

佳源服務控股有限公司

JIAYUAN SERVICES HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE : 1153



2022

INTERIM REPORT

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Corporate Governance and Other Information	15
Interim Condensed Consolidated Statement of Comprehensive Income	22
Interim Condensed Consolidated Statement of Financial Position	23
Interim Condensed Consolidated Statement of Changes in Equity	25
Interim Condensed Consolidated Statement of Cash Flows	26
Notes to the Interim Financial Information	27



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Hongge
(*Chairman and Chief Executive Officer*)
Mr. Bao Guojun
Mr. Pang Bo

Non-executive Director

Mr. Huang Fuqing

Independent Non-executive Directors

Ms. Liang Yunxu
Mr. Wang Huimin
Mr. Wong Kwok Yin

AUDIT COMMITTEE

Mr. Wong Kwok Yin (*Chairman*)
Ms. Liang Yunxu
Mr. Wang Huimin

REMUNERATION COMMITTEE

Ms. Liang Yunxu (*Chairman*)
Mr. Pang Bo
Mr. Wang Huimin

NOMINATION COMMITTEE

Mr. Zhu Hongge (*Chairman*)
Ms. Liang Yunxu
Mr. Wong Kwok Yin

AUTHORISED REPRESENTATIVES

Mr. Zhu Hongge
Ms. Leung Kwan Wai

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS

As to Hong Kong law:
Jeffrey Mak Law Firm

As to PRC law:
Jingtian & Gongcheng

As to Cayman Islands law:
Conyers Dill & Pearman

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111 Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 3, Rome Metropolis No. 899, Wanghu Road
Nanhu District, Jiaxing, Zhejiang Province, PRC

HEADQUARTERS

Room 1403, 9 Queen's Road Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111 Cayman Islands

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
Bank of China Limited
Bank of China (Hong Kong) Limited

JOINT COMPANY SECRETARIES

Mr. Pang Bo
Ms. Leung Kwan Wai

STOCK CODE

1153

COMPANY'S WEBSITE

<http://jy-fw.cn/>

To shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of Jiayuan Services Holdings Limited (the “Company” or “Jiayuan Services”, together with its subsidiaries, the “Group”), I am pleased to present the financial performance of the Group for the six months ended 30 June 2022.

The Government’s Work Report for 2022 reiterated the work focus of “putting more efforts to the construction of supporting facilities such as community pension and childcare, and promoting the quality and expansion of housekeeping services” and “developing smart cities and digital countrysides”, which are relevant to the property management industry. After undergoing liquidity crisis in the real estate industry, property developers are focusing more on their independence and front-line practice, and taking on the responsibility of serving people’s livelihood in the era. The industry started a new journey of “service upgrade and tireless struggle”.

Standing on the new height and in light of the new opportunities, the Group continued to optimize its market distribution and enhanced its operating efficiency as well as the management model, and achieved initially results. Its business cope was also expanding from conventional residential property management to commerce, utilities and infrastructure even comprehensive management of regions and urban in future, and from basic service to asset management. As the service scope is broader, more comprehensive and richer, the service value was refreshed and reshaped. The Group endeavored to become a reformer of space service and achieved leap-forward development in management scale through endogenous growth and epitaxial expansion.

In terms of project expansion, Jiayuan Services has always maintained the rapid and vigorous development in recent years. Meanwhile, Jiayuan Services continued to increase area reserve, which laid solid foundation for growth of results thereafter. In the first quarter of 2022, Jiayuan Services, guided by the established investment and development strategies and annual operating goals, steadily and orderly promoted the expansion of various new projects and successively won the bid for 9 projects in Jiangxing, Ningbo, Changsha, Xiangyang and other places, with service formats covering residential properties, office buildings, commercial properties and utilities. Jiayuan Services will make unremitting and targeted efforts within its designated areas to keep expanding management scale and improving operating results.

Based on management space and boundary extension, the Group has shifted in all round from the conventional “four assurances” in the past to “six stabilities” to provide value-added services to property owners and customers. In particular, the two featured services, namely “protecting children” and “protecting the senior”, offered “all-age” diverse services targeted to different groups including children and the senior guided by service throughout their life cycle, with business covering cater, parent-child, retail, entertainment, pension and other fields to satisfy specific needs of different age groups. Simultaneously, the Group effectively applied “佳優生活家” mobile App as the bridge between the smart community and the life of the property owners, which became an application platform connecting hardware, services and products in the property owner’s life. Combining the internet, property management, smart equipment, life vertical services, community e-commerce, social welfare and other content, the Group built a quality life service platform with Jiayuan characteristics and leveraging the inherent advantage of being close to the property owners, tapped the huge potential of diverse life services taking use of the traffic access of the community.

CHAIRMAN'S STATEMENT

Adhering to the philosophy of “high positioning”, “high landscape” and “high standards”, Jiayuan Services crated a “Joyful Living and Healthy” happy community, and accelerated the development of community value-added services. By developing “Happy Community” project, it constructed interest groups on different topics adopting owner-led and property-supported approach to enhance owner stickiness and create surprise for owners while satisfying their diverse needs, precisely exploring personalized needs of owners and arranging new forms of customized community value-added services. With the expansion of the scale and service forms of the Group, future community value-added service has become another important growth driver of the Company.

Leveraging excellent information indicators and proven reputation in the industry, Jiayuan Services ranked the 25th among the “2022 China Top 100 Property Service Enterprises”, was awarded “2022 China Outstanding Enterprises in Red Property Service”, “2022 China Outstanding Enterprises in Residential Property Service” and many other honors since this year, which also reflected the market’s recognition of the Group’s leading position in the property service industry.

