamy City Limited and its subsidiaries, which were established for the provision of (a) development of online training content and provision of related consultancy and training; (b) development of e-learning software and hardware; (c) design and development of webpages; and (d) other related information services (the “Online Training Business”), with a view to meet the market demand for online early childhood training services in the People’s Republic of China (“PRC”).

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

This interim condensed consolidated financial information is unaudited and has been reviewed by the audit committee of the Company (the “Audit Committee”). This interim condensed consolidated financial information was approved for issue by the board (the “Board”) of directors (the “Directors”) of the Company on 30 August 2021.

2. Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 June 2021, the Group’s liabilities exceeded its assets by HK\$270,778,000 and its current liabilities exceeded its current assets by HK\$350,179,000. On the same day, the Group’s cash and cash equivalents amounted to HK\$641,849,000 while the Group’s bank borrowings and lease liabilities classified under current liabilities amounted to HK\$897,326,000. Notwithstanding the Group’s net current liabilities and net liabilities as at 30 June 2021, the Directors of the Company have reviewed the Group’s cash flows projections, which cover a period of twelve months from 30 June 2021. The Directors are of the opinion that, taking into account the anticipated cash flows generated from the Group’s operations and the continued availability of the Group’s banking facilities, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 June 2021. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

3. Accounting policies

(a) New standards, amendments to standards and interpretation adopted by the Group

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new standards, amendments to standards and interpretation as set out below.

The following new standards, amendments to standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2021 and currently relevant to the Group:

- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, “Interest Rate Benchmark Reform – Phase 2”
- Amendments to HKFRS 16, “COVID-19-Related Rent Concessions”

There are no other new standards, amendments to standards and interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

3. Accounting policies (Continued)

(a) *New standards, amendments to standards and interpretation adopted by the Group (Continued)*

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted by the Group:

Amendments to HKAS 16, "Property, Plant and Equipment: Proceeds Before Intended Use"	1 January 2022
Amendments to HKAS 37, "Onerous Contract – Cost of Fulfilling a Contract"	1 January 2022
Amendments to HKFRS 3, "Reference to the Conceptual Framework"	1 January 2022
Annual Improvement to HKFRS Standards 2018 – 2020	1 January 2022
Revised Accounting Guideline 5, "Merger Accounting for Common Control Combination"	1 January 2022
Amendments to HKAS 1, "Presentation of Financial Statements," on Classification of Liability	1 January 2023
HKFRS 17, "Insurance Contracts"	1 January 2023
Hong Kong Interpretation 5(2020), "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause"	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, "Disclosure of Accounting Policies"	1 January 2023
Amendments to HKAS 8, "Definition of Accounting Estimates"	1 January 2023
Amendments to HKAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	1 January 2023
Amendments to HKFRS 10 and HKAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. Revenue and segment information

The chief operating decision-maker has been identified as the executive directors of the Company (the “Executive Directors”). The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

The Group is principally engaged in the following:

- Property management – provision of property management services and related value-added services, including municipal supporting services, sales of goods and other services; and
- Hotel advisory and exhibition services – provision of hotel advisory services, exhibition planning and organisation services

The Executive Directors consider all assets and revenue relating to the operations are primarily located in Mainland China.

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

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

During the six months ended 30 June 2021, revenues from continuing operations of approximately HK\$215,477,000 (six months ended 30 June 2020 restated: HK\$166,588,000) were derived from Zhuhai Huafa and its subsidiaries.

4. Revenue and segment information (Continued)

The Executive Directors assess the performance of the operating segments based on their underlying profits, which is measured by profit before income tax, excluding income and expenses that are managed on a central basis.

	Hotel advisory and exhibition services and others		Property management		Total	
	30 June 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited and restated)	30 June 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited and restated)
Revenue from external customers Recognised at a point in time	-	-	20,488	-	20,488	-
Recognised overtime	2,462	11,613	642,969	471,194	645,431	482,807
Segment results	2,462 4,469	11,613 1,183	663,457 145,580	471,194 112,844	665,919 150,049	482,807 114,027
Unallocated income					4,958	1,582
Unallocated expenses					(20,603)	(31,697)
Share of results of associates					-	573
Share of results of a joint venture					(1,049)	-
Income tax expense					(49,357)	(30,242)
Profit for the period from Continuing operations					83,998	54,243

4. Revenue and segment information (Continued)

	Hotel advisory and exhibition services and others		Property management		Total	
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Segment assets	123,818	153,882	925,720	779,210	1,049,538	933,092
Unallocated assets					49,147	97,719
Total assets					1,098,685	1,030,811
Segment liabilities	3,573	28,915	433,686	413,686	437,259	442,601
Unallocated liabilities					932,204	949,370
Total liabilities					1,369,463	1,391,971

