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Xingye Wulian Service Group Co. Ltd.

興業物聯服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9916)

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

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB155.7 million for the Period, representing an increase of approximately 16.8% as compared to approximately RMB133.2 million for the corresponding period in 2021.
- Gross profit was approximately RMB50.7 million for the Period, representing an decrease of approximately 2.7% as compared to approximately RMB52.2 million for the corresponding period in 2021.
- Profit attributable to owners of the parent was approximately RMB32.0 million for the Period, representing a decrease of approximately 14.6% as compared to approximately RMB37.4 million for the corresponding period in 2021.
- Basic earnings per share was approximately RMB8.00 cents for the Period as compared to approximately RMB9.36 cents for the corresponding period in 2021.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Xingye Wulian Service Group Co. Ltd. (the “**Company**”) hereby announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”, “**we**”, “**our**” or “**us**”) for the six months ended 30 June 2022 (the “**Period**”) together with the comparative figures for the corresponding period in 2021 as set out in this announcement.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	<i>4</i>	155,663	133,230
Cost of sales		<u>(104,925)</u>	<u>(81,065)</u>
Gross profit		50,738	52,165
Other income and gains	<i>4</i>	7,073	15,043
Selling and marketing expenses		(707)	(575)
Administrative expenses		(13,808)	(16,532)
Impairment losses on financial and contract assets		(332)	(298)
Finance costs		<u>(68)</u>	<u>(148)</u>
PROFIT BEFORE TAX	<i>5</i>	42,896	49,655
Income tax expenses	<i>6</i>	<u>(10,913)</u>	<u>(12,220)</u>
PROFIT FOR THE PERIOD		<u>31,983</u>	<u>37,435</u>
Attributable to:			
Owners of the parent		<u>31,983</u>	<u>37,435</u>

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		<u>(4,064)</u>	<u>(67)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		<u>(4,064)</u>	<u>(67)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>27,919</u></u>	<u><u>37,368</u></u>
Attributable to:			
Owners of the parent		<u><u>27,919</u></u>	<u><u>37,368</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the period (RMB cents)	8	<u><u>8.00</u></u>	<u><u>9.36</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,108	1,673
Right-of-use assets		2,657	3,737
Deferred tax assets		753	799
Total non-current assets		<u>4,518</u>	<u>6,209</u>
CURRENT ASSETS			
Trade receivables	9	48,602	40,045
Contract assets		23,487	21,953
Prepayments, other receivables and other assets		3,861	14,790
Restricted and pledged bank deposits		100	50,100
Cash and cash equivalents		460,752	399,132
Total current assets		<u>536,802</u>	<u>526,020</u>
CURRENT LIABILITIES			
Trade payables	10	17,524	22,506
Other payables and accruals		60,501	55,152
Contract liabilities		63,099	74,040
Tax payable		2,767	1,234
Provisions		1,236	1,238
Lease liabilities		1,071	1,514
Total current liabilities		<u>146,198</u>	<u>155,684</u>
NET CURRENT ASSETS		<u>390,604</u>	<u>370,336</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>395,122</u>	<u>376,545</u>
NON-CURRENT LIABILITIES			
Provisions		1,854	1,857
Lease liabilities		2,431	3,590
Deferred tax liability		590	590
Total non-current liabilities		<u>4,875</u>	<u>6,037</u>
Net assets		<u>390,247</u>	<u>370,508</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	11	3,572	3,572
Reserves		386,675	366,936
Total equity		<u>390,247</u>	<u>370,508</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL

Xingye Wulian Service Group Co. Ltd. (the “**Company**”) is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 12 August 2019. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company have been listed in connection with the Company’s initial public offering (the “**Global Offering**”) on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 9 March 2020 (the “**Listing Date**”).

The Company is an investment holding company, and the Group is principally engaged in property management and value-added services, and property engineering services.