While promoting the steady development of its own business, Jiayuan Services also proactively devoted itself to public welfare to assume responsibility for civil life. Between January to June 2022, Jiayuan Services provided more than 120 convenience services in relation to all its projects, with 2,800 home visits of the seniors. In particular during the epidemic, Jiayuan Services offered home care, supplies delivery, home cleaning, psychological counseling and other warm services within its ability for the elderly and children who need special care, which fully demonstrated the responsibility of the Company. Since March this year, Jiayuan Services donated the supplies raised through the “Blue Action on Lighting the Stars” charitable children caring activity to Jiaying Xingqing Autism Children’s Care and Growth Center. In addition to regular and routine park activities, Jiayuan Services was also organizing a series of “Red May Party Committee” activities such as “taking a red journey, engaging in a public welfare activity and creating a red property demonstration project for every party organization lesson”, to actively give play to the function of red property.

In the future, Jiayuan Services will be in position to integrate market with products, enhance market expansion and focus on regional urban and city region to make strong advantageous sectors and industries · continuously increase its number of projects in key provinces and cities such as Zhejiang, Jiangsu, Shanghai, Anhui and Shandong and steadily accelerate the cultivation of emerging markets in Hunan, Chongqing and Guizhou, so as to make up for its shortcomings in the business formats and optimize the revenue structure. While anchoring the new outlet for owners’ needs, it aims to form “product plus content” groups applicable to different business formats to promote sustain and high growth of its results, maximize corporate value, bring considerable returns for shareholders and investors and achieve satisfaction of the government, the property owners, its employees and the organization.

Jiayuan Services Holdings Limited
Chairman and Executive Director
Zhu Hongge
Hong Kong, 31 August 2022

MARKET REVIEW

Looking back the first half of 2022, property management industry has continued the trend of rational comeback since the second half of 2021. In the capital market, the number of property management enterprises newly listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has decreased significantly, and the trend of the property management sector has maintained a high degree of correlation with the real estate sector. Although policies in terms of the real estate have shown a stable and positive momentum, the policy transmission effect has not yet emerged, the fundamentals of real estate and credit risks of some real estate enterprises are still taking time to recover. Most of the listed property enterprises, represented by leading enterprises in the industry, have continued to experience weak stock prices, leading investors to remained cautious about the growth of the property management sector. In the mergers and acquisitions market, the overall mergers and acquisitions activities tended to be more rational, and the overall number of transactions and the number of large-scale transactions were further reduced. Compared with the past, enterprises are more concerned about the potential financial risks brought by mergers and acquisitions, and have higher requirements for the strategic synergy effect of mergers and acquisitions integration.

BUSINESS REVIEW

As at 30 June 2022, the Group had 335 property management projects with contracted GFA of approximately 61.9 million sq.m., representing an increase of approximately 10.6% and 6.7%, respectively, as compared with that of 303 property management projects with contracted GFA of approximately 58.0 million sq.m. in the corresponding period in 2021. As at 30 June 2022, the Group had GFA under management of approximately 42.5 million sq.m., representing an increase of approximately 11.0% as compared with that of approximately 38.3 million sq.m. in the corresponding period in 2021. The increase in contracted GFA and the GFA under management was attributable to the business expansion of the Group through endogenous growth.

The revenue of the Group for the six months ended 30 June 2022 was approximately RMB460.1 million, representing an increase of approximately 18.9% as compared to the corresponding period of approximately RMB386.8 million in 2021. The gross profit of the Group for the six months ended 30 June 2022 was approximately RMB145.4 million, representing an increase of approximately 19.5% as compared to the corresponding period of approximately RMB121.7 million in 2021. The gross profit margin of the Group for the six months ended 30 June 2022 was approximately 31.6% compared with that of approximately 31.5% in the corresponding period in 2021. The net profit of the Group for the six months ended 30 June 2022 was approximately RMB68.7 million, representing an increase of approximately 12.7% as compared to the corresponding period of approximately RMB60.9 million in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of the property management service business, for the six months ended 30 June 2022, the revenue of property management service of the Group was approximately RMB368.2 million, representing an increase of approximately 18.8% as compared to that in the corresponding period in 2021. By leveraging on good service quality and market reputation, the Group has further expanded its management territory through endogenous growth and single project expansion. The revenue of property management service business accounted for approximately 80.0% of the total revenue of the Group, and the gross profit of the property management service business accounted for approximately 76.0% of the overall gross profit of the Group. The property management service business remains to be the major source of income and profit generating segment of the Group. The increase in the scale of the property management service business was mainly due to the increase in the GFA under management.

In terms of value-added services to property developers, for the six months ended 30 June 2022, the Group's revenue from value-added services to property developers was approximately RMB55.2 million, representing an increase of approximately 11.2% as compared to that in the corresponding period in 2021. The gross profit of this segment reached approximately RMB18.0 million, representing an increase of approximately 9.9% as compared to that in the corresponding period in 2021, and the gross profit margin decreased slightly by approximately 0.4 percentage points to approximately 32.7% as compared with that in the corresponding period in 2021. The revenue of value-added services to property developers accounted for approximately 12.0% of the total revenue of the Group, representing a decrease of approximately 0.8 percentage points from approximately 12.8% in the corresponding period in 2021. The gross profit of value-added services to property developers for the six months ended 30 June 2022 accounted for approximately 12.4% of overall gross profit of the Group. The decrease in the gross profit margin of value-added services to property developers was mainly due to the increase in labour costs for value-added services to property developers.

