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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 2020

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2020, our Group’s revenue was approximately RMB91.0 million, representing an increase of approximately RMB9.8 million or 12.1% from approximately RMB81.2 million for the corresponding period in 2019.
- Profit attributable to owners of the parent was approximately RMB29.0 million for the six months ended 30 June 2020 excluding the effect of listing expenses, representing an increase of approximately 22.9% as compared to approximately RMB23.6 million for the corresponding period in 2019.
- Basic earnings per share for the six months ended 30 June 2020 were approximately RMB6.37 cents.
- The Board declared the payment of an interim dividend of RMB2.06 cents per share in cash, equivalent to HK\$2.32 cents per share for the six months ended 30 June 2020.

RESULTS

The board of directors (the “**Board**”) 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 2020 together with the comparative figures for the corresponding period in 2019 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 2020

	<i>Notes</i>	Six months ended 30 June	
		2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
REVENUE	<i>4</i>	90,988	81,190
Cost of sales		<u>(45,124)</u>	<u>(41,402)</u>
Gross profit		45,864	39,788
Other income and gains	<i>4</i>	7,147	232
Selling and marketing expenses		(454)	(606)
Administrative expenses		(19,642)	(11,849)
Finance costs		<u>(108)</u>	<u>(29)</u>
PROFIT BEFORE TAX	<i>5</i>	32,807	27,536
Income tax expenses	<i>6</i>	<u>(9,723)</u>	<u>(6,913)</u>
PROFIT FOR THE PERIOD		<u>23,084</u>	<u>20,623</u>
Attributable to:			
Owners of the parent		<u>23,084</u>	<u>20,623</u>

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		<u>3,838</u>	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>3,838</u>	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>26,922</u></u>	<u><u>20,623</u></u>
Attributable to:			
Owners of the parent		<u><u>26,922</u></u>	<u><u>20,623</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB cents)	8	<u><u>6.37</u></u>	<u><u>6.87</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

	<i>Notes</i>	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,024	2,191
Right-of-use assets		2,539	2,676
Other intangible assets		340	–
Deferred tax assets		155	666
Total non-current assets		5,058	5,533
CURRENT ASSETS			
Trade receivables	9	27,795	18,237
Contract assets		11,469	11,412
Prepayments, other receivables and other assets		2,116	7,672
Cash and cash equivalents		353,253	173,147
Total current assets		394,633	210,468
CURRENT LIABILITIES			
Trade payables	10	13,992	18,223
Other payables and accruals		30,896	45,739
Contract liabilities		35,677	29,402
Tax payable		5,789	4,528
Provisions		31	22
Lease liabilities		772	1,859
Total current liabilities		87,157	99,773
NET CURRENT ASSETS		307,476	110,695
TOTAL ASSETS LESS CURRENT LIABILITIES		312,534	116,228
NON-CURRENT LIABILITIES			
Provisions		46	33
Lease liabilities		2,418	2,195
Deferred tax liability		824	–
Total non-current liabilities		3,288	2,228
Net assets		309,246	114,000
EQUITY			
Equity attributable to owners of the parent			
Share capital	11	3,572	–
Reserves		305,674	114,000
Total equity		309,246	114,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 9 March 2020. 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.

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 in the BVI on 16 August 2019 by Ms. Huang Yanping 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 2020 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 2019.

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared under the historical cost convention.

The interim condensed consolidated financial information for the six months ended 30 June 2020 was approved for issue by the board (the “**Board**”) of Directors on 28 August 2020. The interim condensed consolidated financial information was unaudited, but has been reviewed by the Company’s audit committee.

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 2019, 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>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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) Ancillary food supply services

The revenue generated from ancillary food supply services consists of the selling of agricultural products to the canteens of customers. The last contract relating to ancillary food supply services ended in August 2019.

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.

Segment revenue

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Property management and value-added services	76,658	73,544
Property engineering services	14,330	7,464
Ancillary food supply services	–	182
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	<u>90,988</u>	<u>81,190</u>

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment results

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Property management and value-added services	33,359	26,841
Property engineering services	2,106	771
Ancillary food supply services	—	(76)
	<hr/>	<hr/>
Segment results	35,465	27,536
<i>Reconciliation:</i>		
Unallocated corporate expenses	(2,658)	—
	<hr/>	<hr/>
Profit before tax	32,807	27,536