In the opinion of the directors of the Company, the immediate holding company of the Company is Foison Amber Development Limited, a limited liability company incorporated in the British Virgin Islands (“**BVI**”). The ultimate holding company of the Company is Vistra Trust (BVI) Limited, as the trustee of the Blossom Trust, a discretionary family trust established by Ms. Huang Yanping (“**Ms. Huang**”) as the settlor, with Ms. Zhang Huiqi (“**Ms. Zhang**”) acting as the protector and Ms. Zhang and her descendants being the discretionary beneficiaries. Ms. Zhang is also a non-executive director of the Company.

2.1 BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated 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 2021.

The interim condensed consolidated financial information for the six months ended 30 June 2022 was approved for issue by the board (the “**Board**”) of directors of the Company (the “**Directors**”) on 29 August 2022.

The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

The adoption of the above new and revised IFRSs has had no significant financial effect on the financial information and performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, our Group is organised into business units based on their services and has three reportable operating segments as follows:

- (a) Property management and value-added services
- (b) Property engineering services
- (c) Others*

* The “others” segment comprises club house services, including catering and ancillary services.

Management monitors the results of our Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit.

There are no differences from the Group’s annual financial statements for the year ended 31 December 2021 on the basis of segmentation or on the basis of measurement of segment profit or loss, segment assets and liabilities.

Segment revenue

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Property management and value-added services	129,910	102,531
Property engineering services	21,128	26,056
Others	4,625	4,643
	155,663	133,230

Segment results

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Property management and value-added services	39,678	48,240
Property engineering services	1,932	3,013
Others	(2,490)	801
Segment results	39,120	52,054
<i>Reconciliation:</i>		
Unallocated income	4,765	212
Unallocated expenses	(989)	(2,611)
Profit before tax	42,896	49,655

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment assets

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Property management and value-added services	458,821	471,425
Property engineering services	57,479	55,916
Others	2,756	596
	<hr/>	<hr/>
Segment assets	519,056	527,937
<u>Reconciliation:</u>		
Unallocated assets	22,264	4,292
	<hr/>	<hr/>
Total assets	541,320	532,229

Segment liabilities

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Property management and value-added services	119,938	141,552
Property engineering services	16,623	17,860
Others	2,950	469
	<hr/>	<hr/>
Segment liabilities	139,511	159,881
<u>Reconciliation:</u>		
Unallocated liabilities	11,562	1,840
	<hr/>	<hr/>
Total liabilities	151,073	161,721

Geographical information

Since the Group operates in Mainland China only, no operating geographical analysis thereof is presented.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
<u>Types of services</u>		
Property management and value-added services	129,910	102,531
Property engineering services	21,128	26,056
Others	4,625	4,643
	<u>155,663</u>	<u>133,230</u>

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
<u>Timing of revenue recognition</u>		
<i>At a point in time</i>		
Value-added services	2,986	2,196
Others	4,625	4,643
<i>Over time</i>		
Property management	126,924	100,335
Property engineering services	21,128	26,056
	<u>155,663</u>	<u>133,230</u>

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Government grants	272	4,251
Interest income	1,447	10,329
Foreign exchange differences, net	4,765	2
Other gains	589	461
	<u>7,073</u>	<u>15,043</u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Cost of services provided	104,925	81,065
Depreciation of property, plant and equipment	556	381
Amortisation of other intangible asset	-	38
Depreciation of right-of-use assets	183	232
Research and development expenses	1,186	2,055
Auditors' remuneration	300	300
Employee benefit expense (including Directors' remuneration):		
Wages and salaries	23,664	16,186
Pension scheme contributions	3,162	2,163
Foreign exchange differences, net	(4,765)	(2)
Impairment losses on trade receivables and contract assets	332	298

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China ("PRC") and the respective regulations, except for Henan Xingye Internet of Things Information Consulting Co., Ltd.* (河南興業物聯信息諮詢有限公司) and Henan Wuxiang Intelligent Technology Co., Ltd.* (河南物象智能科技有限公司) which enjoyed preferential enterprise tax at rates of 5% (30 June 2021: 5%) and 15% (30 June 2021: 15%), respectively, during the reporting period, the subsidiaries which operate in China are subject to enterprise income tax at a rate of 25% (30 June 2021: 25%) on the taxable income.

