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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 2021

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB133.2 million for the Period, representing an increase of approximately 46.4% as compared to approximately RMB91.0 million for the corresponding period in 2020.
- Gross profit was approximately RMB52.2 million for the Period, representing an increase of approximately 13.7% as compared to approximately RMB45.9 million for the corresponding period in 2020.
- Profit attributable to owners of the parent, excluding the effect of listing expenses, was approximately RMB37.4 million for the Period, representing an increase of approximately 28.9% as compared to approximately RMB29.0 million for the corresponding period in 2020.
- Basic earnings per share was approximately RMB9.36 cents for the Period as compared to approximately RMB6.37 cents for the corresponding period in 2020.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Xingye Wulian Service Group Co. Ltd. (the “**Company**”) hereby announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”, “**we**”, “**our**” or “**us**”) for the six months ended 30 June 2021 (the “**Period**”) together with the comparative figures for the corresponding period in 2020 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 2021

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
REVENUE	<i>4</i>	133,230	90,988
Cost of sales		<u>(81,065)</u>	<u>(45,124)</u>
Gross profit		52,165	45,864
Other income and gains	<i>4</i>	15,043	7,147
Selling and marketing expenses		(575)	(454)
Administrative expenses		(16,532)	(19,469)
Impairment losses on financial and contract assets		(298)	(173)
Finance costs	<i>5</i>	<u>(148)</u>	<u>(108)</u>
PROFIT BEFORE TAX	<i>6</i>	49,655	32,807
Income tax expenses	<i>7</i>	<u>(12,220)</u>	<u>(9,723)</u>
PROFIT FOR THE PERIOD		<u>37,435</u>	<u>23,084</u>
Attributable to:			
Owners of the parent		<u>37,435</u>	<u>23,084</u>

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		<u>(67)</u>	<u>3,838</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX			
		<u>(67)</u>	<u>3,838</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
		<u>37,368</u>	<u>26,922</u>
Attributable to:			
Owners of the parent		<u>37,368</u>	<u>26,922</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the period (RMB cents)	<i>9</i>	<u>9.36</u>	<u>6.37</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,839	2,072
Right-of-use assets		3,969	4,201
Other intangible assets		264	302
Deferred tax assets		581	566
		<hr/>	<hr/>
Total non-current assets		6,653	7,141
		<hr/>	<hr/>
CURRENT ASSETS			
Trade receivables	<i>10</i>	58,869	38,394
Contract assets		12,286	10,642
Prepayments, other receivables and other assets		7,229	4,911
Cash and cash equivalents		391,656	369,166
		<hr/>	<hr/>
Total current assets		470,040	423,113
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	<i>11</i>	24,352	25,282
Other payables and accruals		41,003	35,656
Contract liabilities		47,809	40,235
Tax payable		1,772	4,966
Provisions		923	834
Lease liabilities		1,361	1,104
		<hr/>	<hr/>
Total current liabilities		117,220	108,077
		<hr/>	<hr/>
NET CURRENT ASSETS		352,820	315,036
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		359,473	322,177
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Provisions		1,385	1,251
Lease liabilities		3,786	3,992
Deferred tax liability		590	590
		<hr/>	<hr/>
Total non-current liabilities		5,761	5,833
		<hr/>	<hr/>
Net assets		353,712	316,344
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>12</i>	3,572	3,572
Reserves		350,140	312,772
		<hr/>	<hr/>
Total equity		353,712	316,344
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL

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

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

2. BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020.

The interim condensed consolidated financial information for the six months ended 30 June 2021 was approved for issue by the board (the “**Board**”) of directors of the Company (the “**Directors**”) on 30 August 2021. The interim condensed consolidated financial information is 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.

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 2020, 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The revised IFRSs did not impact on the Group’s interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

There are no differences from the Group’s annual financial statements for the year ended 31 December 2020 on the basis of segmentation or on the basis of measurement of segment profit or loss, segment assets and liabilities.