Segment assets

	30 June	31 December
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Audited)
Property management and value-added services	227,777	177,099
Property engineering services	38,677	36,027
Ancillary food supply services	—	2,042
	<hr/>	<hr/>
Segment assets	266,454	215,168
<i>Reconciliation:</i>		
Unallocated assets	133,237	833
	<hr/>	<hr/>
Total assets	399,691	216,001

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment liabilities

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Property management and value-added services	71,797	86,399
Property engineering services	14,751	13,680
Ancillary food supply services	–	1,789
	<hr/>	<hr/>
Segment liabilities	86,548	101,868
<u>Reconciliation:</u>		
Unallocated liabilities	3,897	133
	<hr/>	<hr/>
Total liabilities	90,445	102,001
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4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<u>Types of products or services</u>		
Property management and value-added services	76,658	73,544
Property engineering services	14,330	7,464
Ancillary food supply services	–	182
	<hr/>	<hr/>
	90,988	81,190
	<hr/> <hr/>	<hr/> <hr/>
<u>Timing of revenue recognition</u>		
<u>At a point in time</u>		
Value-added services	1,562	5,124
Ancillary food supply services	–	182
<u>Over time</u>		
Property management	75,096	68,420
Property engineering services	14,330	7,464
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	90,988	81,190
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4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government grants	213	130
Interest income	6,917	102
Other gains	17	–
	<u>7,147</u>	<u>232</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of services provided	45,124	41,215
Cost of ancillary food supplied	–	187
Depreciation of property, plant and equipment	363	331
Amortisation of other intangible asset	38	–
Depreciation of right-of-use assets	137	239
Research and development expenses	734	666
Auditors' remuneration	300	–
Employee benefit expense (including directors' remuneration):		
Wages and salaries	13,355	9,010
Pension scheme contributions	246	1,102
Foreign exchange differences, net	746	–
Impairment losses on trade receivables and contract assets	173	122
Listing expenses	7,953	3,927

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 PRC and the respective regulations, except for Henan Xingye Internet of Things Information Consulting Co., Ltd. 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.

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current	8,391	6,958
Deferred	1,332	(45)
	<hr/>	<hr/>
Total tax charge for the period	9,723	6,913
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7. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared and paid – RMB10.66 cents per ordinary share	–	42,625
Declared interim – RMB2.06 cents per ordinary share	8,240	–
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	8,240	42,625
	<hr/> <hr/>	<hr/> <hr/>

On 28 August 2020, the board of directors of the Company declared an interim dividend of RMB2.06 cents per ordinary share of the Company for the six months ended 30 June 2020, which is payable to shareholders whose names appear on the register of members on Friday, 18 September 2020. This interim dividend, amounting to RMB8,240,000 has not been recognised as a liability in the interim financial information.

The distribution amounts set out in the consolidated statement of changes in equity of RMB42,625,000 for the six months ended 30 June 2019 represented the dividends declared by Henan Xingye Internet of Things Management Technology Co., Ltd. to its then shareholders.

8. 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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 362,430,939 (six months ended 30 June 2019: 299,990,000) in issue during the period, as adjusted for the assumption that 299,990,000 new shares issued pursuant to the Capitalisation Issue (as defined in note 11) had been issued on 1 January 2019, which is made to be consistent with the basis of presentation of financial information for the six months ended 30 June 2020.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

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

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	23,084	20,623
	Number of shares	
	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Number of issued shares on 1 January	10,000	–
Effect of Capitalisation Issue on 9 March 2020	299,990,000	299,990,000
Global Offering on 9 March 2020	100,000,000	–
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	362,430,939	299,990,000

9. TRADE RECEIVABLE

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	28,197	18,466
Impairment	(402)	(229)
	27,795	18,237

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	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	26,140	18,237
1 to 2 years	1,655	–
	27,795	18,237

Included in trade receivables are amounts due from related parties of RMB16,787,000 as at 30 June 2020 (31 December 2019: RMB14,088,000). The carrying amount of trade receivables approximates to their fair value.