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Current	10,867	12,235
Deferred	46	(15)
Total tax charge for the period	10,913	12,220

7. DIVIDENDS

A final dividend of HK\$2.50 cents (equivalent to approximately RMB2.045 cents) per share, amounting to approximately HK\$10,000,000 (equivalent to approximately RMB8,180,000) was approved by the shareholders at the annual general meeting of the Company on 28 June 2022 and paid on 12 August 2022.

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (30 June 2021: 400,000,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

The calculations of basic earnings per share is based on:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	31,983	37,435
	Number of shares	
	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	400,000,000	400,000,000

9. TRADE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	49,459	40,587
Impairment	(857)	(542)
	<u>48,602</u>	<u>40,045</u>

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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	38,350	38,170
1 to 2 years	9,135	1,277
2 to 3 years	593	598
3 to 4 years	524	–
	<u>48,602</u>	<u>40,045</u>

Included in trade receivables are amounts due from related parties of RMB37,424,000 as at 30 June 2022 (31 December 2021: RMB31,394,000). The carrying amount of trade receivables approximates to their fair value.

10. TRADE PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	15,362	21,939
Over 1 year	2,162	567
	<u>17,524</u>	<u>22,506</u>

The trade payables are non-interest-bearing and are normally settled in less than three months. The carrying amounts of trade payables approximate to their fair values.

11. SHARE CAPITAL

Ordinary share of HK\$0.01 each

	Number of shares	Nominal value <i>HK\$'000</i>	Equivalent nominal value <i>RMB'000</i>
Authorised:			
At 31 December 2021, 1 January 2022 and 30 June 2022	<u>10,000,000,000</u>	<u>100,000</u>	<u>89,858</u>
		30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Issued and fully paid:			
400,000,000 (31 December 2021: 400,000,000) ordinary shares of HK\$0.01 each		<u>3,572</u>	<u>3,572</u>

The Company's share capital is as follows:

	Number of shares	Nominal value <i>HK\$'000</i>	Equivalent amount <i>RMB'000</i>
<i>Notes</i>			
At 31 December 2021, 1 January 2022 and 30 June 2022	<u>400,000,000</u>	<u>4,000</u>	<u>3,572</u>

12. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial information, the Group had the following transactions with related parties during the period:

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Sales of services:			
Property management and value-added services rendered to related parties	<i>(i)(ii)</i>	18,177	22,484
Property engineering services rendered to related parties	<i>(i)(ii)</i>	20,665	26,056
Others		5	1,668
		38,847	50,208

Notes:

- (i) The sales of services rendered to the related parties based on agreements mutually agreed by both parties.
- (ii) The Group was engaged in provision of property management and value-added services and property engineering services to Ever Diamond Global Company Limited and its subsidiaries (the “**Ever Diamond Group**”), Zensun Enterprises Limited and its subsidiaries (the “**Zensun Enterprises Group**”) and Henan Zensun Enterprise Development Group Co., Ltd.*(河南正商企業發展集團有限責任公司) and its subsidiaries (the “**Zensun Development Group**”, together with Ever Diamond Group and Zensun Enterprises Group, the “**Zensun Group**”).

Ever Diamond Global Company Limited and Zensun Enterprises Limited are ultimately owned as to 100% and 71.99% by a discretionary trust established by Ms. Huang Yanping (“**Ms. Huang**”) as settlor and protector as at the date of this announcement. As Ms. Huang is the mother of Ms. Zhang Huiqi (“**Ms. Zhang**”), the non-executive Director of the Company, both Zensun Enterprises Group and Ever Diamond Group are connected entities of Ms. Zhang. Additionally, Zensun Development Group are entities controlled by Ms. Zhang.