In terms of community value-added services, for the six months ended 30 June 2022, the revenue of community value-added services was approximately RMB36.7 million, representing an increase of approximately 35.2% as compared to that in the corresponding period in 2021. The gross profit of this segment reached approximately RMB16.9 million, representing an increase of approximately 36.1% as compared to that in the corresponding period in 2021. The gross profit margin increased to approximately 46.0% for the six months ended 30 June 2022, compared with that of approximately 45.7% in the corresponding period in 2021. The total revenue of community value-added service business for the six months ended 30 June 2022 accounted for approximately 8.0% of the total revenue of the Group and increased slightly by approximately 1.0 percentage point from that in the corresponding period in 2021. The gross profit of the community value-added service for the six months ended 30 June 2022 accounted for approximately 11.6% of the overall gross profit of the Group. The increase in the scale of community value-added services was mainly due to (i) the increase in revenue from home-living services including home maintenance services and decoration supporting services as well as in the sales of groceries as a result of the increased GFA under management and the number of residents to whom the Group provided community value-added services through organic growth; and (ii) the increase in revenue from common area value-added services due to the increased revenue from assisting property owners with rental of common area and advertising in common area.

FUTURE PLANS AND PROSPECTS

For the second half of 2022, the Group will continue to adhere to its important development strategy of regional penetration, deepen the overall business advantages of the Yangtze River Delta region, especially improve its market position in certain key cities and accelerate the expansion of the market coverage in the central and western regions. Through continuous focus on the two development strategies of “enhancing direct expansion and highlighting on cooperation”, the Group will consolidate its competitive advantages of the residential format, and continuously improve its competitiveness of the non-residential format. Through the synergy and complementarity of management, optimisation and configuration, the Group will further strengthen the construction of a compound business expansion system with the participation of personnel from multiple business lines, and enhance the cultivation of compound capabilities of the members in the system while optimising the overall management organisational structure. While paying attention to the improvement of management scale, the Group should emphasise more on the creation of project value and the quality of enterprise development, timely withdrawing from projects that have no value after comprehensive evaluation and allocating resources of the Group to projects that can create greater value. In the future, the Group will face the market and competition with the spirit and attitude of “self-correction and self-innovation (自我修訂、自我革新)” to comprehensively promote the high-quality growth of the enterprise.

FINANCIAL REVIEW

Revenue

The revenue of the Group derives from three types of services: (i) property management services; (ii) value-added services to property developers; and (iii) community value-added services. The revenue of the Group increased by approximately 18.9% from approximately RMB386.8 million for the six months ended 30 June 2021 to approximately RMB460.1 million for the six months ended 30 June 2022.

The following table sets forth the details of the Group’s revenue by types of services for the periods indicated:

	Six months ended 30 June					
	2022		2021		Changes	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management services	368,212	80.0	310,060	80.2	58,152	18.8
Value-added services to property developers	55,154	12.0	49,619	12.8	5,535	11.2
Community value-added services	36,726	8.0	27,165	7.0	9,561	35.2
	<u>460,092</u>	<u>100.0</u>	<u>386,844</u>	<u>100.0</u>	<u>73,248</u>	<u>18.9</u>

Property management services

Revenue from property management services increased by approximately 18.8% from approximately RMB310.1 million for the six months ended 30 June 2021 to approximately RMB368.2 million for the six months ended 30 June 2022, primarily attributable to the increase in the number of charging owners and GFA under management as a result of fee-generating business expansion through organic growth.

Value-added services to property developers

Revenue from value-added services to property developers increased by approximately 11.2% from approximately RMB49.6 million for the six months ended 30 June 2021 to approximately RMB55.2 million for the six months ended 30 June 2022, primarily attributable to the increase in the number of newly-added venue services items.

Community value-added services

Revenue from community value-added services increased by approximately 35.2% from approximately RMB27.2 million for the six months ended 30 June 2021 to approximately RMB36.7 million for the six months ended 30 June 2022, primarily due to (i) the increase in revenue from home-living services including home maintenance services and decoration supporting services as well as in the sales of groceries as a result of the increased GFA under management and the number of residents to whom the Group provided community value-added services through organic growth; and (ii) the increase in revenue from common area value-added services due to the increased revenue from assisting property owners with rental of common area and advertising in common area.

Cost of services and sales

The cost of services and sales consists of (i) employee benefit expenses; (ii) maintenance expenses; (iii) expenses for utility; (iv) cleaning and security expenses; (v) greening and gardening expenses; (vi) taxes and surcharges; (vii) office and communication expenses; and (viii) other expenses such as depreciation and amortisation.

Cost of services and sales increased by approximately 18.7% from approximately RMB265.1 million for the six months ended 30 June 2021 to approximately RMB314.7 million for the six months ended 30 June 2022, primarily due to the increase in employee benefits expenses as a result of the increased number of employees through organic growth.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately 19.5% from approximately RMB121.7 million for the six months ended 30 June 2021 to approximately RMB145.4 million for the six months ended 30 June 2022, which was mainly due to the increase in revenue of the Group as a result of the increase in business scale.

The gross profit margin increased from approximately 31.5% for the six months ended 30 June 2021 to approximately 31.6% for the six months ended 30 June 2022. Such increase was primarily due to (i) the continuous expansion of operating revenue which diluted fixed costs; and (ii) the continuous implementation of cost control measures as a result of improvement in the operation process.

