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Ye Xing Group Holdings Limited
燁星集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1941)

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

INTERIM RESULTS HIGHLIGHTS

- For the six months ended 30 June 2022, the Group's total revenue was approximately RMB172.1 million, representing an increase of approximately RMB12.6 million or about 7.9% as compared to that of approximately RMB159.5 million for the corresponding period in 2021. For the six months ended 30 June 2022, revenue generated from property management services, property developer related services and value-added services contributed approximately 84.4%, 4.8% and 10.8% to the total revenue, respectively.
- The revenue generated from the property management services segment was approximately RMB145.4 million, increased by approximately 18.7% as compared to the corresponding period in 2021. As at 30 June 2022, the total revenue-bearing GFA under management was approximately 11.8 million sq.m., which is consistent with that as at 31 December 2021.
- The revenue generated from property developer related services was approximately RMB8.2 million, decreased by approximately 58.8% as compared with the corresponding period in 2021.
- The revenue generated from value-added services was approximately RMB18.5 million, increased by approximately 8.2% as compared with the corresponding period in 2021.
- The profit and total comprehensive income amounted to approximately RMB9.4 million, representing a decrease of approximately 65.4% as compared with the corresponding period in 2021.

The Board announces the unaudited consolidated results of the Group for the six months ended 30 June 2022, with comparative figures for the six months ended 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	NOTES	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	172,147	159,461
Cost of services		<u>(123,061)</u>	<u>(107,314)</u>
Gross profit		49,086	52,147
Other income	4	1,434	1,602
Other gains or losses	5	983	1,816
Administrative expenses		(23,870)	(18,620)
Impairment loss of trade and other receivables, net	11	(2,667)	(1,216)
Impairment loss of amounts due from related parties	12	(12,793)	–
Selling expenses		(568)	(398)
Interests on lease liabilities		<u>(7)</u>	<u>(51)</u>
Profit before tax	7	11,598	35,280
Income tax expense	6	<u>(2,242)</u>	<u>(8,070)</u>
Profit and total comprehensive income for the period		<u>9,356</u>	<u>27,210</u>
Profit and total comprehensive income for the period attributable to:			
– Owners of the Company		9,281	27,137
– Non-controlling interests		<u>75</u>	<u>73</u>
		<u>9,356</u>	<u>27,210</u>
Earnings per share (RMB cent)			
– Basic	9	<u>2.29</u>	<u>6.70</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>NOTES</i>	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		42,786	38,017
Intangible assets		17,310	18,866
Deferred tax assets		5,409	–
Right-of-use assets		994	1,165
Goodwill		29,709	29,330
		96,208	87,378
CURRENT ASSETS			
Properties held for sale	10	7,434	–
Trade and other receivables	11	138,707	108,775
Amounts due from related parties	12	98,431	106,276
Bank balances and cash	13	168,695	167,139
		413,267	382,190
CURRENT LIABILITIES			
Trade and other payables	14	113,192	116,719
Amounts due to related parties	12	15,611	–
Contract liabilities		97,706	81,202
Lease liabilities		519	538
Tax liabilities		4,496	3,812
		231,524	202,271
NET CURRENT ASSETS		181,743	179,919
TOTAL ASSETS LESS CURRENT LIABILITIES		277,951	267,297
NON-CURRENT LIABILITIES			
Lease liabilities		122	180
Deferred tax liabilities		3,828	2,548
		3,950	2,728
NET ASSETS		274,001	264,569
CAPITAL AND RESERVES			
Paid capital/share capital		3,650	3,650
Reserves		269,660	260,379
Total equity attributable to owners of the Company		273,310	264,029
Non-controlling interests		691	540
TOTAL EQUITY		274,001	264,569

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) on 26 March 2019. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 March 2020.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institution of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods or on the disclosures set out in these condensed consolidated financial statements.

New or revised HKFRS in issue but not yet effective

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance contracts and the Related Amendments	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Types of goods or services		
Property management services	145,385	122,516
Property developer related services	8,249	19,854
Value-added services	18,513	17,091
	<u>172,147</u>	<u>159,461</u>
Types of customers		
External customers	162,585	134,905
Fellow subsidiaries	9,562	24,556
	<u>172,147</u>	<u>159,461</u>
Timing of revenue recognition		
Over time	153,634	142,370
A point in time	18,513	17,091
	<u>172,147</u>	<u>159,461</u>

Information reported to the directors of the Company, being the chief operating decision maker (“CODM”) of the Group, for the purposes of resources allocation and assessment of segment performance focuses on the revenue analysis of each operating segment in the provision of property management service, property developer related services, value-added services and others of the Group. Other than the revenue analysis as set out above, no operating results and other discrete financial information including geographical location by operating segments relating to provision of property management service, property developer related services, value added services and others is prepared regularly for internal reporting to the CODM for resources allocation and performance assessment.

4. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Bank interest income	869	1,173
Others	565	429
	<u>1,434</u>	<u>1,602</u>

5. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Government subsidy	646	2,326
Net exchange gain/(loss)	610	(222)
Others	(273)	(288)
	<u>983</u>	<u>1,816</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax	6,371	8,281
Deferred tax	(4,129)	(211)
	<u>2,242</u>	<u>8,070</u>

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax for the period has been arrived at after charging the following items:		
Depreciation for property, plant and equipment	3,196	2,106
Depreciation for right-of-use assets	171	531
Amortisation of intangible assets	1,556	500
	<u>4,923</u>	<u>3,137</u>
Total depreciation and amortisation	<u>4,923</u>	<u>3,137</u>

8. DIVIDENDS

No dividend was paid, declared or proposed for the six months ended 30 June 2021. The directors of the Company have resolved that no dividend will be paid for the six months ended 30 June 2022.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>9,281</u>	<u>27,137</u>
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>405,310,000</u>	<u>405,310,000</u>

No diluted earnings per share was presented for the six months ended 30 June 2022 and 2021 as there were no potential ordinary shares in issue during the periods.