	Hotel advisory and exhibition services and others		Property management		Total	
	30 June 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited and restated)	30 June 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited and restated)
Other segment information:						
Additions to non-current assets	9	28	4,901	2,463	4,910	2,491
Depreciation of property, plant and equipment (Note 6)	(130)	(50)	(3,904)	(3,503)	(4,034)	(3,553)
Depreciation of right-of-use assets (Note 6)	-	-	(1,613)	(1,326)	(1,613)	(1,326)
Amortisation of intangible assets (Note 6)	-	-	(267)	(115)	(267)	(115)
Fair value gains/(losses) on financial asset at fair value through profit or loss (Note 5)	7,357	(1,688)	-	-	7,357	(1,688)
(Net impairment losses)/reversal of impairment losses on financial assets	135	-	(8,777)	(4,652)	(8,642)	(4,652)

4. Revenue and segment information (Continued)

The Group's revenue by geographical location is determined by the location of services rendered and the geographical location of non-current assets is determined by where the assets are located and are detailed below:

	Revenue from external customers Six months ended 30 June		Non-current assets (Note) As at	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Continuing operations – Mainland China	665,919	482,807	45,879	46,326
	<u>665,919</u>	<u>482,807</u>	<u>45,879</u>	<u>46,326</u>

Note: Non-current assets exclude interests in associates, interest in a joint venture, financial asset at fair value through profit or loss and deferred tax assets.

5. Other income and other gains, net

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Fair value gains/(losses) on financial asset at fair value through profit or loss (Note 14)	7,537	(1,688)
Net foreign exchange gain/(losses)	772	(62)
Government grants	1,068	938
Others	1,722	1,661
Other income and other gains, net	<u>11,099</u>	<u>849</u>

6. Expenses by nature

Expenses including cost of sales and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Employee benefit expenses (including directors' emoluments)	353,472	270,229
Depreciation of property, plant and equipment	4,034	3,553
Depreciation of right-of-use assets	1,613	1,326
Legal and professional fees	4,448	8,030
Expenses related to short-term and low value lease payments	4,276	2,903
Greening, cleaning, security and fire protection expenses	70,713	46,445
Telecommunication expenses	1,110	915
Amortisation of intangible assets	267	115
Utilities	12,578	12,704
Maintenance costs	21,394	9,488
Building management fee	302	289
Cost of goods sold	19,781	–
Others	33,172	23,570
Total cost of sales and administrative expenses	527,160	379,567

7. Finance expenses, net

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Interest expense:		
– Amount due to a related party (Note 18(b))	(452)	(11,696)
– Bank borrowings	(10,506)	(5,444)
– Interest on lease liabilities	(40)	(28)
	(10,998)	(17,168)
Interest income:		
– Bank deposits	4,140	1,037
– Interest income from a subsidiary under Zhuhai Huafa (Note 18(b))	46	606
	4,186	1,643
Finance expenses, net	(6,812)	(15,525)

8. Income tax expense

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

PRC corporate income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period ended 30 June 2021 and 2020 based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in the PRC is 25% or 15%.

For the six months ended 30 June 2021, deferred income tax includes withholding income tax accrued at a tax rate of 5% on the dividend distributed and undistributed profits, recognised based on HKFRS, of the Group's subsidiaries in China (six months ended 30 June 2020: Nil).

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Current income tax	42,235	31,444
Deferred income tax	7,122	(1,202)
	<u>49,357</u>	<u>30,242</u>

9. Discontinued operations

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Net loss from discontinued operations		
– Financial Printing Business (Note (a))	–	(33,120)
– Financial Services Business (Note (b))	–	(6,742)
– Hotel Operation Business (Note (c))	–	(11,469)
	<u>–</u>	<u>(51,331)</u>
Loss for the period from discontinued operations	–	(51,331)

9. Discontinued operations (Continued)

Notes:

(a) Financial Printing Business

On 22 June 2020, the Group completed the disposal of the entire 100% equity interest in Miracle View Group Ltd. ("Miracle View") to a third party at a total consideration of HK\$12,000,000. Miracle View is an investing holding company and through its operating subsidiaries, Rising Win Limited and its subsidiaries, is principally engaged in the provision of financial printing services in Hong Kong. Rising Win Limited is a direct 60% owned subsidiary of Miracle View.

(b) Financial Services Business

On 24 December 2020, the Group completed the disposal of the entire 100% equity interests of 18 subsidiaries at a total consideration of HK\$123,394,000 to Huajin Financial Holdings Company Limited, a related company of the Group. These 18 subsidiaries were mainly engaged in the provision of financial services, including financial advisory, securities underwriting and consultancy, securities and futures brokerage, asset management, equity research and financial consultancy, and money lending in Hong Kong.

