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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)

(1) ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022, (2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND (3) ADOPTION OF THE SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB321.1 million for the Year, representing an increase of approximately 14.0% as compared with that for the year ended 31 December 2021.
- Gross profit for the Year was approximately RMB99.7 million, representing an increase of approximately 6.3% as compared with that for the year ended 31 December 2021.
- Profit attributable to owners of the parent, was approximately RMB47.2 million for the Year, representing a decrease of approximately 13.4% as compared to that of approximately RMB54.5 million for the year ended 31 December 2021.
- Basic earnings per share for the Year was approximately RMB11.8 cents as compared to that of approximately RMB13.6 cents for the year ended 31 December 2021.

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Xingye Wulian Service Group Co. Ltd. (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”, “**we**”, “**our**” or “**us**”) for the year ended 31 December 2022 (the “**Year**”) together with the comparative figures for the year ended 31 December 2021 as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
REVENUE	4	321,069	281,660
Cost of sales		<u>(221,387)</u>	<u>(187,854)</u>
Gross profit		99,682	93,806
Other income, other gains and losses, net	4	2,916	16,569
Selling and marketing expenses		(1,250)	(1,472)
Administrative expenses		(35,496)	(35,723)
Impairment losses on financial and contract assets		(732)	(206)
Finance costs	6	<u>(134)</u>	<u>(205)</u>
PROFIT BEFORE TAX	5	64,986	72,769
Income tax expense	7	<u>(17,788)</u>	<u>(18,241)</u>
PROFIT FOR THE YEAR		<u>47,198</u>	<u>54,528</u>
Attributable to:			
Owners of the parent		47,175	54,528
Non-controlling interest		23	–
		<u>47,198</u>	<u>54,528</u>
OTHER COMPREHENSIVE PROFIT/(LOSS)			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Currency translation differences		<u>3,971</u>	<u>(364)</u>
OTHER COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR, NET OF TAX		<u>3,971</u>	<u>(364)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>51,169</u>	<u>54,164</u>
Attributable to:			
Owners of the parent		51,146	54,164
Non-controlling interest		23	–
		<u>51,169</u>	<u>54,164</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year (RMB cents)	9	<u>11.79</u>	<u>13.63</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,603	1,673
Right-of-use assets		2,484	3,737
Other intangible asset		–	–
Deferred tax assets		1,300	799
		<hr/>	<hr/>
Total non-current assets		7,387	6,209
CURRENT ASSETS			
Trade receivables	<i>10</i>	82,206	40,045
Contract assets	<i>11</i>	23,074	21,953
Prepayments, other receivables and other assets		10,841	14,790
Restricted and pledged bank deposits		100	50,100
Cash and cash equivalents		467,723	399,132
		<hr/>	<hr/>
Total current assets		583,944	526,020
CURRENT LIABILITIES			
Trade payables	<i>12</i>	41,750	22,506
Other payables and accruals	<i>13</i>	60,609	55,152
Contract liabilities	<i>14</i>	66,853	74,040
Tax payable		956	1,234
Provisions		1,688	1,238
Lease liabilities		1,216	1,514
		<hr/>	<hr/>
Total current liabilities		173,072	155,684
NET CURRENT ASSETS			
		410,872	370,336
TOTAL ASSETS LESS CURRENT LIABILITIES			
		418,259	376,545

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Provisions		2,030	1,857
Lease liabilities		2,142	3,590
Deferred tax liability		590	590
		<hr/>	<hr/>
Total non-current liabilities		4,762	6,037
		<hr/>	<hr/>
Net assets		413,497	370,508
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>15</i>	3,572	3,572
Reserves		409,902	366,936
		<hr/>	<hr/>
		413,474	370,508
		<hr/>	<hr/>
Non-controlling interests		23	–
		<hr/>	<hr/>
Total equity		413,497	370,508
		<hr/>	<hr/>

Zhu Jie
Director

Zhang Huiqi
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

Xingye Wulian Service Group Co. Ltd. (the “**Company**”) is an exempted company with limited liability incorporated under the laws of the Cayman Islands. The Company’s share were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 9 March 2020 (the “**Listing Date**”). The address of the registered office of the Company and the address of its principal place of business are disclosed in the section headed “Corporate Information” in the annual report.