10. TRADE PAYABLE

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

	30 June 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	13,992	18,223

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

Shares

	<i>Notes</i>	Number of shares	Nominal value of HK\$0.01 each	Nominal value RMB
Authorised:				
Upon incorporation and at 30 June 2020		10,000,000,000	100,000,000	89,169,000
Issued and fully paid:				
		Number of shares	Nominal value of HK\$0.01 each	Nominal value RMB
Upon incorporation		10,000	100	90
Capitalisation Issue	<i>(i)</i>	299,990,000	2,999,900	2,674,980
New issue of shares from Global Offering	<i>(ii)</i>	100,000,000	1,000,000	896,926
At 30 June 2020		400,000,000	4,000,000	3,571,996

- (i) Pursuant to a written resolution of the shareholders of the Company (the “Shareholders”) passed on 7 February 2020, a total of 299,990,000 shares of HK\$0.01 each were allotted and issued at par value to the Shareholders as of the date immediately before 9 March 2020 (the “Listing Date”) on a pro rata basis by way of capitalisation of HK\$2,999,900 (the “Capitalisation Issue”) from the Company’s share premium account on the Listing Date.
- (ii) On the Listing Date, 100,000,000 new shares were issued at a price of HK\$1.99 per share in connection with the Company’s initial public offering on the Stock Exchange.

12. 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 period:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of service or product:		
Property management and value-added services rendered to related parties	10,858	12,261
Property engineering services rendered to related parties	14,026	7,464
Ancillary food sold to related parties	—	36
	<u>24,884</u>	<u>19,761</u>

(b) Outstanding balances with related parties

During the six months ended 30 June 2020, Henan Xingye Internet of Things Management Technology Co., Ltd., the 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 due from Henan Zensun Real Estate Co., Ltd., another related party of the Group. After the completion of the transfer, Henan Xingye Internet of Things Management Technology Co., Ltd. will settle the receivables and payables with Henan Zensun Real Estate Co., Ltd. on the net amount of due from and due to balances.

Details of the Group's outstanding balances of trade receivables and amounts with related parties are disclosed in note 9 to the financial statements.

Included in contract assets are amounts due from related parties of RMB11,585,000 as at 30 June 2020 (31 December 2019: RMB11,527,000).

Included in contract liabilities, other payables and lease liabilities are amounts due to related parties of RMB4,228,000, RMB747,000 and RMB2,896,000 as at 30 June 2020, respectively (31 December 2019: RMB821,000, RMB11,026,000 and RMB3,760,000).

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	674	128
Post-employment benefits	6	8
	<u>680</u>	<u>136</u>

13. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Except for the declared interim dividend disclosed in note 7, no other significant events have been noted 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 for non-residential properties. 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.

The Group gained further recognition in the industry. For the six months ended 30 June 2020, we were recognised by the China Index Academy (“CIA”) as one of the top 100 property management service companies on the annual rating of property management companies in the People’s Republic of China (“PRC”) by overall strength published by the CIA (“**Top 100 Property Management Service Companies**”) in terms of business size, operational efficiency, service quality, growth potential and social responsibility in 2020, and our ranking in the Top 100 Property Management Companies improved from the 67th in 2019 to the 60th in 2020.

Our portfolio of properties under management expanded rapidly for the six months ended 30 June 2020, with the gross floor area (“GFA”) of approximately 2.6 million sq.m. as at 30 June 2020, representing an increase of approximately 0.2 million sq.m. or 8.3% as compared to approximately 2.4 million sq.m. as at the end of 2019. As at 30 June 2020, our portfolio of properties under management covered 18 commercial buildings, three governmental buildings and one industrial park with GFA of approximately 2.6 million sq.m. in aggregate and the GFA of our portfolio of contracted properties covered approximately 4.6 million sq.m. in aggregate.

Our property engineering services grew rapidly for the six months ended 30 June 2020. We entered into 14 property engineering contracts with an aggregated original contract sum of approximately RMB24.2 million (or original net of tax contract sum of approximately RMB22.6 million) during the six months ended 30 June 2020.

Future Outlook

Our Group plans to strengthen our position in the property management service industry by implementing the following strategies: (i) plan to take on 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 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 management services and property engineering services; and (vi) continue to upgrade our information technology systems to enhance our operational efficiency in our property management business.

FINANCIAL REVIEW

Revenue

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

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

	Six months ended 30 June			
	2020		2019	
	RMB' 000	%	RMB' 000	%
Property management and value-added services				
– Property management services	75,096	82.6	68,420	84.3
– Value-added services	1,562	1.7	5,124	6.3
	<u>76,658</u>	<u>84.3</u>	<u>73,544</u>	<u>90.6</u>
Property engineering services	14,330	15.7	7,464	9.2
Ancillary food supply services <i>(Note)</i>	0	0.0	182	0.2
Total	<u>90,988</u>	<u>100.0</u>	<u>81,190</u>	<u>100.0</u>

Note: The revenue generated from ancillary food supply services consists of selling of agricultural products to the canteens of our customers. The last contract relating to our ancillary food supply services ended in August 2019.