The related party transactions in respect of property management and value-added services and property engineering services rendered to related parties also constitute continuing connected transactions as defined in chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

12. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

During the six months ended 30 June 2021, Henan Xingye Internet of Things Management Technology Co., Ltd.* (河南興業物聯網管理科技有限公司) (“**Xingye IOT Management**”), a subsidiary of the Company, signed a debt transfer agreement with certain related parties to transfer the receivable collection rights due from those related parties to Henan Zensun Real Estate Co., Ltd.* (河南正商置業有限公司) (“**Zensun Real Estate**”), another related party of the Group. After the completion of the transfer, Xingye IOT Management will settle the receivables and payables with Zensun Real Estate on the net basis after offsetting.

Details of the Group’s outstanding balances of trade receivables with related parties are disclosed in note 9 of this announcement.

Included in contract assets are amounts due from related parties of RMB23,487,000 as at 30 June 2022 (31 December 2021: RMB21,953,000).

Included in contract liabilities, other payables and accruals and lease liabilities are amounts due to related parties of RMB4,976,000, RMB1,013,000 and RMB3,209,000 as at 30 June 2022 (31 December 2021: RMB4,005,000, RMB1,825,000 and RMB4,811,000), respectively.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	738	1,183
Post-employment benefits	92	92
	<u>830</u>	<u>1,275</u>

13. EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

Established in 1999, we are a reputable property management service provider in Henan Province with a particular focus on offering property management and value-added services. We provide a wide range of property management services which include, among others, security, cleaning, greening and gardening, parking space management, repair and maintenance for common areas and customer services, and value-added services which include repair and maintenance for exclusive use areas, renovation waste clearance, intermediary leasing services, etc. We also provide our customers with property engineering services which include the planning, design and installation of security and surveillance systems, access control systems, carpark management systems and construction site management systems, in order to enhance the quality of the property management systems of our customers.

During the Period, the Group continued its business strategies set in the preceding year to diversify its portfolio of pipeline properties expanding from non-residential properties to also residential properties in provision of property management and value-added services. Thus, our portfolio of properties under management expanded during the Period with the gross floor area (“GFA”) increased from approximately 6.6 million sq.m. as at 31 December 2021 to approximately 7.2 million sq.m. as at 30 June 2022. As at 30 June 2022, our portfolio of contracted properties covered GFA of approximately 11.0 million sq.m. in aggregate.

During the Period, we entered into 11 property engineering contracts with an aggregated original contract sum, net of tax, of approximately RMB5.8 million (30 June 2021: RMB46.4 million). The decrease in contract value was largely affected by the overall downturn economy during the Period and as such the engineering services provided to property projects by the Group were in a smaller scale, which led to lower revenue of the Group.

FINANCIAL REVIEW

Revenue

Our Group's revenue was generated from (i) property management and value-added services; and (ii) property engineering services.

During the Period, our Group's total revenue was approximately RMB155.7 million, representing an increase of approximately RMB22.5 million or 16.8% as compared to approximately RMB133.2 million for the six months ended 30 June 2021. Such increase was attributable to the increase in revenue from property management and value-added services of approximately RMB27.4 million which is offset by the decrease in revenue from property engineering services of approximately RMB4.9 million.

The following table sets out the breakdown of our revenue by type of services for the periods:

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management and value-added services				
– Property management services	126,924	81.5	100,335	75.3
– Value-added services	2,986	1.9	2,196	1.6
	129,910	83.4	102,531	76.9
Property engineering services	21,128	13.6	26,056	19.6
Others	4,625	3.0	4,643	3.5
Total	155,663	100.0	133,230	100.0

The following table sets out the breakdown of our revenue between a person(s) or company(ies) who/which is or are independent of and not connected with our Company and our connected persons (the “**Independent Third Parties**”) and related parties for the periods:

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Independent Third Parties	116,816	75.0	83,022	62.3
Related parties	38,847	25.0	50,208	37.7
Total	155,663	100.0	133,230	100.0

Property management and value-added services

Our Group's revenue generated from property management and value-added services increased by approximately RMB27.4 million or 26.7% from approximately RMB102.5 million for the six months ended 30 June 2021 to approximately RMB129.9 million for the Period. This increase was primarily as a result of the increase in the GFA of our properties under management of approximately 0.6 million sq.m., as compared to the corresponding period in 2021, through our expansion of diversified property portfolio of both non-residential and residential properties.

Property engineering services

Our Group's revenue generated from property engineering services decreased by approximately RMB4.9 million or 18.9% from approximately RMB26.1 million for the six months ended 30 June 2021 to approximately RMB21.1 million for the Period. The decrease was mainly resulted from the recent downturn in the overall property market of the PRC, which led to the decrease in the number and scale of new property development projects and slowdown in progress of existing property developments in the PRC.

Cost of Sales

Our Group's cost of sales primarily consists of subcontracting costs, staff costs and materials and consumables. We recorded an increase in cost of sales of approximately RMB23.9 million or 29.4% from approximately RMB81.1 million for the six months ended 30 June 2021 to approximately RMB104.9 million for the Period. Such increase was generally in line with our growth in revenue during the Period associated with the growth in our properties under management services rendered.

Gross Profit and Gross Profit Margin

Our gross profit decreased slightly by approximately RMB1.4 million or 2.7% from approximately RMB52.2 million for the six months ended 30 June 2021 to approximately RMB50.7 million for the Period. Our gross profit margin was approximately 32.6% for the Period as compared to approximately 39.2% for the six months ended 30 June 2021. The decrease in gross profit margin was primarily resulted from: (i) the new properties under management mainly comprise residential and loft buildings which generally have a lower gross profit margin as compared to our other property management and value-added services, and (ii) in order to improve the service quality of the properties under management, the Group has increased various resources and investments to these properties.

Other Income and Gains

Other income and gains mainly comprised government grants and interest income. Our other income and gains decreased by approximately RMB8.0 million or 53.0% from approximately RMB15.0 million for the six months ended 30 June 2021 to approximately RMB7.1 million for the Period. Such decrease was mainly attributable to less government grants received by the Group and the decrease in interest income during the Period.

Selling and Marketing Expenses

Our selling and marketing expenses primarily comprised marketing expenses and staff costs for our marketing personnel. Our selling and marketing expenses remained relatively stable at approximately RMB0.7 million for the Period and approximately RMB0.6 million for the period ended 30 June 2021.

Administrative Expenses

Our administrative expenses mainly comprised staff costs of our administrative staff at our headquarters, office expenses and professional fees. Our administrative expenses decreased by approximately RMB2.7 million or 16.5% from approximately RMB16.5 million for the period ended 30 June 2021 to approximately RMB13.8 million for the Period. During the Period, in order to improve service quality, the Group optimised the personnel structure, by increasing the number of frontline sanitation, cleaning security and other employees, whilst reducing the number of office management staff, which, together, led to the decrease in staff costs.

Finance Costs

Our finance costs represented the imputed interest generated from rights-of-use assets in connection with the lease contract payments for our lease properties.

Income Tax Expenses

Our income tax expenses decreased by approximately RMB1.3 million or 10.7% from approximately RMB12.2 million for the period ended 30 June 2021 to approximately RMB10.9 million for the Period, which is in line with the decreased in profit before tax during the Period.

Profit for the Period

As a result of the foregoing, our profit attributable to the owners of the parent decreased by approximately RMB5.5 million or 14.6% from approximately RMB37.4 million for the six months ended 30 June 2021 to approximately RMB32.0 million for the Period.