The Company is an investment holding company. The Company became the holding company of the subsidiaries now comprising the Group upon completion of the reorganisation in 2019.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”), and International Accounting Standards (“**IASs**”) and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following revised IFRSs for the first time for the current year’s financial statements.

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

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

3. OPERATING SEGMENT INFORMATION

Segment revenue

	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
Property management and value-added services	256,775	228,374
Property engineering services	50,819	45,722
Others	13,475	7,564
	321,069	281,660

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment results

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Property management and value-added services	74,707	76,737
Property engineering services	1,429	2,781
Others	(4,033)	(3,687)
	<hr/>	<hr/>
Segment results	72,103	75,831
<u>Reconciliation:</u>		
Unallocated income	16	645
Unallocated expenses	(7,133)	(3,707)
	<hr/>	<hr/>
Profit before tax	64,986	72,769

Segment assets and liabilities are measured in the same way as in the financial statements. These assets and liabilities are allocated based on the operations of the segment, the segment liabilities exclude deferred tax liability and tax payable.

Segment assets

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Property management and value-added services	495,496	471,425
Property engineering services	88,448	55,916
Others	3,312	596
	<hr/>	<hr/>
Segment assets	587,256	527,937
<u>Reconciliation:</u>		
Unallocated assets	4,075	4,292
	<hr/>	<hr/>
Total assets	591,331	532,229

Segment liabilities

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Property management and value-added services	133,739	141,552
Property engineering services	37,000	17,860
Others	3,807	469
	<hr/>	<hr/>
Segment liabilities	174,546	159,881
<u>Reconciliation:</u>		
Unallocated liabilities	3,288	1,840
	<hr/>	<hr/>
Total liabilities	177,834	161,721

4. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES

An analysis of revenue is as follows:

	2022	2021
	RMB'000	RMB'000
<u>Types of services</u>		
Property management and value-added services	256,775	228,374
Property engineering services	50,819	45,722
Others	13,475	7,564
	321,069	281,660
	2022	2021
	RMB'000	RMB'000
<u>Timing of revenue recognition</u>		
<i>At a point in time</i>		
Value-added services	2,177	5,039
Others	13,475	7,564
<i>Over time</i>		
Property management	254,598	223,335
Property engineering services	50,819	45,722
	321,069	281,660

An analysis of other income, other gains and losses, net is as follows:

	2022	2021
	RMB'000	RMB'000
Government grants*	1,924	6,029
Interest income	5,259	10,326
Foreign exchange differences, net	(4,267)	214
	2,916	16,569

* Government grants related to income that are received or receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs. These government grants are recognised in profit or loss in the period in which they become receivable.

5. PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of services provided	221,387	187,854
Depreciation of property, plant and equipment	1,064	771
Depreciation of right-of-use assets	355	464
Amortisation of other intangible asset	–	302
Research and development expenses	3,218	4,076
Auditors' remuneration	1,450	1,450
Employee benefit expense (including directors' remuneration):		
Wages and salaries	45,649	38,394
Pension scheme contributions	4,622	4,882
Impairment losses on trade receivables and contract assets	732	206

6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on lease liabilities	134	205

7. INCOME TAX EXPENSE

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 PRC and the respective regulations, except for Zhengshang Haoshenghuo which enjoyed a preferential enterprise tax rate of 5% during the reporting period, the subsidiaries which operate in Mainland China are subject to enterprise income tax at a rate of 25% on the taxable income.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current	18,289	18,474
Deferred	(501)	(233)
Total tax charge for the year	17,788	18,241

8. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Proposed final dividend	–	8,180
Final dividend declared and paid	<u>8,180</u>	<u>–</u>