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 (“**Independent Third Parties**”) and related parties for the periods indicated:

	Six months ended 30 June			
	2020		2019	
	RMB' 000	%	RMB' 000	%
Independent Third Parties	66,104	72.7	61,429	75.7
Related parties	24,884	27.3	19,761	24.3
Total	<u>90,988</u>	<u>100.0</u>	<u>81,190</u>	<u>100.0</u>

For the six months ended 30 June 2020, our Group's total revenue was approximately RMB91.0 million, representing an increase of approximately RMB9.8 million or 12.1% as compared to approximately RMB81.2 million for the six months ended 30 June 2019. Such increase was attributable to the combined effect of the increase in revenue from property management and value-added services of approximately RMB3.2 million and the increase in revenue from property engineering services of approximately RMB6.8 million which were slightly offset by the decrease in revenue from ancillary food supply services of approximately RMB0.2 million.

Property management and value-added services

Our Group's revenue generated from property management and value-added services increased by approximately RMB3.2 million or 4.4% from approximately RMB73.5 million for the six months ended 30 June 2019 to approximately RMB76.7 million for the six months ended 30 June 2020. This increase was primarily due to the increase in the number of properties under management from 19 properties as at 30 June 2019 to 22 properties as at 30 June 2020. As a result, the GFA of our properties under management increased by approximately 0.5 million sq.m. to approximately 2.6 million sq.m. for the six months ended 30 June 2020 as compared to the six months ended 30 June 2019.

The following table sets out the breakdown of our revenue generated from providing property management services by type of properties and value-added services for the periods indicated:

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management services				
– Commercial building	70,097	91.4	63,693	86.6
– Governmental building	4,999	6.5	4,727	6.4
	75,096	97.9	68,420	93.0
Value-added services	1,562	2.1	5,124	7.0
Total	76,658	100.0	73,544	100.0

Property engineering services

Our Group's revenue generated from property engineering services increased by approximately RMB6.8 million or 90.7% from approximately RMB7.5 million for the six months ended 30 June 2019 to approximately RMB14.3 million for the six months ended 30 June 2020. The increase was primarily due to the new contracts entered into by our Group during the six months ended 30 June 2020 and the aggregated original contract value of which amounted to approximately RMB24.2 million. This led to an increase in the number of revenue generating contracts from 29 for the six months ended 30 June 2019 to 87 for the six months ended 30 June 2020.

Ancillary food supply services

Our Group has ceased to provide ancillary food supply services since August 2019 after the last contract relating to our ancillary food supply services has ended. As a result, we did not record any revenue for ancillary food supply services for the six months ended 30 June 2020.

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 RMB3.7 million or 8.9% from approximately RMB41.4 million for the six months ended 30 June 2019 to approximately RMB45.1 million for the six months ended 30 June 2020. Such increase was generally in line with our growth in revenue for the period and was primarily due to the increase in the number of properties under management and the increase in number of revenue generating contracts of our property engineering services which required additional provision of services.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately RMB6.1 million or 15.3% from approximately RMB39.8 million for the six months ended 30 June 2019 to approximately RMB45.9 million for the six months ended 30 June 2020. Our gross profit margin remained stable at approximately 50.4% for the six months ended 30 June 2020 when compared with approximately 49.0% for the six months ended 30 June 2019.

Other Income and Gains

Other income and gains mainly consisted of government grants, interest income and other gains. Our other income and gains increased by approximately RMB6.9 million or 3,450.0% from approximately RMB0.2 million for the six months ended 30 June 2019 to approximately RMB7.1 million for the six months ended 30 June 2020. Such increase was mainly the result of interest income arising from the capital raised from the initial public offering of our Company and the over-subscription of shares.

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 decreased slightly by approximately RMB0.1 million or 16.7% from approximately RMB0.6 million for the six months ended 30 June 2019 to approximately RMB0.5 million for the six months ended 30 June 2020. Such decrease was driven by the fact that less marketing promotion activities were held during the six months ended 30 June 2020 due to the COVID-19 outbreak.

Administrative Expenses

Our administrative expenses mainly comprised staff costs of our administrative staff at our headquarters, office expenses and professional fees. Our administrative expenses increased by approximately RMB7.8 million or 66.1% from approximately RMB11.8 million for the six months ended 30 June 2019 to approximately RMB19.6 million for the six months ended 30 June 2020. Such increase was mainly attributed by (i) the recognition of listing expenses of approximately RMB8.0 million for the six months ended 30 June 2020 as compared to approximately RMB3.9 million for the six months ended 30 June 2019; (ii) the recognition of professional fees of RMB1.1 million for the six months ended 30 June 2020 (six months ended 30 June 2019: nil) and (iii) the increase of staff costs by RMB1.5 million for the six months ended 30 June 2020 as compared to the corresponding period in 2019 due to recruitment of more middle and senior management for the expansion of the business.