10. PROPERTIES HELD FOR SALE

Properties held for sale represent 218 units of car parks acquired by the Group which are held for sale, they are initially stated at costs and subsequently carried at the lower of cost and net realisable value.

In prior years, the Group entered into several sole agency services agreements (the “Agreements”) with a former fellow subsidiary (the “Counterparty”), pursuant to which the Group agreed to provide agency services to the Counterparty, by sourcing potential purchasers and providing assistance in entering into sales contracts with buyers with respect to unsold car park spaces and shops developed by the Counterparty (the “Agency Services”).

Pursuant to the Agreements, the Group was required to pay the refundable deposits (the “Refundable Deposits”) up to the total minimum sales price of the car park spaces and shops to be sold under the Agreements. Upon expiry or termination of the Agreements, the remaining sum of the Refundable Deposits in respect of unsold car park spaces and shops, if any, will be refunded to the Group in full.

Upon expiry of the Agreements, the Counterparty has not yet refunded the Refundable Deposits to the Group. During the six months ended 30 June 2022, the Group purchased 232 units of the unsold car park spaces from the Counterparty at a consideration of approximately RMB7,888,000, which was offset with the Refundable Deposits.

In June 2022, the Group entered into a settlement agreement with the Counterparty, pursuant to which the Counterparty committed to refund the remaining balance of the Refundable Deposits of RMB30,566,000 to the Group by 30 September 2023. In addition, the Counterparty has guaranteed to obtain the Group’s approval before selling certain properties (the “Assets”), proceeds from the sale of the Assets will be distributed to the Group with first priority. In case if the Counterparty is not able to refund the Refundable Deposits by 30 September 2023, the Assets will be transferred to the Group to offset with the Refundable Deposits.

Based on the assessment of the fair value of the Assets, the Directors are of the opinion that the fair value of the Assets are higher than the carrying amount of the Refundable Deposits. Therefore, the Group will be able to recover the outstanding balance in full and expected credit loss is minimal.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Trade receivables	91,115	52,890
Less: allowance for credit losses	<u>(7,677)</u>	<u>(4,915)</u>
	<u>83,438</u>	<u>47,975</u>
Other receivables:		
Refundable Deposits	30,566	38,454
Deposits	888	774
Prepayments	10,567	9,027
Payments on behalf of residents	5,562	5,000
Advances to staff	4,681	5,210
Others	4,240	3,665
Less: allowance for credit losses	<u>(1,235)</u>	<u>(1,330)</u>
	<u>55,269</u>	<u>60,800</u>
Total trade and other receivables	<u>138,707</u>	<u>108,775</u>

Property management service income is generally required to be settled by property owners and property developers on the date upon issuance of demand note.

The Group generally grants a credit period of 30 days for its property developer related services and value-added services to the property owners.

The following is an ageing analysis of trade receivables, before the allowances for credit losses presented based on the date of demand note issued:

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
0 to 60 days	38,823	23,435
61 to 180 days	26,410	8,680
181 to 365 days	9,420	7,455
1 to 2 years	13,131	11,590
2 to 3 years	2,464	1,099
Over 3 years	<u>867</u>	<u>631</u>
	<u>91,115</u>	<u>52,890</u>

12. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Due from fellow subsidiaries		
Trade nature (<i>Note a</i>)	104,932	104,662
Less: allowance for credit losses	(12,203)	–
	<u>92,729</u>	<u>104,662</u>
Non-trade nature (<i>Note b</i>)	6,292	1,614
Less: allowance for credit losses	(590)	–
	<u>5,702</u>	<u>1,614</u>
Total	<u><u>98,431</u></u>	<u><u>106,276</u></u>
Due to fellow subsidiaries		
Non-trade nature	<u><u>(15,611)</u></u>	<u><u>–</u></u>

Notes:

- a. The Group generally grants a credit period of 30 days for its property developer related services and value-added services to its related parties and no credit term granted to related parties for its provision of property management services in which such income is generally required to be settled upon the date of issuance of demand note.
- b. The amount mainly represented the refundable deposits paid by the Group to its fellow subsidiaries. As at 30 June 2022, the balances were unsecured, interest-free and repayable on demand.

The following is an aging analysis of trade receivables from related parties presented based on date of demand note:

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
0 to 60 days	3,606	14,166
61 to 180 days	5,956	17,762
181 to 365 days	29,689	19,047
1 to 2 years	49,828	45,258
2 to 3 years	12,163	8,429
Over 3 years	3,690	–
	<u><u>104,932</u></u>	<u><u>104,662</u></u>

13. BANK BALANCES AND CASH

The bank balances carry interest at variable rates with an average interest rate of 0.35% for the six months ended 30 June 2022 (year ended 31 December 2021: 0.35%) per annum.

14. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Trade payables	<u>32,480</u>	<u>36,987</u>
Other payables:		
Receipts on behalf of residents	10,684	11,948
Deposits received	32,318	34,208
Accrued staff costs	18,311	14,989
Accrued contribution to social insurance and housing provident funds	6,843	7,830
Other tax payables	2,809	3,269
Accrued expenses	9,274	6,942
Other payables	<u>473</u>	<u>546</u>
Total other payables	<u>80,712</u>	<u>79,732</u>
Total trade and other payables	<u><u>113,192</u></u>	<u><u>116,719</u></u>

The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Within 1 year	26,103	29,523
1–2 years	5,691	7,121
2–3 years	43	73
Over 3 years	<u>643</u>	<u>270</u>
	<u><u>32,480</u></u>	<u><u>36,987</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

The Group is a reputable property management service provider offering comprehensive property management and related services for residential and non-residential properties in the PRC. Its Parent Group, Hongkun Group, is a leading property developer in the Beijing-Tianjin-Hebei Region and has been ranked among the Top 100 Property Developers in the PRC* (中國房地產開發企業百強). The Group has been ranked one of the Top 100 Property Management Companies in the PRC* (中國物業服務百強企業) by China Index Academy* (中國指數研究院) for six consecutive years since 2016 and ranked 40th among the Top 100 Property Management Companies in the PRC* (中國物業服務百強企業) in 2021. Through upholding the Group's service philosophy of "creating an enjoyable living environment" (讓人們住得開心) and the dedication to the Group's core values of "friendliness, persistence, innovation and excellence" in delivering its services, the Group envisions to become an outstanding property management service provider in the PRC. As at 30 June 2022, the Group provided property management services to properties spanning across 17 cities in the Beijing-Tianjin-Hebei Region, Hainan Province, Hubei Province, Anhui Province, Jiangsu Province, Shaanxi Province, Jiangxi Province and Shanghai, managing a total revenue-bearing GFA of approximately 11.8 million sq.m., comprising 54 residential properties (with over 84,000 units in total) and 18 non-residential properties.

For the six months ended 30 June 2022, the Company generated revenue of approximately RMB172.1 million, representing an increase of approximately 7.9% as compared with the corresponding period in 2021; realised gross profit of approximately RMB49.1 million, representing a slight decrease of about 5.8% as compared with the corresponding period in 2021. The total profit and other comprehensive income amounted to approximately RMB9.4 million, representing a decrease of approximately 65.4% as compared with the corresponding period in 2021. The gross profit margin and net profit margin for the six months ended 30 June 2022 were 28.5% and 5.5%, respectively, representing a decrease of 4.2 and 11.6 percentage points as compared with the corresponding period in 2021, respectively.

As at 30 June 2022, the Group's contracted GFA was approximately 14.4 million sq.m., and the total revenue-bearing GFA under management exceeded 11.8 million sq.m., which is consistent with that as at 31 December 2021; the number of the Group's managed residential property projects was 54, with a total revenue-bearing GFA of approximately 10.7 million sq.m., accounting for 90.7% of total revenue-bearing GFA; the number of the Group's managed non-residential property projects was 18, with a total revenue-bearing GFA of approximately 1.1 million sq.m., accounting for 9.3% of the total revenue-bearing GFA.

The table below sets forth our (i) contracted GFA; (ii) revenue-bearing GFA; and (iii) number of properties under our management in relation to the properties for which we had commenced our provision of property management services, as at the dates indicated:

	As at 30 June	
	2022	2021
Residential Properties		
Contracted GFA ('000 sq.m.) (Note)	12,738	9,703
Revenue-bearing GFA ('000 sq.m.)	10,688	6,987
Number of properties managed	54	36
Non-residential Properties		
Contracted GFA ('000 sq.m.) (Note)	1,669	1,633
Revenue-bearing GFA ('000 sq.m.)	1,140	1,120
Number of properties managed	18	20
Total		
Contracted GFA ('000 sq.m.) (Note)	14,407	11,336
Revenue-bearing GFA ('000 sq.m.)	11,828	8,107
Number of properties managed	72	56

Note: Contracted GFA refers to the total GFA managed and the total GFA to be managed by the Group under signed property management service agreements.

FUTURE OUTLOOK

2022 is a year full of challenges and hopes for the property management industry. On the one hand, under the pressure of the continuing pandemic situation of COVID-19, property management enterprises have always been at the forefront of pandemic prevention and control and have been widely recognized by the government and the society. On the other hand, with the continuous increase of the property management coverage rate and the continuous extension and expansion of the service coverage, the future property management service industry is expected to have a broader development space.

At such a juncture, the Group upholds the Group's service philosophy of "creating an enjoyable living environment" (讓人們住的開心), takes customers as the core and quality as the cornerstone, constantly enriches services and drives innovation, and achieves multi-dimensional and steady development while maintaining stable performance growth.

In the second half of 2022, the Group will make efforts to focus on the following aspects:

1. Build core competitiveness of team operation

The Group is committed to upgrading its internal management system and intelligent management platform, while considering functionality and flexibility to adapt to the future development of the enterprise. In the first half of 2022, the Company empowered its development by optimizing the management structure, strengthening the procurement management, increasing the investment in human resources, upgrading the standardized operation procedures, and strengthening the internal control system. In terms of quality control, we attach great importance to process control, focusing on system, supplemented by procedures, and combining supervision and inspection. By clarifying the responsibilities and permissions of the quality control department, we can realize service quality supervision and the establishment of professional quality talent pool. In terms of intelligent layout, the Group has built asset management system, intelligent parking system, employee learning system and community operation management system in combination with the rapid development of business to improve management efficiency. Based on our own management experience, the Group intends to accelerate its intelligent layout, promote the construction rules of the information ecological platform, and create a digital management system platform to ensure the long-term quality of the property projects under management and that the service level keeps pace with the times.

2. Continue to expand business scale and market share

As the current property management service industry in China is becoming increasingly concentrated, the Group intends to make use of the successful experience in the Beijing-Tianjin-Hebei Region market and the existing service management system and standards to expand the market share of the existing market and further penetrate into new markets, and to focus on developing projects with high returns and business synergy. At the same time, based on the existing projects under management, we will further optimize our investment and expansion resource allocation and market expansion team system, and give priority to the development of benchmark projects with brand effect in the core business circle through acquisition, bidding, joint venture, key customer follow-up and strategic cooperation. We will also continue to cooperate with the Parent Group's high-quality business and customer resources, explore the layout of cities with high value potential and explore new opportunities in urban service.