The Board does not recommend the payment of the final dividend in respect of the year ended 31 December 2022. 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 declared during the year ended 31 December 2021 and paid on 12 August 2022.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (2021: 400,000,000) in issue during the year ended 31 December 2022.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic earnings per share is based on:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>47,175</u>	<u>54,528</u>
	Number of shares	
	2022	2021
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>400,000,000</u>	<u>400,000,000</u>

10. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	83,469	40,587
Impairment	(1,263)	(542)
	82,206	40,045

The Group's trading terms for rendering property management, charging pile services, online group-buying services and value-added services with its customers are mainly payment in advance. The trading terms for property engineering services, club house services, including catering and ancillary services are mainly on credit and the credit period is generally within 30 days. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in trade receivables are amounts due from related parties of RMB61,121,000 as at 31 December 2022 (2021: RMB31,394,000).

The carrying amount of trade receivables approximates to their fair value.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	74,394	38,170
1 to 2 years	7,264	1,277
2 to 3 years	519	598
3 to 4 years	29	–
	82,206	40,045

11. CONTRACT ASSETS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contract assets arising from provision of property engineering services	23,307	22,175
Impairment	(233)	(222)
	<u>23,074</u>	<u>21,953</u>

Contract assets are initially recognised for revenue earned from property engineering services as the receipt of consideration is conditional on certain milestones or successful completion of construction. Upon the milestones or completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The Group's trading terms and credit policy with customers are disclosed in note 10 to the financial statements. The increase in contract assets during the reporting period was mainly due to the property engineering services have not obtained receipt on certain milestones or successful completion of construction.

Included in contract assets are amounts due from related parties of RMB23,307,000 as at 31 December 2022 (2021: RMB22,175,000).

12. TRADE PAYABLES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	40,598	21,939
Over 1 year	1,152	567
	<u>41,750</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.

13. OTHER PAYABLES AND ACCRUALS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Payroll payables	6,152	7,814
Tax payables other than income tax	9,052	8,058
Amounts due to related parties	4,754	1,825
Deposits	10,982	9,667
Other payables	29,669	27,788
	<u>60,609</u>	<u>55,152</u>

The amounts due to related parties were non-trade in nature, non-interest-bearing and repayable on demand.

The carrying amounts of financial liabilities included in other payables and accruals approximate to their fair values.

14. CONTRACT LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Advanced receipts for property management and value-added services	66,853	74,040

Included in contract liabilities are amounts due to related parties of RMB2,477,000 as at 31 December 2022 (2021: RMB4,005,000).

15. SHARE CAPITAL

Ordinary shares of HK\$0.01 each

	Number of shares	Nominal value <i>HK\$</i>	nominal value <i>RMB</i>
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Authorised:

Authorised ordinary shares at 1 January 2022
and 31 December 2022

10,000,000,000	100,000	89,858
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2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
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Issued and fully paid:

400,000,000 (2021: 400,000,000) ordinary shares of HK\$0.01 each

3,572	3,572
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A summary of movements in 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 1 January 2021 and 31 December 2021, 1 January 2022 and 31 December 2022	400,000,000	4,000	3,572

16. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Sales of services or products:			
Property management and value-added services rendered to related parties	(i) (ii)	36,742	42,027
Property engineering services rendered to related parties	(i) (ii)	51,552	45,722
Others		–	2,552
		88,294	90,301

Notes:

- (i) The sales of services rendered to the related parties were based on agreements mutually agreed by both parties.
- (ii) The Group was engaged in the provision of property management and value-added services and property engineering services to Ever Diamond Group, Zensun Enterprises Group and Zensun Development 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 as settlor and protector as at the date of this announcement. As Ms. Huang is the mother of Ms. Zhang, the non-executive director of the Company, both Zensun Enterprises Group and Ever Diamond Group are connected entities of Ms. Zhang. Additionally, the 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 above also constitute continued connected transactions as defined in Chapter 14A of the Listing Rules.

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transaction parties.