The following table sets forth the details of the Group's gross profit and gross profit margin by types of services for the periods indicated:

	For the six months ended 30 June			
	2022		2021	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Property management services	110,495	30.0	92,889	30.0
Value-added services to property developers	18,027	32.7	16,408	33.1
Community value-added services	16,909	46.0	12,421	45.7
	<u>145,431</u>	<u>31.6</u>	<u>121,718</u>	<u>31.5</u>

Property management services

The gross profit margin of property management services remained stable at approximately 30.0% for the six months ended 30 June 2021 and for the six months ended 30 June 2022.

Value-added services to property developers

The gross profit margin of value-added services to property developers decreased from approximately 33.1% for the six months ended 30 June 2021 to approximately 32.7% for the six months ended 30 June 2022, primarily due to the increase in labour costs of value-added services to property developers.

Community value-added services

The gross profit margin of community value-added services increased from approximately 45.7% for the six months ended 30 June 2021 to approximately 46.0% for the six months ended 30 June 2022, primarily due to (i) the benefit from the economies of scale achieved as the Group provided value-added services to an increasing number of projects and increasing number of residents to be served in the community; and (ii) the Group's continued efforts to diversify the service offerings.

Other income and expenses, net

The other income and expenses (net) of the Group increased by approximately 34.1% from approximately RMB4.8 million for the six months ended 30 June 2021 to approximately RMB6.4 million for the six months ended 30 June 2022, which was primarily attributable to the significant increase in interest income of bank's regular wealth management.

Selling and marketing expenses

Selling and marketing expenses increased from approximately RMB5.1 million for the six months ended 30 June 2021 to approximately RMB6.5 million for the six months ended 30 June 2022, representing an increase of approximately 26.9%, mainly as a result of increased marketing expenses and employee benefit expenses which was in line with the business expansion of the Group.

Administrative expenses

Administrative expenses increased from approximately RMB29.0 million for the six months ended 30 June 2021 to approximately RMB38.9 million for the six months ended 30 June 2022, representing an increase of approximately 34.1%. The increase in administrative expenses was due to the increase in employee benefit expenses for management and administrative staff as a result of the increase in the headcount of management staff for business expansion and steady growth in average salary of senior management.

Finance costs

Finance costs represented interest expenses on bank borrowings and interest expenses on lease liabilities due to the adoption of HKFRS 16 Leases.

Income tax expenses

Income tax expenses were approximately RMB20.7 million for the six months ended 30 June 2021, representing a decrease of approximately 1.9%, to approximately RMB20.3 million for the six months ended 30 June 2022. The decrease in income tax expenses was mainly due to the increase in income tax concessions for micro and small enterprises.

Profit and total comprehensive income for the period

As a result of the foregoing, the profit and total comprehensive income for the period increased from approximately RMB60.9 million for the six months ended 30 June 2021 to approximately RMB68.7 million for the six months ended 30 June 2022.

The profit and total comprehensive income attributable to owners of the Company for the period increased from approximately RMB60.1 million for the six months ended 30 June 2021 to approximately RMB65.7 million for the six months ended 30 June 2022.

Property and equipment

The property and equipment of the Group increased from approximately RMB28.8 million as at 31 December 2021 to approximately RMB29.7 million as at 30 June 2022, representing an increase of approximately 3.3%, mainly due to the expansion of new property projects resulting in newly addition of equipment and office supplies.

Intangible assets

The intangible assets of the Group comprise property management contracts and goodwill resulting from equity acquisition and the purchase of software.

The intangible assets of the Group decreased from approximately RMB154.5 million as at 31 December 2021 to approximately RMB149.7 million as at 30 June 2022, mainly attributable to the amortisation of intangible assets during the period.

Trade and other receivables

Trade receivables mainly arise from provision of property management services, value-added services to property developers and community value-added services. Trade receivables of the Group, net of allowance for impairment, increased from approximately RMB328.8 million as at 31 December 2021 to approximately RMB392.5 million as at 30 June 2022, representing an increase of approximately 19.4%. Such increase was primarily due to the increase in the number of property management projects managed by the Group during the period.

Other receivables mainly consist of deposits and payments made on behalf of customers. Other receivables, net of allowance for impairment increased from approximately RMB41.6 million as at 31 December 2021 to approximately RMB44.2 million as at 30 June 2022, representing an increase of approximately 6.3%.

Trade and other payables

Trade payables represent the obligations to pay for goods and services acquired in the ordinary course of business from sub-contractors. Trade payables decreased from approximately RMB61.3 million as at 31 December 2021 to approximately RMB52.8 million as at 30 June 2022, representing a decrease of approximately 13.8%, mainly due to the Group's implementation of the business strategy of reducing procurement costs and reducing the aging of trade payables.

Other payables mainly represent (i) utility and other payables (such as receivables from residents and related parties, which are collected by the Group on behalf of and payable to the relevant suppliers); (ii) owners' maintenance fund (being various proceeds collected on behalf of the owner); (iii) deposits received (such as home decoration deposits and supplier performance bonds); (iv) payroll payable; and (v) consideration payable for business combinations. Other payables decreased from approximately RMB328.5 million as at 31 December 2021 to approximately RMB276.6 million as at 30 June 2022 mainly due to (i) the due payment of property owners deposits as a results of partial delivery of earlier projects, the property owners deposits decreased from approximately RMB87.5 million as of 31 December 2021 to approximately RMB74.1 million as of 30 June 2022, representing a decrease of approximately RMB13.4 million; and (ii) due to the change in the remuneration plan, the accrued amount of year-end performance bonuses decreased, and the employee compensation payable decreased from approximately RMB83.7 million as of 31 December 2021 to approximately RMB50.4 million as of 30 June 2022, representing a decrease of approximately RMB33.3 million.