Segment revenue

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Property management and value-added services	102,531	76,658
Property engineering services	26,056	14,330
Others	4,643	–
	133,230	90,988

Segment results

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Property management and value-added services	48,240	33,359
Property engineering services	3,013	2,106
Others	801	–
Segment results	52,054	35,465
<i>Reconciliation:</i>		
Unallocated income	212	6,917
Unallocated expenses	(2,611)	(9,575)
Profit before tax	49,655	32,807

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment assets

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Property management and value-added services	395,553	355,619
Property engineering services	72,257	64,579
Others	3,435	184
	<hr/>	<hr/>
Segment assets	471,245	420,382
<i>Reconciliation:</i>		
Unallocated assets	5,448	9,872
	<hr/>	<hr/>
Total assets	476,693	430,254

Segment liabilities

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Property management and value-added services	95,744	91,141
Property engineering services	25,135	20,473
Others	2,102	549
	<hr/>	<hr/>
Segment liabilities	122,981	112,163
<i>Reconciliation:</i>		
Unallocated liabilities	–	1,747
	<hr/>	<hr/>
Total liabilities	122,981	113,910

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
<u>Types of services</u>		
Property management and value-added services	102,531	76,658
Property engineering services	26,056	14,330
Others	4,643	–
	<u>133,230</u>	<u>90,988</u>

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
<u>Timing of revenue recognition</u>		
<i>At a point in time</i>		
Value-added services	2,196	1,562
Others	4,643	–
<i>Over time</i>		
Property management	100,335	75,096
Property engineering services	26,056	14,330
	<u>133,230</u>	<u>90,988</u>

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Government grants	4,251	213
Interest income	10,329	6,917
Foreign exchange differences, net	2	–
Other gains	461	17
	<u>15,043</u>	<u>7,147</u>

5. FINANCE COST

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	148	108

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of services provided	81,065	45,124
Depreciation of property, plant and equipment	381	363
Amortisation of other intangible asset	38	38
Depreciation of right-of-use assets	232	137
Research and development expenses	2,055	734
Auditors' remuneration	300	300
Employee benefit expense (including Directors' remuneration):		
Wages and salaries	16,186	13,355
Pension scheme contributions	2,163	246
Foreign exchange differences, net	(2)	746
Impairment losses on trade receivables and contract assets	298	173
Listing expenses	–	7,953

7. INCOME TAX

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

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

Pursuant to the Enterprise Income Tax Law of the People's Republic of China ("PRC") and the respective regulations, except for Henan Xingye Internet of Things Information Consulting Co., Ltd.* (河南興業物聯信息諮詢有限公司) and Henan Wuxiang Intelligent Technology Co., Ltd.* (河南物象智能科技有限公司) which enjoyed preferential enterprise tax rates of 5% (30 June 2020: 5%) and 15% (30 June 2020: Nil), respectively, during the reporting period, the subsidiaries which operate in China are subject to enterprise income tax at a rate of 25% (30 June 2020: 25%) on the taxable income.

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current	12,235	8,391
Deferred	(15)	1,332
Total tax charge for the period	<u>12,220</u>	<u>9,723</u>

8. DIVIDENDS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interim declared – RMB2.06 cents per ordinary share	<u>–</u>	<u>8,240</u>

The Board did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2021.

Interim dividend of RMB2.06 cents per share, amounting to approximately RMB8,240,000 was declared during the six months ended 30 June 2020 and paid on 9 October 2020.

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (30 June 2020: 362,430,939) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	37,435	23,084
	37,435	23,084
	Number of shares	
	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	400,000,000	362,430,939
	400,000,000	362,430,939

10. TRADE RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	59,601	38,845
Impairment	(732)	(451)
	<u>58,869</u>	<u>38,394</u>

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	54,490	37,452
1 to 2 years	3,731	942
2 to 3 years	648	–
	<u>58,869</u>	<u>38,394</u>

Included in trade receivables are amounts due from related parties of RMB53,868,000 as at 30 June 2021 (31 December 2020: RMB34,426,000). The carrying amount of trade receivables approximates to their fair value.

11. TRADE PAYABLES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	22,647	22,921
Over 3 months	1,705	2,361
	<u>24,352</u>	<u>25,282</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.

12. SHARE CAPITAL

Ordinary share of HK\$0.01 each

	Number of shares	Nominal value HK\$'000	Equivalent nominal value RMB'000
Authorised:			
At 1 January 2020	38,000,000	380	340
Increase in authorised ordinary shares	9,962,000,000	99,620	89,518
At 30 June 2020, 1 January 2021 and 30 June 2021	<u>10,000,000,000</u>	<u>100,000</u>	<u>89,858</u>
		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Issued and fully paid:			
400,000,000 (31 December 2020: 400,000,000) ordinary shares		<u>3,572</u>	<u>3,572</u>

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

	Notes	Number of shares	Nominal value HK\$'000	Equivalent amount RMB'000
At 1 January 2020		10,000	–	–
Capitalisation Issue	(i)	299,990,000	3,000	2,675
New issue of shares from Global Offering	(ii)	100,000,000	1,000	897
At 30 June 2020, 1 January 2021 and 30 June 2021		<u>400,000,000</u>	<u>4,000</u>	<u>3,572</u>

Notes:

- (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 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 Global Offering on the Stock Exchange.