3. Promote quality growth of value-added services

In the first half of 2022, the Group actively extended services around the upstream and downstream of property management, and constantly expanded and enriched the coverage and quality of value-added services.

In the second half of 2022, in terms of residential projects, through refined management of the projects, we will focus on the property assets and the high-frequency living needs of the owners, that is, the operation logic of “food + housing + travelling + touring + shopping + education + elderly care”, rely on the mature and comprehensive family service system and the 400 hotline service, and integrate high-quality social resources according to the needs of the owners to carry out value-added services, including: housing supporting services, life group shopping services of “Happy Shop” (「樂享購」), domestic service, intelligent elderly care services, etc., constantly optimize the business structure and comprehensively improve the project efficiency.

In terms of non-residential projects, driven by “innovation + resources”, we actively cooperate with the resources of upstream and downstream companies, realize circular sharing economy and internal system coordination through asset operation and resource integration, and provide non-residential customers with complete closed-loop services in terms of public services, industrial resources, government and enterprise services, market services, property services, industrial investment, venture capital and other software and hardware capital and communities, striving to be a good steward, helper and assistant of customers and improve the Group’s profitability.

4. Strengthen green management and improve the environmental prosperity of the communities

In the second half of 2022, we will continue to cultivate green ecology and practice the new property management concept of sustainable development. By formulating detailed green management and maintenance plans, system management, green plant maintenance, energy and water conservation, pollution prevention and control, garbage classification, personnel training, behavior guidance and other scientific management and technical means, the Group will continue to explore the depth of service, deepen humanistic care, and practise the green property management concept with wisdom, in order to maximize the purpose of saving resources and protecting the environment, and create a green, environmentally friendly and harmonious cultural atmosphere in the community.

In the second half of 2022, under the normalization of the pandemic situation, the Group will maintain high standards on the quality of property services, increase the stickiness and satisfaction of users with professional and warm services, continuously deepen the establishment of various mechanisms, strengthen the construction of talent teams, improve the digital management system, establish value-added services with comparative advantages and distinctiveness, eliminate service barriers, and constantly create new values while achieving effective scale expansion, to support the healthy and efficient development of the enterprise’s future business.

FINANCIAL REVIEW

Results of Operations

The Group's revenue was mainly derived from property management services, property developer related services and value-added services. For the six months ended 30 June 2022, the Group's total revenue was approximately RMB172.1 million, representing an increase of approximately RMB12.6 million or approximately 7.9% as compared to that of approximately RMB159.5 million for the corresponding period in 2021. For the six months ended 30 June 2022, the revenue generated from property management services, property developer related services and value-added services contributed approximately 84.4%, 4.8% and 10.8% to the total revenue, respectively.

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

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Property management services	145,385	84.4%	122,516	76.8%
Property developer related services	8,249	4.8%	19,854	12.5%
Value-added services	18,513	10.8%	17,091	10.7%
Total	<u>172,147</u>	<u>100.0%</u>	<u>159,461</u>	<u>100.0%</u>

Property Management Services

The revenue generated from property management services was approximately RMB145.4 million for the six months ended 30 June 2022, increased by approximately RMB22.9 million, or about 18.7% as compared to the corresponding period in 2021. The revenue of property management services generated from residential properties was approximately RMB116.2 million, increased by approximately RMB27.2 million or about 30.6% as compared to the corresponding period in 2021. Such significant increase was mainly due to (i) the fully reflected contribution of property management fees from those residential property projects delivered in the second half of 2021; (ii) 1 newly delivered residential property during the period, which generated a total revenue of approximately RMB1.5 million; and (iii) approximately RMB11.4 million of the property management services revenue was generated during the period from the 15 residential property projects under management by Jiangsu Wanhao, a subsidiary that we newly acquired in the fourth quarter of 2021. The revenue of property management services generated from non-residential properties was approximately RMB29.2 million, decreased by approximately RMB4.3 million or about 12.8% as compared to the corresponding period in 2021, primarily because of the disposal of a subsidiary Tianjin Hongsheng which holds 2 non-residential properties with unsatisfactory performance in

order to optimize our properties portfolio under management. The total revenue-bearing GFA under management increased from approximately 8.1 million sq.m. as at 30 June 2021 to approximately 11.8 million sq.m. as at 30 June 2022.

The following table sets forth a breakdown of our total revenue-bearing GFA and our revenue derived from the property management services by type of properties as at the dates indicated and for the periods indicated:

	As at/Six months ended 30 June							
	2022				2021			
	Revenue-bearing GFA		Revenue		Revenue-bearing GFA		Revenue	
'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	
		(unaudited)		(unaudited)				
Residential properties	10,688	90.4%	116,171	79.9%	6,987	86.2%	88,975	72.6%
Non-residential properties	1,140	9.6%	29,214	20.1%	1,120	13.8%	33,541	27.4%
	<u>11,828</u>	<u>100.0%</u>	<u>145,385</u>	<u>100.0%</u>	<u>8,107</u>	<u>100.0%</u>	<u>122,516</u>	<u>100.0%</u>

The following table sets forth a breakdown of our total revenue-bearing GFA and our revenue derived from property management services by type of property developers as at the dates indicated and for the periods indicated:

	As at/Six months ended 30 June							
	2022				2021			
	Revenue-bearing GFA		Revenue		Revenue-bearing GFA		Revenue	
'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	
		(unaudited)		(unaudited)				
Hongkun Group	8,942	75.6%	129,115	88.8%	7,958	98.2%	118,947	97.1%
Third party property developers	2,886	24.4%	16,270	11.2%	149	1.8%	3,569	2.9%
	<u>11,828</u>	<u>100.0%</u>	<u>145,385</u>	<u>100.0%</u>	<u>8,107</u>	<u>100.0%</u>	<u>122,516</u>	<u>100.0%</u>