Contract liabilities

Contract liabilities mainly arise from property management fee received upfront as of the beginning of a billing cycle but not recognised as revenue. Contract liabilities increased from approximately RMB129.8 million as at 31 December 2021 to approximately RMB130.1 million as at 30 June 2022, primarily due to the number of properties managed by the Group increased as a results of the overall business expansion growth.

Liquidity, financial resources and capital structure

As at 30 June 2022, the total cash and cash equivalents and restricted bank deposits of the Group amounted to approximately RMB419.1 million and approximately RMB1.2 million, respectively. As at 31 December 2021, the total cash and cash equivalents and restricted bank deposits of the Group amounted to approximately RMB351.8 million and approximately RMB1.3 million, respectively. Such increase was mainly due to short-term deposits of approximately RMB280 million matured during the period, resulting in an increase in cash and cash equivalents. The restricted bank deposits remained stable throughout the corresponding periods.

As at 30 June 2022, the Group had bank borrowings of approximately RMB46.9 million (31 December 2021: RMB52.5 million), among which approximately RMB11.4 million (31 December 2021: RMB11.4 million) will be repayable within one year or on demand. As at 30 June 2022, all bank borrowings of the Group were denominated in RMB and carried interest at variable rates (31 December 2021: same). As at 30 June 2022, bank borrowings of approximately RMB46.9 million (31 December 2021: RMB52.5 million) were secured by 100% equity interest of Shanghai Baoji Property Management Co., Ltd. (“Shanghai Baoji”) and guaranteed jointly by Mr. Shum and an entity controlled by Mr. Shum.

The Group maintained a sound financial position. As at 30 June 2022, the Group’s net current assets amounted to approximately RMB519.8 million while the Group’s net current assets amounted to approximately RMB462.4 million as at 31 December 2021. As at 30 June 2022, the Group’s current ratio (current assets/current liabilities) was approximately 2.05 while the Group’s current ratio was approximately 1.85 as at 31 December 2021.

Capital commitments

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

Contingent liabilities

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

Pledge of assets

As at 30 June 2022, except for the 100% equity interest of the subsidiary, Shanghai Baoji, pledged as security for the bank borrowings, no assets of the Group were pledged.

Foreign exchange risk

Almost all of the Group's operating activities were carried out in the People's Republic of China with most of the transactions denominated in RMB. The major foreign currency source of the Group was the net proceeds received following the successful listing on the Stock Exchange on 9 December 2020, all of which were denominated in HKD. The Board expected that the RMB exchange rate would not have a material adverse effect on the operations of the Group. The Group will closely monitor the fluctuations of the RMB exchange rate and adopt prudent measures to reduce potential foreign exchange risk. As at 30 June 2022, the Group did not engage in hedging activities for managing the foreign exchange risk.

Interest rate risk

Except for the interest-bearing bank borrowings, the Group was not exposed to material risk directly relating to changes in market interest rate as at 30 June 2022.

SIGNIFICANT INVESTMENT HELD

The Group had no significant investment held as at 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2022, save as disclosed in the prospectus of the Company dated 27 November 2020 (the "Prospectus"), the Group did not have other future plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICY

The Group had 6,787 full-time employees as at 30 June 2022. The total staff costs for the six months ended 30 June 2022 were approximately RMB243.0 million. Employees' remuneration package includes salary, performance bonus and other welfare subsidies. The remuneration of employees is determined in accordance with the Group's remuneration and welfare policies, the employees' positions, performance, company profitability, industry level and market environment.

EVENTS AFTER THE REPORTING PERIOD

No significant events affecting the Group had occurred after the reporting period and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders of the Company (the “Shareholders”). The Company believes that good corporate governance is an essence for a continual growth and enhancement of shareholders’ value. The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the basis of the Company’s corporate governance practices. During the six months ended 30 June 2022, the Company has complied with the code provisions as set out in the CG Code, except for the deviations from the code provision C.2.1 which is explained below. The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance. The Directors use their best endeavours to procure the Company to continue to comply with the CG Code.

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Zhu Hongge is the chairman and the chief executive officer of the Company. Under the leadership of Mr. Zhu Hongge, the Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committee, and there are three independent non-executive Directors on the Board offering independent perspective, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct regarding securities transactions by the Directors. Having made specific inquiries of all Directors, the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2022.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Rule 13.51B(1) of the Listing Rules, there are no changes in information of Directors and senior management since the date of the 2021 annual report up to the date of this interim report.

AUDIT COMMITTEE

The Audit Committee of the Company has three members comprising three independent non-executive Directors, namely Mr. Wong Kwok Yin (chairman of the Audit Committee), Mr. Wang Huimin and Ms. Liang Yunxu. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company on financial reporting matters including a review of the unaudited interim financial information and the interim report of the Group for the six months ended 30 June 2022.

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

NON-COMPETE UNDERTAKINGS

Each of the controlling Shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the Prospectus of the Company). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling Shareholders during the period commencing from the Deed of Non-Competition and up to 30 June 2022.

INTERESTS IN COMPETING BUSINESS

None of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules since the listing of the Company on 9 December 2020 and up to 30 June 2022.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its controlling Shareholders, or any of its subsidiaries or fellow subsidiaries was a party at any time during the six months ended 30 June 2022.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, Directors, managing directors, alternate Directors, auditors, secretary and other officers for the time being of the Company and the trustees for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts.

The Company has also arranged appropriate directors' and officers' liability insurance for the Directors and officers of the Group.