FINANCIAL POSITION

Property, Plant and Equipment

Property, plant and equipment of our Group primarily represented machinery and electronic equipment used in our headquarters and the management centres in our properties under management. The total net book value of our property, plant and equipment has decreased by approximately RMB0.6 million or 33.8% to approximately RMB1.1 million as at 30 June 2022, as compared to approximately RMB1.7 million as at 31 December 2021 because of depreciation recognised during the Period.

Trade Receivables

Our total trade receivables were approximately RMB49.5 million and trade receivable, net of loss allowance, was approximately RMB48.6 million as at 30 June 2022, as compared to that of approximately RMB40.6 million and RMB40.0 million, respectively, as at 31 December 2021. The increase in trade receivables was primarily attributable to the increase in property management and value-added services provided.

Our trade receivables from related parties were approximately RMB37.4 million as at 30 June 2022, representing an increase of approximately RMB6.0 million or 19.2%, as compared to approximately RMB31.4 million as at 31 December 2021 were associated with outstanding property management fees generated from unsold properties under management and property engineering services rendered to the related parties.

Our trade receivables from Independent Third Parties increased from approximately RMB9.2 million as at 31 December 2021 to approximately RMB12.0 million as at 30 June 2022, which was in line with the increase in revenue.

Trade Payables

Our trade payables primarily consisted of payables to our suppliers for their products and our subcontractors for their provision of labour or services for property management and value-added services and property engineering services. Our trade payables amounted to approximately RMB17.5 million as at 30 June 2022, representing a decrease of approximately RMB5.0 million or 22.1% as compared to approximately RMB22.5 million as at 31 December 2021. The decrease in trade payables was as a result of the timely settlement of our trade payables during the Period.

Other Payables and Accruals

Our other payables and accruals mainly comprised other payables, payroll payables, deposits, tax payables other than income tax and amounts due to related parties. Our other payables and accruals amounted to approximately RMB60.5 million as at 30 June 2022, which remained relatively stable as compared to approximately RMB55.2 million as at 31 December 2021.

Contract Liabilities

Our contract liabilities represented advanced receipts for property management and value-added services. Our contract liabilities decreased from approximately RMB74.0 million as at 31 December 2021 to approximately RMB63.1 million as at 30 June 2022. The decrease was primarily attributable to the lower properties management fee receipt in advance since there were promotional events to property owners to pay management fee in advance in exchange for gifts for the corresponding period in 2021 in which there was no such events for the Period.

Indebtedness

As at 30 June 2022, we had no outstanding borrowings and unutilised banking facilities. The Group's lease liabilities decreased from approximately RMB5.1 million as at 31 December 2021 to approximately RMB3.5 million as at 30 June 2022.

Liquidity, Financial Resources and Capital Structure

Our Group maintained a healthy financial position. As at 30 June 2022, the current assets amounted to approximately RMB536.8 million, representing an increase of approximately RMB10.8 million or 2.0% as compared to approximately RMB526.0 million as at 31 December 2021. As at 30 June 2022, cash and cash equivalents of our Group amounted to approximately RMB460.8 million, representing an increase of approximately RMB61.6 million or 15.4% as compared to approximately RMB399.1 million as at 31 December 2021.

Gearing ratio is calculated based on the total debt (of which debt represents interest-bearing borrowings) divided by the total equity as at the end of the reporting period. As at 30 June 2022, our Group has no interest-bearing borrowings and hence the gearing ratio was nil.

The capital structure of our Group is primarily equity which comprises issued share capital and reserves.

Current Ratio

Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the reporting period. The current ratio of our Group as at 30 June 2022 was approximately 3.7 times as compared to that of approximately 3.4 times as at 31 December 2021.

Charge on the Group Assets and Pledge of Assets

As at 30 June 2022, none of the assets of our Group was pledged and there were not any charges on the Group's assets.

Contingent Liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 June 2022, the Group did not have any material capital commitments.