(c) Hotel Operation Business

After negotiation with Zhuhai SZM CBD Construction Holding Co., Ltd., the property owner of Sheraton Zhuhai Hotel and Huafa Place ("Two Hotels") as well as a related company of the Group, the Group did not renew the property lease framework agreement in relation to the lease of the Two Hotels after the expiration of the leasing term on 31 August 2020. Accordingly, the Group did not carry on hotel operation business since 1 September 2020.

10. Earnings per share

The calculation of basic earnings per share is the profit for the period arising from continuing operations attributable to owners of the Company of approximately HK\$83,970,000 (30 June 2020 restated: profit of approximately HK\$54,243,000) and no loss for the period arising from discontinued operations (30 June 2020 restated : loss of HK\$38,602,000) and the weighted average number of ordinary shares in issue during the period of 10,060,920,000 (30 June 2020: 10,060,920,000).

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Earnings		
Profit attributable to owners of the Company arising from continuing operations	83,970	54,243
Loss attributable to owners of the Company arising from discontinued operations	—	(38,602)
Total	83,970	15,641
Shares		
Weighted average number of ordinary shares in issue	10,060,920,000	10,060,920,000

	Six months ended 30 June	
	2021 HK cent (Unaudited)	2020 HK cent (Unaudited and restated)
Basic and diluted earnings/(loss) per share for earnings/(loss) attributable to owners of the Company (HK cents)		
From continuing operations	0.835	0.539
From discontinued operations	—	(0.384)
	0.835	0.155

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share as there are no potential dilutive ordinary shares outstanding for the six months ended 30 June 2021 and 2020, respectively.

11. Dividend

The Directors did not propose the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

12. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a cost of HK\$4,294,000 (six months ended 30 June 2020 restated: HK\$2,491,000). No disposal of property, plant and equipment for the six months ended 30 June 2021 (six months ended 30 June 2020 restated: Nil).

13. Intangible assets

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Computer software	4,469	4,683
	<u>4,469</u>	<u>4,683</u>

14. Financial asset at fair value through profit or loss

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

	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
As at 1 January	7,988	8,213
Changes in fair value credited/(charged) to profit or loss (<i>Note 5</i>)	<u>7,537</u>	<u>(1,688)</u>
At 30 June	<u>15,525</u>	<u>6,525</u>

14. Financial asset at fair value through profit or loss (Continued)

Notes:

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

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

15. Trade receivables

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 year	283,219	184,335
1 to 2 years	38,286	29,344
2 to 3 years	14,295	11,537
3 to 4 years	8,158	6,503
Over 4 years	21,959	20,003
Gross trade receivables	365,917	251,722
Less: Loss allowance	(52,555)	(42,508)
Trade receivables, net	313,362	209,214

16. Trade payables

The average credit period from the Group's trade creditors is of 30 to 60 days. The ageing analysis of trade payables based on invoice date at the end of reporting period is as follows:

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Up to 90 days	45,731	52,319
91-180 days	2,926	2,179
Over 181 days	9,956	6,289
	<u>58,613</u>	<u>60,787</u>

17. Bank borrowings

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Bank loans – unsecured	<u>896,300</u>	<u>519,000</u>

At 30 June 2021 and 31 December 2020, the Group's bank borrowings were repayable as follows:

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Within one year	<u>896,300</u>	<u>519,000</u>

17. Bank borrowings (Continued)

Notes:

- (a) As at 30 June 2021 and 31 December 2020, there is no pledged assets and guarantee executed by the Group.
- (b) Bank borrowings bear effective interest rate from 1.7% to 3.0% per annum (31 December 2020: 2.61% to 3.85% per annum).
- (c) The carrying amounts of the Group's bank borrowings were denominated in HK\$ and the fair value of bank borrowings approximates their carrying amounts.

18. Related party transactions

The following is a summary of significant related party transactions which, in the opinion of the Directors are entered into in the ordinary course of business between the Company and its related parties in addition to the related party information shown elsewhere in these financial statements.