SHARE OPTION SCHEME

The Company had no share option scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

USE OF NET PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

After deducting the underwriting fees and commissions, the net proceeds received by the Company from the global offering and the partial exercise of over-allotment option (the "net proceeds") amounted to approximately HKD517.5 million and HKD43.5 million, respectively.

The table below sets out the proposed and actual applications of the net proceeds for the six months ended 30 June 2022:

Major categories as stated in the Prospectus	Unutilised balance as at 1 January 2022 <i>Approximately HKD (million)</i>	Planned use of net proceeds for the year ended 31 December 2022 <i>Approximately HKD (million)</i>	Amount utilised during the six months ended 30 June 2022 <i>Approximately HKD (million)</i>	Unutilised balance as at 30 June 2022 <i>Approximately HKD (million)</i>	Expected timeline for utilising the net proceeds
Pursue selective strategic investment and acquisition opportunities and to further develop strategic cooperation	317.2	117.8	2.1	315.1	31 December 2023
Enrich and expand the Company's service offerings	27.0	13.5	8.4	18.6	31 December 2023
Invest in intelligent operational and internal management system to enhance service quality and customer experience	60.3	20.2	3.2	57.1	31 December 2023
Working capital and general corporate purposes	33.7	16.8	10.0	23.7	31 December 2023
Total	438.2	168.3	23.7	414.5	

For the six months ended 30 June 2022, the Group has utilised HKD23.7 million, accounting for approximately 4.2% of the net proceeds raised.

As at 30 June 2022, the net proceeds raised were utilised and expected to be utilised in the manners as disclosed in the Prospectus except that the timeline for utilising the net proceeds for the year ended 31 December 2022 has been delayed due to reasons set out below.

The Company intends to apply the net proceeds in the manner consistent with that set out in the Prospectus. In respect of selective strategic investment and acquisition, during the six months ended 30 June 2022, the Group only identified a limited number of suitable target companies that the Board considered to be able to expand the Group's business in new markets or create further synergies with the Group's existing business and beneficial to the Group and the Shareholders as a whole. As at the date of this interim report, the Group is still soliciting suitable target companies that is beneficial to the Group's development and will make further announcement when appropriate. In addition, given the sporadic outbreaks of COVID-19, the investment plan in intelligent operational and internal management system has been delayed.

The Board will continuously evaluate the plans for use of the unutilised net proceeds and may revise the plans where necessary in responses to the changing market conditions and the Group's business development and need.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

As at 30 June 2022, the interest and/or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be and were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity and nature of interest	Number of shares or securities held ⁽¹⁾	Approximate percentage of shareholding
Mr. Zhu Hongge	Jiayuan International Group Limited ("Jiayuan International")	Beneficial owner	64,000 (L)	0.002%

Note:

(1) The letter "L" denotes the Director's long position in the shares.

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company and their respective close associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

So far as the Directors are aware as of 30 June 2022, the following persons (other than the Directors or chief executives of the Company) had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO or required to be disclosed under Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholder	Capacity and nature of interest	Number of shares or securities held ⁽¹⁾	Approximate percentage of interest in the Company
Chuangyuan Holdings Limited ("Chuangyuan Holdings")	Beneficial owner	450,000,000 shares (L) 450,000,000 shares (S) ⁽⁴⁾	73.56%
Jiayuan Investment Management Limited ("Jiayuan Investment")	Interest in controlled corporation ⁽²⁾	450,000,000 shares (L) 450,000,000 shares (S) ⁽⁴⁾	73.56%
Jiayuan International	Interest in controlled corporation ⁽²⁾	450,000,000 shares (L) 450,000,000 shares (S) ⁽⁴⁾	73.56%
Mingyuan Group Investment Limited ("Mingyuan Group")	Interest in controlled corporation ⁽²⁾	450,000,000 shares (L) 450,000,000 shares (S) ⁽⁴⁾	73.56%
China Jiayuan Group Limited ("China Jiayuan") ⁽²⁾	Interest in controlled corporation ⁽²⁾	450,000,000 shares (L) 450,000,000 shares (S) ⁽⁴⁾	73.56%
Galaxy Emperor Limited ("Galaxy Emperor") ⁽²⁾	Interest in controlled corporation ⁽²⁾	450,000,000 shares (L) 450,000,000 shares (S) ⁽⁴⁾	73.56%
Dragon Giant Global Limited ("Dragon Giant")	Interest in controlled corporation ⁽²⁾	450,000,000 shares (L) 450,000,000 shares (S) ⁽⁴⁾	73.56%
Mr. Shum Tin Ching ("Mr. Shum")	Interest in controlled corporation ⁽²⁾	450,000,000 shares (L) 450,000,000 shares (S) ⁽⁴⁾	73.56%
Ms. Wang Xinmei	Interest of spouse ⁽³⁾	450,000,000 shares (L) 450,000,000 shares (S) ⁽⁴⁾	73.56%
Allied Group Limited ⁽⁴⁾	Interest in controlled corporation ⁽⁴⁾	450,000,000 shares (L)	73.56%
SHK Finance Limited ⁽⁴⁾	Interests held jointly with another person ⁽⁴⁾	450,000,000 shares (L)	73.56%
Sun Hung Kai & Co. Limited ⁽⁴⁾	Interest in controlled corporation ⁽⁴⁾	450,000,000 shares (L)	73.56%
United Asia Finance Limited ⁽⁴⁾	Interest in controlled corporation ⁽⁴⁾	450,000,000 shares (L)	73.56%
Lee Seng Huang ⁽⁴⁾	Interest in controlled corporation ⁽⁴⁾	450,000,000 shares (L)	73.56%
Lee Seng Hui ⁽⁴⁾	Interest in controlled corporation ⁽⁴⁾	450,000,000 shares (L)	73.56%
Lee Su Hwei ⁽⁴⁾	Interest in controlled corporation ⁽⁴⁾	450,000,000 shares (L)	73.56%
First Leading Trading Limited	Beneficial owner	32,124,000 shares (L)	5.25%