(b) Outstanding balances with related parties

During the year ended 31 December 2022, 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., another related party of the Group. After the completion of the transfer, Xingye IOT Management will settle the receivables and payables with Henan Zensun Real Estate Co., Ltd. on the net basis after offsetting.

Details of the Group's outstanding balances of trade receivables, contract assets, other payables and contract liabilities with related parties are disclosed in notes 10, 11, 13 and 14 of this announcement.

The trade receivables, contract assets, other payables and contract liabilities with related parties are unsecured and interest free.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Year, the Group continued its business strategies to diversify its portfolio of pipeline properties 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 Year from gross floor area (“GFA”) of approximately 6.6 million sq.m. as at 31 December 2021 to approximately 7.2 million sq.m. as at 31 December 2022. As at 31 December 2022, our portfolio of contracted properties covered GFA of approximately 11.8 million sq.m. in aggregate.

During the Year, the Group continued to expand the scale of property engineering services performed for the customers as compared with 2021. During the Year, we have entered into 34 new property engineering contracts with an aggregated contract amount of approximately RMB40.2 million. As at 31 December 2022, the total contract sum for contracted engineering services with remaining performance obligations amounted to contract sum for RMB48.7 million, which will contribute to the Group’s revenue in the future.

FINANCIAL REVIEW

Revenue

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

For the Year, our Group’s total revenue was approximately RMB321.1 million, representing an increase of approximately RMB39.4 million or 14.0% as compared to approximately RMB281.7 million for the year ended 31 December 2021. Such increase was primarily attributable to the increase in segment revenue from property management services.

The following table sets out the breakdown of our revenue by type of services during the years:

	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management and value-added services				
– Property management services	254,598	79.3	223,335	79.3
– Value-added services	2,177	0.7	5,039	1.8
	256,775	80.0	228,374	81.1
Property engineering services	50,819	15.8	45,722	16.2
Others	13,475	4.2	7,564	2.7
Total	321,069	100.0	281,660	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 and related parties (“**Independent Third Parties**”) during the years:

	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Independent Third Parties	232,775	72.5	191,359	67.9
Related parties	88,294	27.5	90,301	32.1
Total	321,069	100.0	281,660	100.0

Property management and value-added services

Our Group’s revenue generated from property management and value-added services increased by approximately RMB28.4 million or 12.4% from approximately RMB228.4 million for the year ended 31 December 2021 to approximately RMB256.8 million for the Year. This increase was primarily resulted from the mixed effects of: (i) the expansion of properties under management through continuous expansion of diversified property portfolio of both non-residential and residential properties which brought in revenue of approximately RMB47.3 million, and (ii) the impact from the property market downturn, in which provision of property management services to sales offices and show flats for property projects have been affected and no new projects was obtained during the Year which led to a decrease in revenue of RMB13.0 million.

Property engineering services

During the Year, the Group continued to expand the scale of property engineering services performed for the customers, and revenue from property engineering services has increased from approximately RMB45.7 million for the year ended 31 December 2021 to approximately RMB50.8 million for the Year, representing an increase in revenue of approximately RMB5.1 million or 11.2%.

Cost of Sales

Our Group's cost of sales consisted of subcontracting costs, staff costs and materials and consumables. We recorded an increase in cost of sales of approximately RMB33.5 million or 17.9% from approximately RMB187.9 million for the year ended 31 December 2021 to approximately RMB221.4 million for the Year. Such increase was generally in line with our growth in revenue during the Year associated with the expansion in our properties under management.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately RMB5.9 million or 6.3% from approximately RMB93.8 million for the year ended 31 December 2021 to approximately RMB99.7 million for the Year. Our gross profit margin was approximately 31.0% for the Year as compared to that of approximately 33.3% for the year ended 31 December 2021. The decrease in the Group's gross profit margin was mainly resulted from the downturn of the overall real estate economy, in which the contract price undertaken during the year are relatively lower than the year ended 31 December 2021.