(a) Rendering of services

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Continuing operations		
Property management and related value-added services income received from Zhuhai Huafa and its subsidiaries ("Zhuhai Huafa Group")		
– Property management services income	214,685	155,064
	214,685	155,064
Hotel advisory and exhibition services income received from Zhuhai Huafa Group		
– 2021 Advisory income (Note i)	475	–
– 2021 Event planning income I (Note ii)	317	–
– 2020 Event planning income I	–	7,385
– 2020 Event planning income II	–	3,120
– 2020 Market research services income	–	1,019
	792	11,524

18. Related party transactions (Continued)

(a) Rendering of services (Continued)

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Discontinued operations		
Consultancy and financial advisory services income received from Zhuhai Huafa Group		
- 2020 Consultancy income	-	13,900
- 2020 Financial advisory income	-	1,000
- Other Financial advisory income	-	2,627
		<u>17,527</u>
Hotel operation income received from Zhuhai Huafa Group		
- Hotel operation income	-	5,274
		<u>5,274</u>
		<u>5,274</u>

18. Related party transactions (Continued)

(b) Other related party transactions

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Continuing operations		
Interest income from Zhuhai Huafa Group	46	606
Recharge of administrative expenses from Hong Kong Huafa Investment Holdings Limited ("Huafa HK")	1,717	1,883
Interest expense accrued to Huafa HK	452	11,696
Rental expenses to Zhuhai Huafa Group	275	-
Purchase of goods and services from subsidiaries under Zhuhai Huafa	5,373	1,024
	<u>7,863</u>	15,209
Discontinued operations		
Recharge of administrative expenses to Huafa HK	-	2,150
Interest income from Zhuhai Huafa Group	-	1
Rental expenses paid to the property owner of Two Hotels	-	4,375
	<u>-</u>	<u>6,526</u>

18. Related party transactions (Continued)

(c) Balances with related parties

In addition to those disclosed elsewhere, particulars of the balances with related parties are as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Amount due to a related party – Huafa HK		
– Consideration payable and related interest	–	(416,387)
– Others	–	(303)
	–	(416,690)
Balances included in trade receivables		
– Zhuhai Huafa Group	86,394	67,626
Balances included in cash and cash equivalents		
– Zhuhai Huafa Group (Note iii)	660	150
Balances included in other receivables, deposits and prepayments		
– Zhuhai Huafa Group	6,003	2,299
Balances included in trade payables		
– Zhuhai Huafa Group	(4,330)	(4,077)
Balances included in other payables and accruals		
– Zhuhai Huafa Group	(46,779)	(31,230)
Balances included in contract liabilities		
– Zhuhai Huafa Group	(5,669)	(330)

18. Related party transactions (Continued)

(d) Compensation of key management personnel

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

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited and restated)
Short-term benefits	<u>2,278</u>	<u>1,964</u>

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

Notes:

- (i) In September 2020, Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited* (珠海市橫琴新區華金國際酒店管理有限公司) ("Huajin Hotel") entered into a advisory agreement ("2021 Advisory Agreement") with a subsidiary of Zhuhai Huafa, in relation to the provision of certain consultancy and advisory services with respect to hotel development project (the "2021 Advisory Services"). Pursuant to the 2021 Advisory Agreement, the 2021 Advisory Services included but were not limited to:

- Conducting market and financial feasibility research;
- Providing support in selecting international hotel management companies and hotel brands, and negotiate with hotel management companies for contracts;
- Introducing and assisting in selecting appropriate and qualified advisors in hotel designing and other specific aspects;
- Providing design management and engineering consultancy services;
- Providing opening preparation support service;
- Designating on-site representatives to perform hotel management related work on behalf.

As at 30 June 2021, aggregate fees for the 2021 Advisory Services amounted to RMB396,000 (equivalent to approximately HK\$475,000), which was jointly agreed by all contracted parties. In June 2021, the total service fees of HK\$475,000 were fully settled.

* For identification purpose only

18. Related party transactions (Continued)

Notes: (Continued)

- (ii) In April 2021, Zhuhai Hengqin New Area Huajin International Convention Services Company Limited* (珠海市橫琴新區華金國際會展服務有限公司) (“Huajin Convention”) entered into an event planning agreement (“2021 Event Planning Agreement”) with one subsidiary of Zhuhai Huafa.

Pursuant to the 2021 Event Planning Agreement, Huajin Convention would provide services for an event to be held in Zhuhai in 2021. The services included but not be limited to exhibition proposal design, on-site execution and guest invitation services (“2021 Event Planning Services”).

According to the 2021 Event Planning Agreement, the fees for 2021 Event Planning Services amounted to RMB264,000 (equivalent to approximately HK\$317,000), which were mutually agreed by contracted parties.

The total service fees of HK\$317,000 were settled in July 2021.