All the shares issued during the period rank *pari passu* with other shares in issue in all respects.

13. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Sales of service or product:			
Property management and value-added services rendered to related parties	<i>(i)(ii)</i>	22,484	10,858
Property engineering services rendered to related parties	<i>(i)(ii)</i>	26,056	14,026
Others		1,668	–
		50,208	24,884

Notes:

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

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

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

13. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

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

Details of the Group’s outstanding balances of trade receivables with related parties are disclosed in note 10 of this announcement.

Included in contract assets are amounts due from related parties of RMB12,286,000 as at 30 June 2021 (31 December 2020: RMB10,642,000).

Included in contract liabilities, other payables and accruals and lease liabilities are amounts due to related parties of RMB5,667,000, RMB1,360,000 and RMB4,854,000 as at 30 June 2021 (31 December 2020: RMB2,203,000, RMB1,489,000 and RMB4,803,000), respectively.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short term employee benefits	1,183	674
Post-employment benefits	92	6
	<u>1,275</u>	<u>680</u>

14. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

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

During the Period, the Group gained further recognition in the industry with recognition 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 PRC (“**Top 100 Property Management Service Companies**”) in terms of business size, operational efficiency, service quality, growth potential and social responsibility for five years in a row. The Group’s ranking in the Top 100 Property Management Companies as published by CIA improved from the 60th in 2020 to the 47th in 2021.

Our portfolio of properties under management expanded during the Period with the gross floor area (“GFA”) increased from approximately 3.1 million sq.m. as at 31 December 2020 to approximately 3.6 million sq.m. as at 30 June 2021. As at 30 June 2021, our portfolio of contracted properties covered GFA of approximately 6.8 million sq.m. in aggregate.

During the Period, we entered into 26 property engineering contracts with an aggregated original contract sum, net of tax, of approximately RMB46.4 million (30 June 2020: RMB22.6 million). The increase in contract value were attributable to engineering services provided to property projects in larger scale, which also will bring/brought higher revenue to the Group.

FINANCIAL REVIEW

Revenue

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

During the Period, our Group's total revenue was approximately RMB133.2 million, representing an increase of approximately 46.4% as compared to approximately RMB91.0 million for the six months ended 30 June 2020. Such increase was attributable to the increase in revenue from property management and value-added services of approximately RMB25.9 million and the increase in revenue from property engineering services of approximately RMB11.7 million.

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

	Six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management and value-added services				
– Property management services	100,335	75.3	75,096	82.6
– Value-added services	2,196	1.6	1,562	1.7
	102,531	76.9	76,658	84.3
Property engineering services	26,056	19.6	14,330	15.7
Others	4,643	3.5	–	–
Total	133,230	100.0	90,988	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 (“**Independent Third Parties**”) and related parties for the periods:

	Six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Independent Third Parties	83,022	62.3	66,104	72.7
Related parties	50,208	37.7	24,884	27.3
Total	133,230	100.0	90,988	100.0

Property management and value-added services

Our Group's revenue generated from property management and value-added services increased by approximately RMB25.9 million or 33.8% from approximately RMB76.7 million for the six months ended 30 June 2020 to approximately RMB102.5 million for the Period. This increase was primarily as a result of the growth of our properties under management of approximately 1.0 million sq.m., as compared to the corresponding period in 2020, through (i) the expansion of property management services to cover sales offices and show flats since the fourth quarter of 2020 with revenue of approximately RMB15.1 million with full-period effect during the Period; and (ii) the newly delivered properties during the second half year of 2020 and the Period, including Zensun Binhe Mingzhu (正商濱河銘築), Zensun Zichen Garden (正商紫辰園), Zensun Huihang Mingzhu (正商匯航銘築), Zensun Cheng He Yuan Court No. 2 (正商城和園 2 號院), Zensun Yazhu Garden (正商雅築佳苑), etc, which brought an increase in revenue of approximately RMB5.8 million.

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:

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management services				
– Commercial buildings	94,858	92.5	70,097	91.4
– Governmental buildings	5,477	5.3	4,999	6.5
	100,335	97.8	75,096	97.9
Value-added services	2,196	2.2	1,562	2.1
Total	102,531	100.0	76,658	100.0

Property engineering services

Our Group's revenue generated from property engineering services increased by approximately RMB11.7 million or 81.8% from approximately RMB14.3 million for the six months ended 30 June 2020 to approximately RMB26.1 million for the Period. The increase was primarily due to the new contracts with higher contract value entered into during the second half year of 2020 and the Period and revenue recognised for performance achieving certain progress from these contracts during the Period.