Other Income, Other Gains and Losses, Net

Other income, other gains and losses, net mainly comprised government grants and interest income. Our other income, other gains and losses, net decreased by approximately RMB13.7 million or 82.5% from approximately RMB16.6 million for the year ended 31 December 2021 to approximately RMB2.9 million for the Year. Such decrease was mainly attributable to the decrease in government grants received and the recognition of a net loss in foreign exchange difference during the Year.

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 between the years at approximately RMB1.3 million for the Year and approximately RMB1.5 million for the year ended 31 December 2021, respectively.

Administrative Expenses

Our administrative expenses mainly comprised staff costs of our administrative staff at our headquarters, office expenses and professional fees. Our administrative expenses remained fairly stable, amounted to approximately RMB35.5 million during the Year as compared to that of approximately RMB35.7 million for the year ended 31 December 2021.

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 slightly decreased by approximately RMB0.4 million or 2.2% from approximately RMB18.2 million for the year ended 31 December 2021 to approximately RMB17.8 million for the Year which was in line with the decrease in profit before tax brought from the decrease in other income and gains during the Year.

Profit for the Year

As a result of the foregoing, our profit attributable to the owners of the parent decreased by approximately RMB7.3 million or 13.4% from approximately RMB54.5 million for the year ended 31 December 2021 to approximately RMB47.2 million for the Year.

Dividend for the Year

The Board does not recommend the payment of a final dividend for the Year.

FINANCIAL POSITION

Property, Plant and Equipment

The net carrying value of property, plant and equipment amounted to approximately RMB3.6 million as at 31 December 2022, representing an increase by approximately RMB1.9 million or 111.8% as compared to approximately RMB1.7 million as at 31 December 2021, was mainly due to the newly purchased charging pile equipments.

Trade Receivables

Our total trade receivables was approximately RMB83.5 million and trade receivable net of loss allowance was approximately RMB82.2 million as at 31 December 2022, as compared to that of approximately RMB40.6 million and RMB40.0 million, respectively, as at 31 December 2021. The increase in both the total trade receivables and trade receivable net of loss allowance was mainly due to the growth in properties under management and the slower settlement from counterparties as compared with the year ended 31 December 2021 as a result of the economy downturn.

Our trade receivables from related parties of approximately RMB61.1 million as at 31 December 2022, representing an increase of approximately RMB29.7 million or 94.6% 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 amounted to approximately RMB22.4 million as at 31 December 2022, representing an increase of approximately RMB13.2 million or 143.5% as compared to approximately RMB9.2 million as at 31 December 2021.

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 RMB41.8 million as at 31 December 2022, representing an increase of approximately RMB19.3 million or 85.8% as compared to approximately RMB22.5 million as at 31 December 2021. The increase in trade payables was consistent with the increase in cost of sales during the Year.

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 RMB60.6 million as at 31 December 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 RMB66.9 million as at 31 December 2022, representing a decrease of approximately RMB7.1 million or 9.6%. The decrease was mainly due to the decrease in advances received from customers of property management services during the Year.

Indebtedness

As at 31 December 2022, we had no outstanding borrowings and unutilised banking facilities (2021: Nil). The Group's lease liabilities decreased from approximately RMB5.1 million as at 31 December 2021 to approximately RMB3.4 million as at 31 December 2022.

Liquidity, Financial Resources and Capital Structure

Our Group maintained a healthy financial position. As at 31 December 2022, the current assets amounted to approximately RMB583.9 million, representing an increase of approximately RMB57.9 million or 11.0% as compared to approximately RMB526.0 million as at 31 December 2021. As at 31 December 2022, cash and cash equivalents of our Group amounted to approximately RMB467.7 million, representing an increase of approximately RMB68.6 million or 17.2% as compared to approximately RMB399.1 million as at 31 December 2021. As at 31 December 2022, the cash and cash equivalents of the Group were mainly denominated in RMB and Hong Kong dollars.

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 31 December 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 31 December 2022 and 2021 remained stable at approximately 3.4 times.

Charge of Group's Assets and Pledge of Assets

As at 31 December 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 31 December 2022, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 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 certain bank balances denominated in Hong Kong dollars that were 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.