- (iii) As at 30 June 2021 and 31 December 2020, part of the Property Management Business’ bank balances were deposited in a state-owned financial institution. The directors are of opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

* For identification purpose only

18. Related party transactions (Continued)

Notes: (Continued)

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

In accordance with HKAS 24 “Related Party Disclosures”, state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government (“state-owned enterprises”) are regarded as related parties of the Group. The Group’s PRC entities operate in an economic environment predominated by state-owned enterprises. During the six months ended 30 June 2021 and 30 June 2020, the Group had transactions with state-owned enterprises including, but not limited to, providing property management services and value-added services and hotel advisory services and exhibition planning and organisation services. For the purpose of related party transactions disclosure, the Group had in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatization programs. Nevertheless, the directors of the Group consider that transactions with other state-owned enterprises are activities in the ordinary course of the business, and that the dealings of the Group have not been significantly or unduly affected by the facts that the Group and other state-owned enterprises are ultimately controlled or owned by the PRC Government. The Group had also established pricing policies for the products and services, and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the directors of the Group are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

Management Discussion and Analysis

Business Review

The Group officially announced the change of its name to “Huafa Property Services Group Company Limited” on 15 March 2021, and completed the divestiture of its investment in Online Training Business in May 2021, to fully concentrate its resources on the development of property management and related value-added services. At the 4th “China Real Estate Finance Forum” (中國不動產金融論壇), the Company was awarded the “Top Ten Property Service Enterprises in China with the Most Long-term Investment Value in 2021” (2021中國物業服務企業最具長期投資價值十強), and won the Most Socially Responsible Award (最具社會責任獎) at the 5th Golden Hong Kong Stocks Forum (金港股論壇) at the beginning of the year, evidencing that the Company received professional recognition from the capital market. Leveraging on its business scale, operational efficiency and premium service quality, Zhuhai Huafa Property Management Services Co., Ltd. (“Zhuhai Huafa Property”), an indirectly wholly-owned subsidiary of the Company, was awarded “2021 Top 100 Property Management Companies in China (2021中國物業服務百強企業)” and “2021 Top 100 Leading Enterprises in terms of Property Service Satisfaction in China (2021中國物業服務百強滿意度領先企業)”, ranking 21st in the PRC, up by 5 places as compared with 2020. At the same time, the Company vigorously developed technological empowerment and achieved major breakthroughs. At the first China Wisdom Real Estate and Property Innovation Summit (中國智慧地產物業創新峰會), the integrated command system independently developed by Zhuhai Huafa Property was rated as a “successful informationization case”. In 2021, the Company will continue to adhere to the “One Core, Two Wings” development strategy with property management as the core and hotel advisory and exhibition services as the synergy, and will actively seek new development opportunities at the same time, to focus on expanding and exploring new growth points for value-added services.

As at 30 June 2021, Zhuhai Huafa Property managed a portfolio of properties covering 39 cities (the corresponding period in 2020: 20 cities) across the PRC with a total contracted GFA of approximately 33.7 million sq.m. (the corresponding period in 2020: 26.7 million sq.m.). As at 30 June 2021, Zhuhai Huafa Property provided property management services and value-added services (the “Property Management Business”) to 217 properties (the corresponding period in 2020: 153 properties) with an aggregate revenue-bearing GFA of approximately 16.8 million sq.m. (the corresponding period in 2020: 14.1 million sq.m.).

Management Discussion and Analysis *(Continued)*

Business Review *(Continued)*

By developing property management services and related value-added services, the Group aimed to further enhance its strategic position as a high-end service platform, ensure sustainable development, and comprehensively improve the Group's overall operations performance in the future. During the reporting period, the Company actively explored third-party projects and business expansion through its wholly-owned subsidiary, Zhuhai Huafa Property. In the first half of 2021, the Group continued to deliver outstanding results. Zhuhai Huafa Property successfully tapped into the provision of professional security services. In the future, the Group will further deepen its efforts in the security services field and enhance the comprehensive competitiveness of its business. In the first half of 2021, the Company has comprehensively improved its strength to expand its businesses to various regions in the PRC, adding a number of national property management projects in Nanning, Guangxi, Guigang, Guangxi, Dalian, Liaoning, etc., while further maintaining the expansion advantages in public facilities to smoothly expand its coverage to police associations, the industrial and commercial buildings, court canteens and other projects. In June 2021, the Company assisted to carry out the property services for the square in front of Nyingchi Railway Station in Tibet. In addition, in the first half of 2021, the Company has achieved large-scale development of value-added services for owners. The half-year performance of this segment has surpassed full-year performance in the last year, representing the significant increase in revenue. The Company makes great efforts to develop new retail, space operation and parking lot management services in the community, achieving a breakthrough from having relatively low revenue to outperforming historical financial results.

In addition, the Group has continued relevant operations of hotel advisory, convention and exhibition and event planning in Mainland China through its wholly-owned subsidiaries, Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited* (珠海市橫琴新區華金國際酒店管理有限公司) ("Huajin Hotel Management") and Zhuhai Hengqin New Area Huajin International Convention Services Company Limited* (珠海市橫琴新區華金國際會展服務有限公司). Huajin Hotel Management has developed advisory projects for featured high-end hotels in Xiong'an New Area, Hebei and Nyingchi, Tibet. Although relevant business operations were still affected by the epidemic in the first half of 2021, hotel advisory services as well as exhibition services are still important parts of the Group's "One Core Two Wings" strategy, which will continue to put the synergy into full play and realising stable growth in core businesses in the future.