The following table sets forth a breakdown of our total revenue-bearing GFA and our revenue derived from property management services by geographic coverage as at the dates indicated and for the periods indicated:

	As at/Six months ended 30 June							
	2022				2021			
	Revenue-bearing GFA		Revenue		Revenue-bearing GFA		Revenue	
'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	
			(unaudited)			(unaudited)		
Beijing	2,698	22.9%	50,907	35.0%	2,387	29.5%	50,619	41.3%
Tianjin	1,331	11.3%	22,495	15.5%	1,120	13.8%	20,570	16.8%
Hebei Province	3,426	29.0%	39,620	27.3%	2,980	36.8%	34,108	27.8%
Beijing-Tianjin-Hebei Region	7,455	63.2%	113,022	77.8%	6,487	80.1%	105,297	85.9%
Hainan Province	515	4.3%	4,615	3.2%	506	6.3%	4,266	3.5%
Hubei Province	716	6.0%	8,257	5.7%	553	6.8%	6,328	5.2%
Shaanxi Province	42	0.4%	1,425	1.0%	42	0.5%	1,335	1.1%
Anhui Province	274	2.3%	2,561	1.8%	157	1.9%	1,416	1.2%
Jiangsu Province	2,713	22.8%	14,895	10.1%	270	3.3%	2,668	2.2%
Shanghai	92	0.8%	301	0.2%	92	1.1%	1,206	0.9%
Jiangxi Province	21	0.2%	309	0.2%	-	-	-	-
	<u>11,828</u>	<u>100.0%</u>	<u>145,385</u>	<u>100.0%</u>	<u>8,107</u>	<u>100.0%</u>	<u>122,516</u>	<u>100.0%</u>

Property Developer Related Services

The revenue generated from property developer related services decreased by approximately RMB11.7 million or about 58.8% from approximately RMB19.9 million for the six months ended 30 June 2021 to approximately RMB8.2 million for the six months ended 30 June 2022. The revenue generated from sales assistance services for the six months ended 30 June 2022 was approximately RMB7.0 million, representing a decrease of approximately RMB3.1 million or about 30.7% as compared with the corresponding period in 2021; the revenue generated from pre-delivery cleaning and preparation services for the six months ended 30 June 2022 was approximately RMB0.2 million, representing a decrease of approximately RMB2.2 million or about 91.7% as compared with the corresponding period in 2021, since there was only one residential property newly completed during the first half of 2022; the revenue generated from post-delivery maintaining services for the six months ended 30 June 2022 was approximately RMB1.0 million, representing a decrease of approximately RMB1.5 million or about 60.0% as compared with the corresponding period in 2021; and there is no revenue generated from planning and design consultancy and inspection services for the six months ended 30 June 2022 (corresponding period in 2021: approximately RMB4.9 million).

The following table sets forth a breakdown of number of property developer related services projects and our revenue derived from property developer related services by geographic coverage as at the dates indicated and for the periods indicated:

	As at/Six months ended 30 June					
	2022			2021		
	Number of projects	Revenue		Number of projects	Revenue	
		RMB'000 (unaudited)	%		RMB'000 (unaudited)	%
Beijing	1	223	2.8%	1	1,402	7.1%
Tianjin	6	2,645	32.0%	5	7,276	36.6%
Hebei Province	8	4,018	48.6%	11	8,860	44.6%
Beijing-Tianjin-Hebei Region	15	6,886	83.4%	17	17,538	88.3%
Hainan Province	1	459	5.6%	1	341	1.7%
Hubei Province	2	904	11.0%	1	1,408	7.1%
Jiangsu Province	-	-	-	-	-	-
Anhui Province	-	-	-	1	52	0.3%
Guangdong Province	-	-	-	1	515	2.6%
Shanghai	-	-	-	-	-	-
	18	8,249	100.0%	21	19,854	100.0%

Value-added Services

The revenue generated from value-added services increased by approximately RMB1.4 million or about 8.2% from approximately RMB17.1 million for the six months ended 30 June 2021 to approximately RMB18.5 million for the six months ended 30 June 2022. The increase was mainly due to the increase in number of properties managed.

The following table sets forth a breakdown of our revenue derived from our value-added services for the periods indicated:

	Six months ended 30 June			
	2022		2021	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Home living services (Note 1)	4,741	25.6%	6,201	36.3%
Leasing of common areas (Note 2)	13,032	70.4%	10,029	58.7%
Others	740	4.0%	861	5.0%
	18,513	100.0%	17,091	100.0%

Notes:

- (1) Our home living services primarily included collection of electricity, air-conditioning and heating fees, and household repair and maintenance services provided to property owners and residents of our managed residential or non-residential properties.
- (2) Our leasing of common areas primarily represented the leasing of certain common areas of our managed residential or non-residential properties to third-party services providers for setting up advertisement lightboxes, distilled water vending machines, screens in lifts and other facilities.

Cost of Services

Our cost of services primarily consists of (i) labour costs which arose mainly from the security, cleaning and gardening services; (ii) subcontracting cost; (iii) utility expenses; (iv) office expenses; and (v) maintenance costs.

Our cost of services increased by about 14.7% from approximately RMB107.3 million for the six months ended 30 June 2021 to approximately RMB123.1 million for the six months ended 30 June 2022. The increase was primarily attributable to (i) the continuous increase in the number of projects managed and total revenue-bearing GFA; (ii) the amortisation of the intangible assets resulted from the acquisition of Jiangsu Wanhao; and (iii) the increase in resource investment to develop our value-added services.