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. During the outbreak, our Group has maintained sufficient working capital to cope with the impact of the pandemic and industry downturn.

In spite of the cancellation of the zero-COVID policy released by the PRC government in early January 2023, the macro-economic environment requires time to recover and the PRC property industry will continue to face great challenges in the foreseeable future. Therefore, besides the Group's 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, the Group plans to devote more resources to the enhancement of our property management and property engineering services.

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 Year and up to the date of this announcement.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2022, our Group had 570 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 RMB50.2 million during the Year (2021: RMB43.3 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

SIGNIFICANT INVESTMENTS

As at 31 December 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 31 December 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 9 March 2020 (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). In accordance to our announcement on 31 January 2023 and supplemental announcement on 1 March 2023 (the “**2023 Announcements**”), we have updated the expected timetable for use of proceeds and change in use of proceeds. For details, please refer to the 2023 Announcements. As at 31 December 2022, our Group had utilised approximately RMB41.4 million of the capital raised as follows:

Intended use of the net proceeds	Percentage	Planned amount of the net proceeds for its intended use RMB'million	Utilised net proceeds as at 31 December 2021 RMB'million	Net proceeds utilised during the Year RMB'million	Unutilised net proceeds as at 31 December 2022 RMB'million	Expected timeline for the usage of the unutilised net proceeds
1) Selective acquisition of suitable acquisition targets for the expansion of our business	40.1%	60.0	-	-	60.0	On or before 31 December 2025
2) Enhancement of our property engineering services	20.2%	30.2	10.8	-	19.4	On or before 31 December 2025
3) Enhancement of our property management services	29.7%	44.5	10.5	5.2	28.8	On or before 31 December 2025
4) General working capital	10.0%	14.9	14.9	-	-	N/A
		<u>149.6</u>	<u>36.2</u>	<u>5.2</u>	<u>108.2</u>	

Taking into account the slow recovery of the property market, the Board decided to devote more resources to enhance the property management and property engineering services businesses and at the same time continue to seek suitable targets for acquisitions and investments or cooperations.

FUTURE OUTLOOK

The Group actively extends the boundary of its property market expansion, following the thinking of “A single spark can start a prairie fire”; focusing on office buildings and extending to services for public buildings and even the entire housing sector, with a view of “building barriers against professional service entrants”.

In the future and the new era, the Group will follow our goal of “technology innovation and service improvement” and strive to develop a smart internet technology platform that serves the whole country. We will keep enhancing our technical strength in artificial intelligence, database and other areas and keep extending our services to projects such as smart cities and smart environmental protection, so as to contribute to achieving significant results in “the harmonious coexistence of people, nature and ecology” in cities. Meanwhile, in order to improve our property management service, we will put services in our first priority, bring customers with valuable services, and adhere to our enterprise mission which is “to provide services to its fullest extent that exceed customers’ expectation”, and earnestly fulfil our social responsibility to become an explorer, builder and contributor in urban services.

The property management industry is now in a new age and a new era, and the Group itself also has the foundation and conditions to accelerate development. Amid a competitive, complicated and ever-changing environment, we will set our clear development goals, stay innovative and reward our shareholders, investors, employees, the society, departments at all levels as well as care and support from all aspects with brand new idea, more substantial operations, more scientific management and better performance.

EVENTS AFTER THE REPORTING PERIOD

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

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

During the Year, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company’s listed securities.

CORPORATE GOVERNANCE PRACTICES

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 as a whole. The Company has adopted corporate governance practices based on the principles and code provisions of the Corporate Governance Code as set out in the Appendix 14 to the Listing Rules (the “**CG Code**”) 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 Year, save and except for deviations which are explained below:

Pursuant to Code Provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals. Although only two regular Board meetings were held during the Year, the Board considered that sufficient meetings had been held as business operations were under the management and the supervision of the executive Directors. In addition, senior management of the Group has provided to the Directors the information in respect of the Group's business development and activities from time to time and, when required, ad hoc Board meetings were held to discuss matters.