* For identification purpose only

Management Discussion and Analysis *(Continued)*

Business Review *(Continued)*

In order to further concentrate its resources on the development of its main business, the Company disposed all its equity interest in Hazel Trend on 26 May 2021 at a total consideration of HK\$40,000,000. Hazel Trend is an investment holding company whose major asset is an investment in 30% equity interest in Dreamy City Limited and its subsidiaries which were established to provide online training services.

As at the date of this report, the Group is principally engaged in (i) the provision of property management services and related value-added services in the Mainland China; revenue contributed by the Property Management Business to the Group amounted to approximately HK\$663,457,000 for the six months ended 30 June 2021 (six months ended 30 June 2020 restated: approximately HK\$471,194,000) and profit for the period amounted to approximately HK\$100,447,000 (six months ended 30 June 2020 restated: approximately HK\$84,919,000); and (ii)(a) hotel advisory services in the Mainland China; and (ii)(b) exhibition services in the Mainland China; revenue contributed by hotel advisory and exhibition services to the Group amounted to approximately HK\$2,462,000 for the six months ended 30 June 2021 (six months ended 30 June 2020 restated: approximately HK\$11,613,000).

Financial Review

For the six months ended 30 June 2021, the Group recorded a revenue from continuing operations of approximately HK\$665,919,000 (six months ended 30 June 2020 restated: approximately HK\$482,807,000), representing an increase of approximately 38% as compared with the corresponding period in 2020. The Group's profit before income tax from continuing operations amounted to approximately HK\$133,355,000 (six months ended 30 June 2020 restated: approximately HK\$84,485,000).

For the six months ended 30 June 2021, profit for the period attributable to owners of the Company was approximately HK\$83,970,000 (six months ended 30 June 2020: approximately HK\$15,641,000), representing an increase of approximately 437% as compared with the corresponding period in 2020. Basic and diluted earnings per share was approximately HK0.835 cent (six months ended 30 June 2020: HK0.155 cent).

Management Discussion and Analysis *(Continued)*

Liquidity and Financial Resources

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately HK\$641,849,000 (31 December 2020: approximately HK\$664,864,000) with HK\$896,300,000 borrowings from banks (31 December 2020: HK\$519,000,000). The Group had total current assets of approximately HK\$1,010,214,000 (31 December 2020: approximately HK\$911,341,000) and total current liabilities of approximately HK\$1,360,393,000 (31 December 2020: approximately HK\$1,391,644,000). The Group's current ratio, being total current assets over total current liabilities, was 0.74 (31 December 2020: 0.65).

Total deficit of the Group as at 30 June 2021 amounted to approximately HK\$270,778,000 (31 December 2020: total deficit of approximately HK\$361,160,000). The Group's gearing ratio, being total liabilities over total assets, was approximately 125% (31 December 2020: 135%).

Pledge of Assets

As at 30 June 2021, the Group had no pledge of assets.

Capital Structure

Save as disclosed, the Group's capital structure remained unchanged during the six months ended 30 June 2021.

Contingent Liabilities

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

Management Discussion and Analysis *(Continued)*

Business Plan

(I) Property Management Services

During the reporting period, the Property Management Business of the Group was steadily operated. Taking into account the continuous ramp-up of urbanization, growing urban population and the development opportunities and challenges for property management services industry brought by various industry policies, as well as the impact of COVID-19 epidemic, the value of property management services industry has been highlighted. The Group officially changed its name to Huafa Property Services Group Company Limited in the first half of this year, becoming one of the property management companies listed in Hong Kong, with property management services as the core business of the Company. Leveraging on the the stable ties with its controlling shareholder, Zhuhai Huafa, the Group actively expanded the management scale of various business portfolios, innovated the types of value-added services, implemented the comprehensive information infrastructure, broadened the Group's revenue streams and generated continuous growth in terms of revenue and cashflow.

The Group will continue to strengthen its cooperation with independent third-party property developers through a healthy expansion strategy in order to expand the market share and business scale of the Group's core businesses and related businesses when suitable opportunities arise and focus on broadening its business presence. The Group will also further enhance the operations of its headquarters in Zhuhai, proactively work on its business layout in other key domestic cities, and stress on growing the business model of "residential business as the core, expanding commercial and office properties as well as public infrastructure projects, industrial parks and municipal projects", expanding the business of "City Butler", upgrading the "city excellence + service" in an all-round way, expanding non-residential formats, thus boosting its business scale and market share.