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 RMB36.0 million or 79.6% from approximately RMB45.1 million for the six months ended 30 June 2020 to approximately RMB81.1 million for the Period. Such increase was generally in line with our growth in revenue during the Period associated with the growth in our properties under management and our property engineering services rendered.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately RMB6.3 million or 13.7% from approximately RMB45.9 million for the six months ended 30 June 2020 to approximately RMB52.2 million for the Period. Our gross profit margin was approximately 39.2% for the Period as compared to approximately 50.4% for the six months ended 30 June 2020. The decrease in gross profit margin was as a result from change in contribution from different revenue types in respect of our overall increase in revenue mainly contributed by (i) new income stream arising from property management services to sales offices and show flats which were primarily charged with the cost mark-up basis; and (ii) property engineering services upon achieving certain progress, which generally have a lower gross profit margin as compared to our other property management and value-added services. In addition, our gross profit margin was also affected by the increase in staff and subcontracting costs, while the average property management fees remain relatively stable.

Other Income and Gains

Other income and gains mainly comprised government grants and interest income. Our other income and gains increased by approximately RMB7.9 million or 110.5% from approximately RMB7.1 million for the six months ended 30 June 2020 to approximately RMB15.0 million for the Period. Such increase was mainly attributable to more government grants received and the increase in interest income during the Period.

Selling and Marketing Expenses

Our selling and marketing expenses primarily comprised marketing expenses and staff costs for our marketing personnel. Our selling and marketing expenses remained relatively stable between the periods at approximately RMB0.6 million for the Period and approximately RMB0.5 million for the period ended 30 June 2020.

Administrative Expenses

Our administrative expenses mainly comprised staff costs of our administrative staff at our headquarters, office expenses and professional fees. Our administrative expenses decreased by approximately RMB2.9 million or 15.1% from approximately RMB19.5 million for the six months ended 30 June 2020 to approximately RMB16.5 million for the Period. Such decrease was a result of the combined effect of (i) the reduction in listing expense of approximately RMB8.0 million in connection with the Global Offering incurred during the six months ended 30 June 2020, which offsetted (ii) the increase in research and development expense of approximately RMB1.3 million during the Period mainly in respect of our property engineering services; (iii) increase in administrative staff (including senior management personnel) cost of approximately RMB1.2 million; and (iv) increase in other general administrative maintenance expense (eg. printing and office expenses) of approximately RMB1.5 million.

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 increased by approximately RMB2.5 million or 25.7% from approximately RMB9.7 million for the six months ended 30 June 2020 to approximately RMB12.2 million for the Period, which was in line with the growth in profit before tax brought from the increase in revenue during the Period.

Profit for the Period

As a result of the foregoing, our profit attributable to the owners of the parent increased by approximately RMB14.4 million or 62.2% from approximately RMB23.1 million for the six months ended 30 June 2020 to approximately RMB37.4 million for the Period.

FINANCIAL POSITION

Property, Plant and Equipment

Property, plant and equipment of our Group primarily represented machinery and electronic equipment used in our headquarters and the management centres in our properties under management. The total net book value of our property, plant and equipment remained relatively stable and amounted to approximately RMB1.8 million as at 30 June 2021, as compared to approximately RMB2.1 million as at 31 December 2020.

Trade Receivables

Our total trade receivables were approximately RMB59.6 million and trade receivable, net of loss allowance, was approximately RMB58.9 million as at 30 June 2021, as compared to that of approximately RMB38.8 million and RMB38.4 million, respectively, as at 31 December 2020. The increase in trade receivables was primarily attributable to the increase in property management and value-added services and property engineering services provided.

Our trade receivables from related parties were approximately RMB53.9 million as at 30 June 2021, representing an increase of approximately RMB19.4 million or 56.5%, as compared to approximately RMB34.4 million as at 31 December 2020.

Our trade receivables from Independent Third Parties increased from approximately RMB4.4 million as at 31 December 2020 to approximately RMB5.7 million as at 30 June 2021, which was in line with the increase in revenue.

Trade Payables

Our trade payables primarily consisted of payables to our suppliers for their products and our subcontractors for their provision of labour or services for property management and value-added services and property engineering services. Our trade payables amounted to approximately RMB24.4 million as at 30 June 2021, which remained relatively stable as compared to approximately RMB25.3 million as at 31 December 2020.