Notes:

- (1) The letter “L” denotes the person’s long position in the shares of the Company. The letter “S” denotes the person’s short position in the shares of the Company.
- (2) As at 30 June 2022, Chuangyuan Holdings is wholly-owned by Dragon Giant, which is in turn wholly-owned by Jiayuan Investment. Jiayuan Investment is wholly-owned by Jiayuan International. Jiayuan International is owned as to approximately 67.96% by Mingyuan Group and approximately 1.78% by Mr. Shum in his own personal capacity. Therefore, Mr. Shum is deemed to be interested in Mingyuan Group’s interest in Jiayuan International by virtue of the SFO. Mingyuan Group is owned as to 70% by China Jiayuan. China Jiayuan is wholly-owned by Galaxy Emperor, a company directly wholly-owned by Mr. Shum. By virtue of the SFO, each of Jiayuan Investment, Jiayuan International and Mingyuan Group is deemed to be interested in the shares in which Chuangyuan Holdings is interested, and each of China Jiayuan, Galaxy Emperor and Mr. Shum is deemed to be interested in the shares in which Mingyuan Group is interested.
- (3) Ms. Wang Xinmei is the spouse of Mr. Shum. By virtue of the SFO, Ms. Wang Xinmei is deemed to be interested in the Shares in which Mr. Shum is interested.
- (4) Chuangyuan Holdings, as the chargor, had pledged 450,000,000 shares to SHK Finance Limited and AP Diamond Limited under a share mortgage agreement. SHK Finance Limited is indirectly wholly-owned by United Asia Finance Limited. United Asia Finance Limited is held as to approximately 7.84% by Swan Islands Limited and approximately 54.90% by UAF Holdings Limited which in turn is wholly owned by Swan Islands Limited and Swan Islands Limited is wholly owned by Sun Hung Kai & Co. Limited. Sun Hung Kai & Co. Limited is held as to approximately 73.10% by AP Emerald Limited, which in turn is indirectly wholly owned by Allied Group Limited. AP Diamond Limited is indirectly wholly-owned by Allied Group Limited. Allied Group Limited is held jointly by Lee Seng Huang, Lee Seng Hui and Lee Su Hwei as to approximately 74.99%. Accordingly, Allied Group Limited, Sun Hung Kai & Co. Limited, United Asia Finance Limited, Lee Seng Huang, Lee Seng Hui and Lee Su Hwei are deemed to be interested in all shares held by SHK Finance Limited.
- (5) As at 30 June 2022, the total number of issued shares of the Company was 611,709,000.

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any person who had an interest or short position in the shares and the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	7	460,092	386,844
Cost of services and sales	10	<u>(314,661)</u>	<u>(265,126)</u>
Gross profit		145,431	121,718
Other income and expenses, net	8	6,412	4,781
Other gains and loss, net	9	9	(2,543)
Impairment losses on financial assets		(16,278)	(7,996)
Selling and marketing expenses	10	(6,470)	(5,099)
Administrative expenses	10	(38,914)	(29,016)
Finance costs	11	(1,250)	(139)
Share of results of investments accounted for using the equity method	17	<u>4</u>	<u>(99)</u>
Profit before taxation		88,944	81,607
Income tax expense	12	<u>(20,291)</u>	<u>(20,689)</u>
Profit and total comprehensive income for the period		<u>68,653</u>	<u>60,918</u>
Profit and total comprehensive income attributable to:			
– Owners of the Company		65,679	60,070
– Non-controlling interests		<u>2,974</u>	<u>848</u>
		<u>68,653</u>	<u>60,918</u>
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	13	<u>0.11</u>	<u>0.10</u>

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property and equipment	15	29,732	28,784
Right-of-use assets		455	1,579
Intangible assets	16	149,707	154,485
Investments accounted for using the equity method	17	5,476	5,472
Deferred income tax assets		<u>35,813</u>	<u>27,607</u>
		<u>221,183</u>	<u>217,927</u>
Current assets			
Inventories		470	532
Trade and other receivables	18	594,633	375,609
Restricted bank deposits	19	1,204	1,276
Short-term bank deposits	19	–	280,000
Cash and cash equivalents	19	<u>419,143</u>	<u>351,785</u>
		<u>1,015,450</u>	<u>1,009,202</u>
Total assets		<u>1,236,633</u>	<u>1,227,129</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	5,225	5,225
Reserves		<u>667,032</u>	<u>601,353</u>
		<u>672,257</u>	<u>606,578</u>
Non-controlling interests	21	<u>22,828</u>	<u>20,798</u>
Total equity		<u>695,085</u>	<u>627,376</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		–	189
Deferred income tax liabilities		10,368	11,613
Bank borrowings	23	35,511	41,162
		45,879	52,964
Current liabilities			
Contract liabilities		130,092	129,848
Trade and other payables	22	329,414	389,742
Lease liabilities		472	1,668
Current income tax liabilities		24,315	14,153
Bank borrowings	23	11,376	11,378
		495,669	546,789
Total liabilities		541,548	599,753
Total equity and liabilities		1,236,633	1,227,129