In respect of service types, in order to further enhance its service quality and consolidate its leading industry reputation, the Group will cater to the increasingly stringent service requirements of clients with even better value-added service content, selected service category and matching service product, such as community finance, community trading services and other community commercial services so as to strengthen the adhesion with property owners. At the same time, the Group will accelerate the expansion and launch of featured value-added services, replicate the competitive projects of value-added services to property owners to various regions in the PRC for business promotion, and strive to provide more in-depth, more refined and a wider variety of value-added services. The Group will increase its efforts in technology empowerment, improve the level of informationization, develop smart property communities via technological means and increase the types of its value-added services in property management to pursue more diverse profit models while enhancing the owners' life experience.

Management Discussion and Analysis *(Continued)*

Business Plan *(Continued)*

(I) Property Management Services (Continued)

In respect of talents management, given that the property management industry is characteristic of evolving towards high-end professionals, the Group will remain committed to the “people-oriented” concept and combine the introduction of high-caliber talents with internal training. In tandem with continuous introduction of key market talents in such areas as high end management and strategic operation, the Group will never cease to implement its incentive policy for employees to improve their academic and professional qualifications, establish a training system to train them and lift the overall operational efficiency of frontline and administrative personnel.

In respect of the control of labour cost in its cost of sales, the Group will, from time to time, review its operational efficiency in light of controlling labour cost while optimizing its service provision to clients, so as to maintain the profitability of the Property Management Business.

(II) Exhibition services

The Group has provided consultancy services in relation to convention, exhibition, conference and event planning and organization since 2019, as well as convention-related businesses including venue set up, advertising and promotional activities, business promotion and integration of cooperation resources, planning and implementation of supporting services. Although the exhibition business of the Group was still affected by the epidemic prevention and control during the reporting period, we expect that the exhibition activities will gradually resume in the future as the epidemic has gradually contained. The exhibition projects undertaken in previous years such as the “Macao-Zhuhai Entrepreneur Summit” and “Zhuhai International Design Week” (珠海國際設計周) are expected to be held as scheduled. At the same time, we will continue to explore business development opportunities for exhibition services and explore synergy with property management services to create new business growth points for the development of the Group.

Management Discussion and Analysis *(Continued)*

Business Plan *(Continued)*

(III) Hotel advisory services

With the support of experienced professionals, the Group's hotel advisory business will continue to develop steadily. On the basis of providing special hotel advisory services such as pre-opening management and consulting, the Group will explore the advisory services and pre-opening preparation services for various types of high-end hotels, such as hot springs and island resort hotels and high-end business hotels, in order to continuously provide good and high-quality services. Meanwhile, the Group will also strive to expand its current principal advisory services from consultancy for property developers and hotel consultancy and advisory to other aspects.

Employees

As at 30 June 2021, the Group had a total of 7,054 employees (31 December 2020: approximately 6,583). The staff costs of the Group for the six months ended 30 June 2021 were approximately HK\$353,472,000 (six months ended 30 June 2020 restated: approximately HK\$270,229,000), which comprised salaries, commissions, bonuses, other allowances and contributions to the retirement and medical security schemes. In general, the Group structured its employee remuneration packages with reference to general market practice, employees' duties and responsibilities and the Group's financial performance. The Group provides training courses and training programmes to equip staff with the necessary skills, techniques and knowledge in order to enhance their productivity and administrative efficiency.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).

Management Discussion and Analysis *(Continued)*

Interest Rate Risk

As at 30 June 2021, the Group's interest-bearing financial assets primarily comprised of bank deposits, and the Group's interest-bearing financial liabilities primarily comprised of bank borrowings. As there was no significant financial risk of a change in interest rates, the Group had no interest rate hedging policy.

Foreign Exchange Risk

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

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

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

Credit Risk

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

Price Risk

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

Management Discussion and Analysis *(Continued)*

Liquidity Risk

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

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

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

Significant Acquisitions and Disposals of Investments

Save as disclosed in note 1 to the Interim Condensed Consolidated Financial Information, the Group did not acquire or dispose of any significant investments during the six months ended 30 June 2021.

Other Information

Share Option Scheme

There is no share option scheme during the six months ended 30 June 2021 and up to the date of this report.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2021.