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 Year.

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 discussed with the management and the external auditor of the Company, among other things, on auditing and financial reporting matters and has reviewed the annual results of the Group for the Year together with the accounting standards and practices adopted by the Group. The Audit Committee has agreed with the management of the Company on the annual results of the Group for the Year.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the purpose of determining the Shareholders who are entitled to attend and vote at the 2023 annual general meeting of the Company ("2023 AGM") expected to be held on Wednesday, 28 June 2023, the register of members of the Company will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023, both days inclusive. In order to qualify for attending and voting at the 2023 AGM, all transfer documents should be lodged for registration with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 22 June 2023.

ANNUAL GENERAL MEETING

The 2023 AGM will be held on Wednesday, 28 June 2023 and the notice of 2023 AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ADOPTION OF THE SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION

The Board proposes that certain amendments (the “**Proposed Amendments**”) be made to the existing amended and restated articles of association of the Company (the “**Existing Articles**”) to, among other things, conform to the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules (“**Appendix 3**”) which came into effect on 1 January 2022, reflect certain updates in relation to the applicable laws of the Cayman Islands and the Listing Rules and include other house-keeping amendments that are in line with the Proposed Amendments. Accordingly, the Board proposes to adopt a new set of second amended and restated articles of association of the Company (the “**New Articles**”) in substitution for, and to the exclusion of, the Existing Articles.

The major areas of the Proposed Amendments that will be incorporated in the New Articles are summarized hereinbelow:

- (a) to provide that the Directors shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board and that any Director so appointed shall hold office until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election, in line with Paragraph 4(2) of Appendix 3;
- (b) to provide that an annual general meeting of the Company shall be held in each financial year and such annual general meeting must be held within six (6) months after the end of the Company’s financial year (unless a longer period would not infringe the Listing Rules, if any), in line with Paragraph 14(1) of Appendix 3;
- (c) to provide that an annual general meeting be called by notice of not less than twenty-one clear days and all other general meetings (including any extraordinary general meeting) be called by notice of not less than fourteen clear days, unless shorter notice is permitted by the Listing Rules, in line with Paragraph 14(2) of Appendix 3;
- (d) to provide that members must have the right to speak at a general meeting and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration, in line with Paragraph 14(3) of Appendix 3;
- (e) to provide that members holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, be able to convene an extraordinary general meeting for the transaction of any business or resolution specified in the relevant requisition, in line with Paragraph 14(5) of Appendix 3;
- (f) to provide that the necessary quorum (including at an adjourned meeting) for a class meeting in relation to a variation of share rights to be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class of shares, in line with Paragraph 15 of Appendix 3;

- (g) to provide that the appointment, removal and remuneration of the auditor shall be approved and fixed by a majority of the members and by ordinary resolution in general meeting, in line with Paragraph 17 of Appendix 3;
- (h) to provide that where a member of the Company is the Hong Kong Securities Clearing Company Limited (“**HKSCC**”), the HKSCC shall be entitled to appoint proxies or corporate representatives to attend the Company’s general meetings and those proxies or corporate representatives shall enjoy rights equivalent to the rights of other shareholders, including the right to speak and vote, in line with Paragraph 19 of Appendix 3;
- (i) to provide that, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy to form a quorum in a general meeting of the Company;
- (j) to allow the Board to postpone a general meeting to another date, time and place by notice prior to the holding of a general meeting; and
- (k) to make other housekeeping amendments in line with the Proposed Amendments, to better align with the wordings and to reflect certain updates in relation to the applicable laws of the Cayman Islands and the Listing Rules.

The Proposed Amendments and adoption of the New Articles are subject to the passing of a special resolution by the shareholders of the Company (the “**Shareholders**”) at the 2023 AGM. A circular containing, among other things, details of the Proposed Amendments brought about by the adoption of the New Articles and a notice convening the 2023 AGM will be despatched to the Shareholders in due course.

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

Hong Kong, 29 March 2023

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.

* *For identification purposes only*