To maximise our cost and operational efficiency, we outsource our cleaning, gardening, equipment maintenance, site security services and car park management to Independent Third Party subcontractors. We believe that the subcontracting arrangement allows us to leverage the resources and expertise of the subcontractors, reduce our operating costs, and enhance our overall efficiency and profitability.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2022, the gross profit of the Group was approximately RMB49.1 million, representing a slight decrease of approximately RMB3.0 million or approximately 5.8% as compared to approximately RMB52.1 million for the six months ended 30 June 2021. The gross profit margin was 28.5% for the six months ended 30 June 2022 and 32.7% for the six months ended 30 June 2021. The decrease in gross profit margin was mainly due to (i) the significant increase of revenue from residential properties projects which had relatively low gross profit margin as compared with non-residential properties projects; and (ii) the amortisation of the intangible assets resulted from the acquisition of Jiangsu Wanhao being recognised as cost of services.

Selling Expenses and Administrative Expenses

Our selling expenses primarily consist of (i) promotional expenses; (ii) salaries and allowances for our sales personnel; and (iii) travelling expenses and entertainment expenses. The total selling expenses of the Group for the six months ended 30 June 2022 were approximately RMB0.6 million (for the six months ended 30 June 2021: approximately RMB0.4 million).

Our administrative expenses primarily consist of (i) salaries and allowances for our administrative and management personnel in our headquarters; (ii) travelling expenses; (iii) professional fees; (iv) lease-related expenses; and (v) bank charges.

For the six months ended 30 June 2022, the administrative expenses of the Group were approximately RMB23.9 million, representing an increase of approximately RMB5.3 million or about 28.5% as compared to approximately RMB18.6 million for the six months ended 30 June 2021. The increase was mainly due to (i) the increase in headcount of our headquarters to cope with our continuous business expansion; and (ii) the increase in professional fees.

Other Income

For the six months ended 30 June 2022, other income of the Group amounted to approximately RMB1.4 million, representing a decrease of approximately RMB0.2 million or about 12.5% as compared to approximately RMB1.6 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease of bank interest income of approximately RMB0.2 million.

Income Tax Expenses

For the six months ended 30 June 2022, the income tax expenses of the Group was approximately RMB2.2 million (six months ended 30 June 2021: approximately RMB8.1 million).

Profit for the Period

For the six months ended 30 June 2022, the net profit of the Group was approximately RMB9.4 million, representing a decrease of approximately RMB17.8 million or about 65.4% as compared to approximately RMB27.2 million for the six months ended 30 June 2021. The decrease was primarily attributable to (i) the increase of administrative expenses of approximately RMB5.3 million due to our continuous business expansion; (ii) impairment loss increased by approximately RMB14.3 million due to a more rigorous accrual method for the provision of receivables we actively adopted to cope with the uncertainties of the industry; and (iii) no government subsidy granted for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB2.3 million).

Financial Position

As at 30 June 2022, the total assets of the Group were approximately RMB509.4 million (as at 31 December 2021: approximately RMB469.6 million), and the total liabilities were approximately RMB235.5 million (as at 31 December 2021: approximately RMB205.0 million). As at 30 June 2022, the current ratio was 1.8 (as at 31 December 2021: 1.9).

As at 30 June 2022 and 31 December 2021, the Group had no outstanding bank borrowings and undrawn banking facilities.

The Board will continue to follow a prudent policy in managing the Group's cash and cash equivalents and maintain a strong liquidity position to ensure that the Group is able to take full advantage of future growth opportunities.

Property, Plant and Equipment

Our property, plant and equipment included (i) the building for our staff quarters; and (ii) our furniture, fixtures and equipment in our office premises and management offices and sites. Our property, plant and equipment was approximately RMB42.8 million as at 30 June 2022, representing an increase of approximately RMB4.8 million or about 12.6% as compared with that of approximately RMB38.0 million as at 31 December 2021. It was primarily attributable to the new office with relevant decoration and furniture acquired in the period with a cost of approximately RMB6.9 million, which was partially offset by the depreciation charged for the six months ended 30 June 2022.

Intangible Assets

Our intangible assets were approximately RMB17.3 million as at 30 June 2022. Approximately RMB2.0 million was attributed to the mobile applications, Hongkunhui* (鴻坤薈) and H-Butler* (鴻管家) acquired from Hongkun Group in June 2019, which were initially measured at the cost of acquisition of RMB5.0 million and subsequently measured at the cost less accumulated amortisation (with a useful life of five years) and impairment losses and approximately RMB15.3 million was attributed to the acquisition of Jiangsu Wanhao, which were initially measured at approximately RMB16.9 million and subsequently measured at cost less accumulated amortisation (with a useful life of eight years) and impairment losses.

Right-of-use Assets

Our right-of-use assets represented our right to use our leased assets (i.e. office premises and staff quarters) with lease terms of over one year, which were initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses under HKFRS 16.

Our right-of-use assets decreased by approximately RMB0.2 million or about 16.7% from approximately RMB1.2 million as at 31 December 2021 to approximately RMB1.0 million as at 30 June 2022 which was primarily due to the depreciation charged for the six months ended 30 June 2022.

Goodwill

Our goodwill increased by approximately RMB0.4 million from approximately RMB29.3 million as at 31 December 2021 to approximately RMB29.7 million as at 30 June 2022. Goodwill was initially measured at cost, being the excess of sum of the consideration transferred over the net of amount of identifiable assets acquired and the liabilities assumed. The amount mainly represented goodwill acquired from acquisition of Jiangsu Wanhao in 2021.