Other Information *(Continued)*

Audit Committee

The Group has established the Audit Committee consisting of three independent non-executive Directors, namely Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai. Dr. Chen Jieping is the chairman of the Audit Committee. The primary duty of the Audit Committee is to review and monitor the financial reporting process and effectiveness of the internal control and risk management systems of the Group. The Audit Committee has reviewed the Group's unaudited interim results and interim report for the six months ended 30 June 2021.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2021, none of the Directors or the chief executive of the Company or their close associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Other Information *(Continued)*

Interest of Substantial Shareholders

As far as was known to the Directors, as at 30 June 2021, the interests or short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

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

Name of Substantial Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of interested shares to the issued share capital of the Company (%)
Zhuhai Huafa <i>(Note 1)</i>	Interest in controlled corporations	3,710,750,000	36.88
Ho Chi Sing <i>(Note 2)</i>	Interest in controlled corporations	860,920,000	8.56
IDG Light Solutions Limited <i>(Note 2)</i>	Beneficial owner	860,920,000	8.56

Notes:

1. Zhuhai Huafa holds 100% of the issued share capital of Huafa HK, which in turn holds 100% of the issued share capital of Huajin Investment Company Limited ("Huajin"). Since Huajin holds 3,710,750,000 shares of the Company, Zhuhai Huafa is deemed to be interested in 3,710,750,000 shares of the Company by virtue of its shareholding in Huajin.
2. Mr. Ho Chi Sing directly holds 100% of the issued share capital of IDG Light Solutions Limited (incorporated in the British Virgin Islands), which holds 860,920,000 shares of the Company.

Therefore, Mr. Ho Chi Sing is deemed to be interested in a total of 860,920,000 shares of the Company by virtue of his shareholding in IDG Light Solutions Limited.

Other Information *(Continued)*

Interest of Substantial Shareholders *(Continued)*

Save as disclosed above, as at 30 June 2021, no person had any interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or otherwise notified to the Company and the Stock Exchange.

Outlook

The global economic environment is not expected to be optimistic under the impact of COVID-19 epidemic for the rest of 2021. While facing with a complicated business environment, looking ahead, the Group is still cautiously optimistic about its business prospects.

The Group strives to strengthen the development of property management services segment. In addition to further enhance the development of its value-added services through expanding the portfolio of municipal management and maintenance projects, the Group also actively develops its services in non-residential properties, such as office buildings, industrial parks, commercial centres, government and other public facilities while striving to expand property management services for independent third-party property developers to build up strength for its potential merger and acquisition plans, so as to expand the market share and business scale within the Property Management Business or related businesses.

By seizing the “Technology+” strategic plan as an opportunity to accelerate its information-based development, the Group will further bolster service quality and operational efficiency, and work to develop the Group into a community life operator and integrated facility service provider based in the Guangdong-Hong Kong-Macau Greater Bay Area and equipped with a global vision, persistent quality innovation, pursuit of knowledge-based management and practice of social responsibility.

The Group also strives to strengthen the development of the hotel advisory and exhibition services segment and seeks for potential market-oriented business opportunities for a wider range of this segment. To secure its sustainable development with efforts to improve the overall operational performance of the Group in the future and to enhance shareholders’ value, the Group targets to further focus on its core business while enhancing the Group’s “One Core Two Wings” Strategy.

Going forward, the Group will be committed to optimizing its business structure, focusing its resources on developing core businesses to boost its sustainable market competitiveness, thereby creating greater values for the shareholders.

Other Information *(Continued)*

Corporate Governance

During the six months ended 30 June 2021, the Company has, in the opinion of the Directors, complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules on the Stock Exchange.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2021.

Environmental, Social And Governance ("ESG") Reporting

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

Change of Director's Information

Mr. Li Guangning has been appointed as a director of Shenzhen Weiye Decoration Group Co., Ltd. (深圳市維業裝飾集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300621), with effect from 15 September 2020. He has also resigned as a chairman of the board of directors and has been appointed as a non-independent director of Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000532), with effect from 23 March 2021 and 24 March 2021 respectively. He has also been appointed as a director of Advanced Fiber Resources (Zhuhai), Ltd. (珠海光庫科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300620), with effect from 31 March 2021. He has also been appointed as a director of HC SemiTek Corporation (華燦光電股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300323), with effect from 6 May 2021. He has also been appointed as a non-executive director of Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 06188.HK), with effect from 30 June 2021.

Other Information *(Continued)*

Change of Director's Information *(Continued)*

Mr. Xie Wei has resigned as a vice chairman of the board of directors of Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000532), with effect from 23 March 2021.

Ms. Zhou Youfen has been appointed as a chairman of the board of supervisors of Zhuhai Huafa Industrial Co., Ltd. (珠海華發實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600325), with effect from 18 May 2021.

Change of Composition of the Board

As disclosed in the Company's announcement dated 30 July 2021, with effect from 30 July 2021, Mr. Xie Wei has tendered his resignation as the chief executive officer and an authorised representative of the Company; Ms. Guo Jin resigned as an executive Director and a member of the remuneration committee of the Company. Accordingly, Mr. Zhou Wenbin has been appointed as an executive Director, the chief executive officer, a member of the remuneration committee, and an authorised representative of the Company with effect from 30 July 2021.

Appreciation

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

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

Hong Kong, 30 August 2021