Finance Costs

Our finance costs represented imputed interest expenses generated from using the incremental borrowing rate of our Group to discount lease payments under the leases to present value. Our finance costs increased by approximately RMB79,000 or 272.4% from approximately RMB29,000 for the six months ended 30 June 2019 to approximately RMB108,000 for the six months ended 30 June 2020. Such increase was mainly attributable to the new lease contracts signed which became effective from 1 September 2019.

Income Tax Expenses

Our income tax expenses increased by approximately RMB2.8 million or 40.6% from approximately RMB6.9 million for the six months ended 30 June 2019 to approximately RMB9.7 million for the six months ended 30 June 2020, which was in line with the growth in profit before tax for the six months ended 30 June 2020 as compared to the six months ended 30 June 2019.

Profit for the Period

As a result of the foregoing, our profit attributable to the owners of the parent increased by approximately RMB2.5 million or 12.1% from approximately RMB20.6 million for the six months ended 30 June 2019 to approximately RMB23.1 million for the six months ended 30 June 2020.

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 remained relatively stable and amounted to approximately RMB2.2 million and RMB2.0 million as at 31 December 2019 and 30 June 2020, respectively.

Trade Receivables

Our trade receivables mainly consisted of receivables arising from provision of property management and value-added services. Our total trade receivables net of loss allowance was approximately RMB27.8 million as at 30 June 2020, representing an increase of approximately RMB9.6 million or 52.7% as compared to approximately RMB18.2 million as at 31 December 2019.

Our trade receivables from related parties were associated with outstanding property management fees generated from unsold properties under management and property engineering services rendered to the related parties which amounted to approximately RMB16.8 million as at 30 June 2020, representing an increase of approximately RMB2.7 million or 19.1% as compared to approximately RMB14.1 million as at 31 December 2019. The increase in trade receivables from related parties was primarily attributable to the expansion of our business in both property management and value-added services and property engineering services.

Our trade receivables from Independent Third Parties amounted to approximately RMB11.0 million as at 30 June 2020, representing an increase of approximately RMB6.9 million or 168.3% as compared to approximately RMB4.1 million as at 31 December 2019. The increase in our trade receivables from Independent Third Parties was mainly as a result of the expansion of our business in property management and value-added services.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets comprised prepayments, capitalised listing expenses, deposits, other receivables, amounts due from related parties and value-added tax recoverable. Our prepayments, other receivables and other assets amounted to approximately RMB2.1 million as at 30 June 2020 representing a decrease of approximately RMB5.6 million or 72.7% as compared to approximately RMB7.7 million as at 31 December 2019. The decrease was primarily attributed by: (i) the settlement of the advance payment of central heating expenses paid on behalf of property owners; and (ii) the decrease of prepaid listing expenses.

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 RMB14.0 million as at 30 June 2020, representing a decrease of approximately RMB4.2 million or 23.1% as compared to approximately RMB18.2 million as at 31 December 2019. The decrease in trade payables was primarily attributable to the prompt settlement of payment to property engineering suppliers.

Other Payables and Accruals

Our other payables and accruals comprised other payables, payroll payables, deposits, tax payables other than income tax, amounts due to related parties and listing expenses. Our other payables and accruals amounted to approximately RMB30.9 million as at 30 June 2020 representing a decrease of approximately RMB14.8 million or 32.4% as compared to approximately RMB45.7 million as at 31 December 2019. The decrease was primarily attributable to the settlement of other payables to the related parties and outstanding listing expenses.

Indebtedness

As at 30 June 2020, we had no outstanding borrowings. Our Group did not have any unutilised banking facilities as at 30 June 2020 and we had lease liabilities of approximately RMB3.2 million as at 30 June 2020.

Liquidity, Financial Resources and Capital Structure

Our Group maintained a healthy financial position. As at 30 June 2020, the current assets amounted to approximately RMB394.6 million, representing an increase of approximately 87.5% as compared to approximately RMB210.5 million as at 31 December 2019. As at 30 June 2020, cash and cash equivalents of our Group amounted to approximately RMB353.3 million, representing an increase of approximately RMB180.2 million or 104.1% as compared to approximately RMB173.1 million as at 31 December 2019, primarily due to the expansion of our Group's business resulted in an increased operating cash inflow.