Foreign Exchange Risks

Our Group mainly operates in the PRC with most of the transactions settled in RMB. Therefore, the Group is not exposed to significant foreign currency exchange risk except for certain bank balances denominated in Hong Kong dollars held by the Company. Currently, the Group did not entered into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2022, our Group had 559 employees. We generally determine employees' compensation based on their qualification, position, seniority and performance. Pursuant to relevant laws and regulations in the PRC, we participate in various employee social security plans that are organised by applicable local municipal and provincial governments, including pension, medical, maternity, work-related injury and unemployment benefit plans. Total staff-related cost, including Directors' emoluments, was approximately RMB26.8 million for the Period (30 June 2021: RMB18.3 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Period, our Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

SIGNIFICANT INVESTMENTS

As at 30 June 2022, the Group did not have any significant investments accounting for more than 5% of the Group's total assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2022. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Listing Rules as and when appropriate.

PROCEEDS FROM GLOBAL OFFERING

On the Listing Date, the shares of our Company were listed on the Main Board of the Stock Exchange and 100,000,000 new shares were issued in the Global Offering. After deducting the underwriting fees and commissions and other estimated expenses in connection with the Global Offering of ordinary shares of par value HK\$0.01 each of our Company, including, a public offering in Hong Kong of 50,000,000 shares and an international offering of 50,000,000 shares, in each case at a price of HK\$1.99 per share, net proceeds from the Global Offering amounted to approximately HK\$167.8 million (equivalent to RMB149.6 million). As at 30 June 2022, our Group had utilised approximately RMB5.2 million of the funds raised as follows:

Intended use of the net proceeds	Percentage	Planned amount of the net proceeds for its intended use <i>RMB million</i>	Unutilised net proceeds as at 31 December 2021 <i>RMB million</i>	Net proceeds utilised during the Period <i>RMB million</i>	Unutilised net proceeds as at 30 June 2022 <i>RMB million</i>	Expected timeline for the usage of the unutilised net proceeds <i>RMB million</i>
1) Acquisition of suitable acquisition targets	72.3%	108.2	108.2	-	108.2	Within three years upon the Listing Date
2) Enhancing our property engineering services	7.2%	10.8	-	-	-	N/A
3) Enhancing our property management services	10.5%	15.7	5.2	5.2	-	N/A
4) General working capital	10.0%	14.9	-	-	-	N/A
	<u>100.0%</u>	<u>149.6</u>	<u>113.4</u>	<u>5.2</u>	<u>108.2</u>	

Given the impacts of the COVID-19 pandemic on the macro-economic environment, the Group will continue to seek suitable targets for acquisitions and investments or cooperation. We will adopt a prudent manner in identifying potential targets so as to utilize the net proceeds from the Global Offering effectively and efficiently for the long term benefit and development of the Group.

FUTURE OUTLOOK

Our Group will continue to strengthen our position in the property management service and property engineering services industry by implementing the following strategies: (i) undertake additional property management projects with a focus on mid to high-end non-residential properties; (ii) selectively pursue merger and acquisition opportunities within the property management industry; (iii) participate in an early stage of construction projects by leveraging our ability in property engineering services with a view to winning the property management agreement tender at a later stage of the projects; (iv) continue to develop our mobile application to enhance our customer and user experience; (v) continue to enhance our property engineering services by offering new products with enhanced functionalities and enhancing relevant technology; and (vi) continue to upgrade our information technology systems to enhance our operational efficiency in our property management business.

In view of the intensifying competition in the property management services industry amidst the uncertain economic outlook in the market, our Group will continue to diversify its portfolio of pipeline properties to mid to high-end residential properties by means of submitting tenders or quotations for provision of property management services, with a focus on residential properties and mergers and acquisitions of property management services providers or project companies. The Directors believes that such diversification enables our Group to optimize its overall operational efficiency to achieve a sustainable growth and maximize returns to Shareholders.