Trade and Other Receivables

Our trade and other receivables increased by approximately RMB29.9 million or about 27.5% from approximately RMB108.8 million as at 31 December 2021 to approximately RMB138.7 million as at 30 June 2022, mainly due to the increase in trade receivables. Our trade receivables increased by approximately RMB35.4 million or about 73.8% from approximately RMB48.0 million as at 31 December 2021 to approximately RMB83.4 million as at 30 June 2022, mainly due to (i) the continuous growth in our revenue; and (ii) the nature of our business that the peak of property fee collection is at the end of the year. Approximately RMB23.4 million of our trade receivables as at 30 June 2022 had been recovered as at the date of this announcement. The increase of trade receivables was partially offset by the decrease of refundable deposits of approximately RMB7.9 million.

Amounts Due from Related Parties and Fellow Subsidiaries

Trade nature amounts due from fellow subsidiaries

Our trade nature amounts due from fellow subsidiaries mainly represented the outstanding balances to be received from the Parent Group in respect of the provisions of our property management services and property developer related services.

Our trade nature amounts due from fellow subsidiaries decreased by approximately RMB12.0 million or about 11.5% from approximately RMB104.7 million as at 31 December 2021 to approximately RMB92.7 million as at 30 June 2022, which was mainly because impairment loss of approximately RMB12.2 million was recognised during the six months ended 30 June 2022.

Non-trade nature amounts due from fellow subsidiaries

Our non-trade nature amounts due from fellow subsidiaries of approximately RMB1.6 million and approximately RMB5.7 million as at 31 December 2021 and 30 June 2022 respectively were unsecured, interest-free and repayable on demand. The amount mainly represented the deposit paid to the fellow subsidiary to secure the sole agent status of the sale of car park spaces. Pursuant to the relevant agreement, the amount shall be refunded upon completion of the sale. The balances were unsecured interest free and repayable on demand.

The Directors confirmed that, other than the above-mentioned security deposit arising from the acquisition of business, we do not have any non-trade related balances with related parties (including our fellow subsidiaries) after the Listing.

Trade and Other Payables

As at 30 June 2022, the trade and other payables were approximately RMB113.2 million, representing a slight decrease of approximately RMB3.5 million or approximately 3.0% as compared to that of approximately RMB116.7 million as at 31 December 2021, mainly due to our trade payables decreased by approximately RMB4.5 million or about 12.2% to approximately RMB32.5 million as at 30 June 2022 (as at 31 December 2021: approximately RMB37.0 million). In view of the increasing weighting of subcontracting costs, we have restored the settlement speed with suppliers to that before the COVID-19 pandemic, in order to maintain the relationship with suppliers and bargain better prices.

Contract Liabilities

Our contract liabilities primarily represented the payments in advance from our customers for the provision of our property management services. Pursuant to the signed property management service agreements, we usually charge property owners and residents a fixed fee by issuing demand notes, which are generally required to be paid in advance on an annual basis for residential properties and in advance on a monthly or quarterly basis for non-residential properties. Our contract liabilities increased by approximately RMB16.5 million or about 20.3% to approximately RMB97.7 million as at 30 June 2022 (as at 31 December 2021: RMB81.2 million). The increase was mainly due to the increase in number of properties managed and revenue-bearing GFA.

Contingent Liabilities

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

Liabilities to Assets Ratio

Liabilities to assets ratio is calculated based on the total liabilities divided by the total assets. Liabilities to assets ratio remained stable at 0.46 as at 30 June 2022 and 0.44 as at 31 December 2021, respectively.

Asset Pledge

As at 30 June 2022, none of the assets of the Group was pledged.

Proceeds from the Listing

The Shares were listed on the Main Board of the Stock Exchange on 13 March 2020 and 100,000,000 new Shares were issued. The over-allotment option was partially exercised and 5,310,000 new Shares were issued on 3 April 2020. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing amounted to approximately HK\$129.4 million (equivalent to approximately RMB116.2 million). The net proceeds from the Listing were higher than that stated in the Prospectus, due to a higher final issue price than the median of the range of offer prices stated in the Prospectus and lower-than-expected underwriting fees. Such proceeds will be applied in the manner consistent with that in the Prospectus which is detailed as follows:

Intended usage	Disclosed in the Prospectus			
	Approximate net proceeds utilised (HK\$ million)	Approximate percentage	Proceeds planned to be utilised in 2020 (HK\$ million)	Proceeds planned to be utilised in 2021 (HK\$ million)
Expansion of geographic presence and scale of operations in the PRC	64.4	65.0%	61.3	3.1
Development and enhancement of our information system and technological initiatives	12.9	13.0%	12.9	–
Expansion of our value-added services	9.9	10.0%	4.7	5.2
Staff development	2.0	2.0%	2.0	–
General working capital	9.8	10.0%	–	–
Total	<u>99.0</u>	<u>100.0%</u>	<u>80.9</u>	<u>8.3</u>

Due to the abovementioned reasons, the net proceeds from the Listing increased to HK\$129.4 million and therefore our expected usage increased proportionately as follows:

Intended usage	As at 30 June 2022				
	Actual amount of net proceeds (HK\$ million)	Approximate percentage	Proceeds utilised (HK\$ million)	Proceeds not yet utilised (HK\$ million)	Proceeds planned to be utilised in 2022 (HK\$ million)
Expansion of geographic presence and scale of operations in the PRC	84.1	65.0%	47.0	37.1	37.1
Development and enhancement of our information system and technological initiatives	16.9	13.0%	1.5	15.4	15.4
Expansion of our value-added services	12.9	10.0%	4.2	8.7	8.7
Staff development	2.6	2.0%	0.2	2.4	2.4
General working capital	12.9	10.0%	5.7	7.2	7.2
Total	129.4	100.0%	58.6	70.8	70.8

As at 30 June 2022, the Company has utilized part of such proceeds according to the use as set out in the Prospectus. Approximately RMB47.0 million, representing approximately 36.3% of the actual amount of net proceeds, was utilized for expansion of geographic presence and scale of operations the PRC, including acquiring Jiangsu Wanhao; approximately RMB1.5 million, representing approximately 1.2% of the actual amount of net proceeds, was utilized for development and enhancement of our information system and technological initiatives, include building up a resident communication database; approximately RMB4.2 million, representing approximately 3.2% of the actual amount of net proceeds, was utilized for expansion of our value-added service, include setting up a business development team; approximately RMB0.2 million, representing approximately 0.2% of the actual amount of net proceeds, was utilized for staff development, including strengthening staff learning, development and promoting of systems; and approximately RMB5.7 million, representing approximately 4.4% of the actual amount of net proceeds, was utilized for the general working capital.