As at 30 June 2020, our Group has no interest-bearing borrowings.

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

Charge on Assets

As at 30 June 2020, our Group did not have any charges on its assets.

Gearing Ratio

Gearing ratio is calculated as total interest-bearing borrowings divided by total equity at the end of the respective period. Our Group has no interest-bearing borrowings as at 30 June 2020; hence the gearing ratio was nil.

Current Ratio

Current ratio is calculated based on the total current assets at the end of the relevant year/period divided by the total current liabilities at the end of the respective year/period. The current ratio of our Group as at 30 June 2020 was approximately 4.5 times.

Pledge of Assets

As at 30 June 2020, none of the assets of our Group was pledged.

Foreign Exchange Risks

Our Group mainly operates in the PRC with most of the transactions settled in Renminbi. The foreign currency held by our Group was mainly the proceeds from the listing (“**Listing**”) of the shares of our Company on the Main Board of the Stock Exchange. Our Group did not consider that there was significant foreign currency exchange risk.

Contingent Liabilities

As at 30 June 2020, we did not have any material contingent liabilities.

Proceeds from the Listing

The shares of our Company were listed on the Main Board of the Stock Exchange on the Listing Date and 100,000,000 new shares were issued. 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 (the “**Global Offering**”), net proceeds from the Listing amounted to approximately HK\$167.8 million. As at 30 June 2020, our Group had utilised approximately HK\$18.7 million of the capital raised, the utilisation of which is as follows:

Intended use of the net proceeds	Percentage	Planned amount of the net proceeds for its intended use <i>HK\$ million</i>	Utilised net proceeds up to 30 June 2020 <i>HK\$ million</i>	Unutilised net proceeds up to 30 June 2020 <i>HK\$ million</i>
Acquisition of suitable acquisition targets	72.3%	121.3	0.0	121.3
Enhancing our property engineering services	7.2%	12.1	0.9	11.2
Enhancing our property management services	10.5%	17.6	1.0	16.6
General working capital	10.0%	16.8	16.8	–
Total	<u>100.0%</u>	<u>167.8</u>	<u>18.7</u>	<u>149.1</u>

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2020, our Group had 336 employees. Total staff-related cost, including Directors' emoluments, was approximately RMB13.6 million for the six months ended 30 June 2020. We generally determine employees' compensation based on their qualification, position, seniority and performance. Our Group offers comprehensive compensation to our employees, including salary, bonuses and cash subsidies, and we also provide on-the-job training to our employees. 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. We have adjusted the contribution base for the social insurance and housing provident fund and have made full contribution since July 2020.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2020, our Group did not have any significant acquisitions and disposals.

SIGNIFICANT INVESTMENTS

As at 30 June 2020, our Group did not have any major investments.

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 six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

The Board has reviewed our Company's corporate governance practices and is satisfied that our Company has been in compliance with code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("**Corporate Governance Code**") and, where applicable, the recommended best practices of the Corporate Governance Code, save and except for the deviation from Code Provision A.2.1, during the period between the Listing Date and the date of this announcement.

Pursuant to Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive of our Company should be segregated. Our Company is of the view that it is in beneficial to the management of our Group that Mr. Zhu Jie, with his extensive expertise in the property management industry, shall continue in his dual capacity as chairman and chief executive officer. The balance of power and authority is ensured by the operation of the senior management and our Board, both of which comprise experienced and high-caliber individuals.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”). 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 from the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

As at the date of this announcement, 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 six months ended 30 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of our Company will be closed on Wednesday, 16 September 2020 to Friday, 18 September 2020, both days inclusive, for the purpose of determining the shareholders who qualify for the interim dividend. In order to qualify for the interim dividend, all transfer documents should be lodged for registration with our Company’s Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 15 September 2020.

INTERIM DIVIDEND

The Directors have declared an interim dividend of RMB2.06 cents per share in cash, equivalent to HK\$2.32 cents per share (“**Interim Dividend**”) for the six months ended 30 June 2020 to shareholders whose names appear on the register of members of our Company as at the close of business on Friday, 18 September 2020. The Interim Dividend will be distributed to shareholders on or about Friday, 9 October 2020.

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 six months ended 30 June 2020 containing all the information required by the Listing Rules will be despatched to our Company's shareholders and available on the above websites in due course.

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

Hong Kong, 28 August 2020

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