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 RMB41.0 million as at 30 June 2021 representing an increase of approximately RMB5.3 million or 15% as compared to approximately RMB35.7 million as at 31 December 2020. The increase was attributable to the increase in other payables associated with property maintenance fund and utilities receipts collected from property owners in relation to water, electricity and heating costs as a result of the growth in properties under management.

Contract Liabilities

Our contract liabilities represented advanced receipts for property management and value-added services. Our contract liabilities increased from approximately RMB40.2 million as at 31 December 2020 to approximately RMB47.8 million as at 30 June 2021. The increase was attributable to the growth in properties under management by our Group.

Indebtedness

As at 30 June 2021, we had no outstanding borrowings and unutilised banking facilities. The Group's lease liabilities amounted to approximately RMB5.1 million as at 30 June 2021 and remained stable with approximately the same amount as at 31 December 2020.

Liquidity, Financial Resources and Capital Structure

Our Group maintained a healthy financial position. As at 30 June 2021, the current assets amounted to approximately RMB470.0 million, representing an increase of approximately RMB47.0 million or 11.1% as compared to approximately RMB423.1 million as at 31 December 2020. As at 30 June 2021, cash and cash equivalents of our Group amounted to approximately RMB391.7 million, representing an increase of approximately RMB22.5 million or 6.1% as compared to approximately RMB369.2 million as at 31 December 2020.

Gearing ratio is calculated based on the total debt (of which debt represents interest-bearing borrowings) divided by the total equity as at the end of the reporting period. As at 30 June 2021, our Group has no interest-bearing borrowings and hence the gearing ratio was nil.

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

Current Ratio

Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the reporting period. The current ratio of our Group as at 30 June 2021 was approximately 4.0 times as compared to that of approximately 3.9 times as at 31 December 2020.

Pledge of Assets

As at 30 June 2021, none of the assets of our Group was pledged.

Contingent Liabilities

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

Capital Commitments

As at 30 June 2021, 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 Renminbi. Therefore, the Group is not exposed to significant foreign currency exchange risk except certain bank balances denominated in Hong Kong dollars 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.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2021, our Group had 417 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 RMB18.3 million for the Period (30 June 2020: RMB13.6 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Group did not have any significant investments accounting for more than 5% of the Group's total assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2021. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Listing Rules as and when appropriate.

PROCEEDS FROM GLOBAL OFFERING

On the Listing Date, the shares of our Company were listed on the Main Board of the Stock Exchange and 100,000,000 new shares were issued in the Global Offering. After deducting the underwriting fees and commissions and other estimated expenses in connection with the Global Offering of ordinary shares of par value HK\$0.01 each of our Company, including, a public offering in Hong Kong of 50,000,000 shares and an international offering of 50,000,000 shares, in each case at a price of HK\$1.99 per share, net proceeds from the Global Offering amounted to approximately HK\$167.8 million (equivalent to RMB149.6 million). As at 30 June 2021, our Group had utilised approximately RMB27.3 million of the funds raised as follows:

Intended use of the net proceeds	Percentage	Planned amount of the net proceeds for its intended use <i>RMB million</i>	Utilised net proceeds up to 30 June 2021 <i>RMB million</i>	Unutilised net proceeds up to 30 June 2021 <i>RMB million</i>	Net proceeds planned to be utilised in 2021 <i>RMB million</i>	Net proceeds planned to be utilised in 2022 <i>RMB million</i>	Net proceeds planned to be utilised in 2023 <i>RMB million</i>
Acquisition of suitable acquisition targets	72.3%	108.2	–	108.2	40.2	34.0	34.0
Enhancing our property engineering services	7.2%	10.8	8.2	2.6	2.0	0.6	–
Enhancing our property management services	10.5%	15.7	4.2	11.5	3.5	5.7	2.3
General working capital	10.0%	14.9	14.9	–	–	–	–
Total	100.0%	149.6	27.3	122.3	45.7	40.3	36.3

FUTURE OUTLOOK

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

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

CHANGES SINCE 31 DECEMBER 2020

Save as disclosed in this announcement, there were no other material changes in the Group's financial position or from the information disclosed under the management discussion and analysis section in the Company's 2020 annual report.

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

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

CORPORATE GOVERNANCE 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.

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

AUDIT COMMITTEE

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

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

DIVIDEND

The Board did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2021.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.xingyewulian.com). The interim report of our Company for the Period containing all the information required by 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, 30 August 2021

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.