Due to the significant increase in the number of acquisitions in the property management industry currently, the uncertainty of acquisition pricing raised, we adopt a more cautious attitude towards the evaluation of acquisition objectives. Therefore, our progress in utilizing the proceeds from the Listing was delayed than as planned. The expected timeline for utilising the unutilised proceeds is one year, which is based on our best estimation and will be subject to change in market conditions. The unutilized proceeds as at 30 June 2022 were deposited in the bank accounts.

Significant Acquisitions and Disposals

During the six months ended 30 June 2022, the Group did not have any significant acquisitions and disposals of subsidiaries, associates or joint ventures.

Significant Investments

As at 30 June 2022, the Group did not have any major investments.

DIVIDEND

No interim dividend was declared by the Board for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group after 30 June 2022.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Board confirms that the Company has maintained the public float as required by the Listing Rules as at the date of this announcement.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2022 have been reviewed by the Audit Committee and by Crowe (HK) CPA Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The report on review of the condensed consolidated financial statements by the auditor will be included in the Interim Report 2022 of the Company to be dispatched to the Shareholders.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high standards of corporate governance.

The Board believes that high standards of corporate governance are key to the Group's ability to protect Shareholders' interests, enhance corporate value, develop business strategies and policies, and improve transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis for the Company's corporate governance practices. The Company has also established a corporate governance framework and has developed a set of policies and procedures in accordance with the Corporate Governance Code. These policies and procedures provide the basis for strengthening the Board's ability to exercise governance and provide appropriate oversight of the business conduct and affairs of the Company.

During the six months ended 30 June 2022, the Company has complied with all applicable code provisions set out in the Corporate Governance Code, except for the deviation from code provision C.2.1 of the Corporate Governance Code which requires that the roles of the chairman of the board and the chief executive officer should be separate and should not be performed by the same individual.

Ms. Wu Guoqing is the General Manager of Beijing Hongkun and is involved in the day-to-day management of our business. Although she does not hold the title of Chief Executive Officer, she can be regarded as the de facto Chief Executive Officer of the Group. She is also the Chairman of the Board. Ms. Wu has been responsible for the overall management, strategic planning and day-to-day business operations of the Group. The Board believes that at this stage of the Group's development, having the roles of both the Chairman and the Chief Executive Officer in the same person brings strong and consistent leadership to the Company for effective and efficient planning and implementation of business decisions and strategies. Accordingly, the Directors consider it is appropriate and reasonable to deviate from code provision C.2.1 of the Corporate Governance Code. However, it is the Company's long term objective to have different individuals in the two roles when suitable candidates are identified.

The Group will continue to review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all Directors, they confirmed that they have complied with the Model Code during the six months ended 30 June 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hongkunwuye.com). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Audit Committee”	the Board committee established by the Board to supervise the Company’s accounting and financial reporting procedures and the Company’s financial statements review
“Beijing Hongkun”	Beijing Hongkun Ruibang Property Management Company Limited* (北京鴻坤瑞邦物業管理有限公司), a limited liability company established under the laws of the PRC on 18 June 2003 and a wholly-owned subsidiary of the Company
“Board”	the board of Directors of our Company
“Company” or “our Company”	Ye Xing Group Holdings Limited (燁星集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 March 2019
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“GFA”	gross floor area
“Group”, “we”, “us” or “our”	our Company and our subsidiaries, and Chinese entities controlled by the Company through contractual arrangements
“Hongkun Group”	Hongkun Jituan Company Limited* (鴻坤集團有限公司) and its subsidiaries, associated companies and joint ventures
“Independent Third Party”	third party who is not connected with any of our Directors or controlling Shareholders or any of our subsidiaries or any of our respective associates (within the meaning of the Listing Rules)

“Jiangsu Wanhao”	Jiangsu Wanhao Property Management Co., Ltd.* (江蘇萬豪物業服務有限公司), a limited liability company incorporated in the PRC on 24 September 2003
“Listing”	the listing of Shares on the Stock Exchange on 13 March 2020
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Parent Group”	Beijing Herun Asset Management Company Limited* (北京合潤資產管理有限公司) and its subsidiaries, associated companies and joint ventures
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus dated 28 February 2020 issued by the Company in relation to the Listing of its Shares on the Main Board of the Stock Exchange
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary shares in the share capital of the Company with nominal value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tianjin Hongsheng”

Tianjin Hongsheng Property Services Company Limited*
(天津鴻盛物業服務有限公司), a limited liability
company established under the laws of the PRC on 27
December 2013

By Order of the Board
Ye Xing Group Holdings Limited
Wu Guoqing
Chairman and executive Director

Hong Kong, 26 August 2022

As at the date of this announcement, the Board comprises Ms. Wu Guoqing, Mr. Zhao Weihao, Ms. Li Yin Ping and Ms. Zhang Chunying as executive Directors; Mr. Li Yifan as non-executive Director; and Mr. Cheung Wai Hung, Mr. Chan Cheong Tat, Ms. Chen Weijie and Mr. Leung Ka Wo as independent non-executive Directors.

* For identification purpose only