IMPACT OF COVID-19 PANDEMIC ON OUR BUSINESS

Since the outbreak of COVID-19 pandemic, the Group has prepared itself to adapt to the ever-changing challenges and environment. Epidemic precautionary and control measures were carried out from time to time in all our working locations to ensure that we continued to provide uninterrupted quality services to our customers. Other than the necessary measures to prevent the potential crisis, the Group will also pay close attention to the development of the COVID-19 outbreak and government announcement to assess our strategies and promptly respond to any changes in order to safeguard our community. In light of the current situation under the COVID-19 pandemic in relation to epidemic control measures launched by governments, it appeared that the pandemic impact on properties under our management was limited.

Since last year, our Group implemented strategy in expanding our pipeline property portfolio to provide property management and value-added services also to residential properties in order to diversify our income streams and leverage the risk and rewards from non-residential properties under the uncertain economic environment. As at 30 June 2022, our Group has sufficient cash and cash equivalents, which amounted to approximately RMB460.8 million (equivalent to almost 3.8 times of the total expenses comprising cost of sales, selling and marketing expenses, administrative expenses and finance costs incurred for the Period). Therefore, in the unlikely event that the operation of our Group is temporarily suspended, our Group has sufficient working capital to satisfy our requirement.

The Group will continue to adopt the necessary measures, pay close attention to the development of the COVID-19 pandemic and evaluate its impact on our financial position and operating results from time to time. The Group was not aware of risks or uncertainties that would cause material adverse effects on the Group's operations, financial performance and financial position as a result of the COVID-19 outbreak during the Period and up to the date of this interim report.

CHANGES SINCE 31 DECEMBER 2021

Save as disclosed in this announcement, there were no other material changes in the Group's financial position or from the information disclosed under the management discussion and analysis section in the Company's 2021 annual report.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, there was no significant event after the Period and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Company has adopted corporate governance practices based on the principles and code provisions of the Corporate Governance Code ("**CG Code**") as set out in the Appendix 14 to the Listing Rules as its own code of corporate governance practices.

The Board is of the view that, the Company has complied with the relevant code provisions contained in the CG Code during the Period, save for deviation from code provision C.2.1 of the CG Code.

Pursuant to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive of the Company should be segregated. The Company is of the view that it is in the best interest of the Company that Mr. Zhu Jie, with his profound expertise in the property business, shall continue in his dual capacity as chairman and chief executive officer. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board composition and structure taking into account the background and experience of the Directors.

The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Our Company has made specific enquiry with all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the Period.

AUDIT COMMITTEE

The audit committee of our Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Feng Zhidong (Chairman), Mr. Zhou Sheng and Mr. Xu Chun. The Audit Committee is primarily responsible to assist the Board in reviewing and monitoring the financial reporting process, risk management and internal control systems of our Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

The Audit Committee has reviewed, with Company’s management, the accounting principles and practices adopted by our Group, and discussed, among other things, auditing and financial reporting matters including a review of the unaudited interim condensed consolidated results of our Group for the Period.

Scope of Work of Messrs. Ernst & Young

The unaudited interim condensed consolidated results of the Group for the Period have been reviewed by the independent auditor of the Company, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

DIVIDEND

The Board did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.xingyewulian.com). The interim report of our Company for the Period containing all the information required by Appendix 16 of the Listing Rules will be despatched to our Company’s shareholders and available on the above websites in due course.

ACKNOWLEDGEMENT

We would like to thank the management and all of our staff for their hard work and dedication, as well as our shareholders for their continuous support to the Group.

By Order of the Board
Xingye Wulian Service Group Co. Ltd.
Zhu Jie
Chairman and Chief Executive Officer

Hong Kong, 29 August 2022

As at the date of this announcement, the Board comprises Mr. Zhu Jie as the executive Director; Ms. Zhang Huiqi, Mr. Wang Jinhu and Mr. Liu Zhenqiang as non-executive Directors and Mr. Xu Chun, Mr. Feng Zhidong and Mr. Zhou Sheng as independent non-executive Directors.