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company			Non-controlling interests	Total equity
	Share capital	Reserves	Total		
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	5,225	601,353	606,578	20,798	627,376
Comprehensive income					
Profit for the period	–	65,679	65,679	2,974	68,653
Transactions with owners in their capacity as owners:					
Dividends to non-controlling interests	–	–	–	(944)	(944)
Total transactions with owners	–	–	–	(944)	(944)
Balance at 30 June 2022 (unaudited)	<u>5,225</u>	<u>667,032</u>	<u>672,257</u>	<u>22,828</u>	<u>695,085</u>
Balance at 1 January 2021	5,128	496,055	501,183	17,056	518,239
Comprehensive income					
Profit for the period	–	60,070	60,070	848	60,918
Transactions with owners in their capacity as owners:					
Dividends to non-controlling interests	–	–	–	(2,800)	(2,800)
Dividends	–	(32,596)	(32,596)	–	(32,596)
Shares issued pursuant to the over-allotment	97	37,416	37,513	–	37,513
Capital injection from non-controlling interests	–	–	–	735	735
Total transactions with owners	97	4,820	4,917	(2,065)	2,852
Balance at 30 June 2021 (unaudited)	<u>5,225</u>	<u>560,945</u>	<u>566,170</u>	<u>15,839</u>	<u>582,009</u>

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
	Note	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash (used in)/generated from operations		(180,583)	75,657
Income tax paid		(19,582)	(24,938)
Net cash (used in)/generated from operating activities		(200,165)	50,719
Cash flows from investing activities			
Purchases of property and equipment		(5,402)	(2,899)
Addition to investments accounted for using the equity method	17	–	(4,000)
Acquisition of subsidiaries, net of cash paid		(1,760)	(107,140)
Disposals of property and equipment		167	178
Placement of short-term bank deposits		–	(65,000)
Withdrawal of short-term bank deposits		280,000	–
Interest received		2,910	835
Net cash generated from/(used in) investing activities		275,915	(178,026)
Cash flows from financing activities			
Payments on leases		(578)	(968)
Interests paid on bank borrowings		(1,228)	(8)
Proceeds from bank borrowings		–	58,115
Repayment of bank borrowings		(5,651)	–
Issuance of new shares		–	37,513
Shares issuance costs		–	(18,743)
Capital injection from non-controlling interests		–	735
Dividends paid to non-controlling interests		(944)	(2,800)
Net cash (used in)/generated from financing activities		(8,401)	73,844
Net increase/(decrease) in cash and cash equivalents		67,349	(53,463)
Cash and cash equivalents at beginning of the period		351,785	617,771
Exchange gains/(losses) on cash and cash equivalents		9	(2,543)
Cash and cash equivalents at end of the period		419,143	561,765

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION, BASIS OF PREPARATION AND BUSINESS COMBINATION

1.1 General information

Jiayuan Services Holdings Limited was incorporated in the Cayman Islands on 5 March 2020 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. On 9 December 2020, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of initial public offering.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the provision of property management services, value-added services to property developers and community value-added services in the People's Republic of China (the "PRC").

The intermediate holding company of the Company is Jiayuan International Group Limited ("Jiayuan International"), an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange.

The ultimate parent undertaking of the Company is Galaxy Emperor Limited ("Galaxy Emperor"), a company incorporated in the British Virgin Islands ("BVI") with limited liability. Galaxy Emperor is ultimately controlled by Mr. Shum Tin Ching ("Mr. Shum").

Unless otherwise stated, this interim financial information for the six months ended 30 June 2022 ("Interim Financial Information") is presented in Renminbi ("RMB") and has been approved for issue by the Board on 31 August 2022.

For the six months ended 30 June 2022, the Group was relatively less affected by the spread of the COVID-19 epidemic in the areas under management. Combined with the effective prevention and control and subsidy policies of the local governments, the impact of COVID-19 epidemic on the Group's operations and financial results was not material.

1.2 Basis of preparation

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". This Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2021 ("2021 Financial Statements"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This Interim Financial Information is unaudited, but has been reviewed by the Audit Committee of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the 2021 Financial Statements. Income tax expense was recognised based on management's estimate of the annual income tax rate expected for the full financial year.

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2022. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2021 Financial Statements.

4 SIGNIFICANT CHANGES IN PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

There was no significant change in principal subsidiaries, joint ventures and associates of the Group during the six months ended 30 June 2022.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2021 Financial Statements.

There have been no significant changes in the risk factors and management policies since the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period to the contractual maturity date.

	On demand or within 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
As at 30 June 2022					
Trade and other payables (excluding payroll and taxes payable)	267,806	–	–	267,806	267,806
Lease liabilities	488	–	–	488	472
Bank borrowings	13,208	12,755	25,528	51,491	46,887
	<u>281,502</u>	<u>12,755</u>	<u>25,528</u>	<u>319,785</u>	<u>315,165</u>

	On demand or within 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
As at 31 December 2021					
Trade and other payables (excluding payroll and taxes payable)	291,700	–	–	291,700	291,700
Lease liabilities	1,703	200	–	1,903	1,857
Bank borrowings	13,605	13,068	31,899	58,572	52,540
	<u>307,008</u>	<u>13,268</u>	<u>31,899</u>	<u>352,175</u>	<u>346,097</u>

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation

The Group has no financial assets and liabilities measured at fair value.

The carrying amounts of the current financial assets and current financial liabilities approximate their fair values due to the short-term maturities of these financial assets and liabilities. The fair value of non-current bank borrowings approximate their carrying amounts, as the impact of discounting is not significant.

5.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or request contributions from owners.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and cash equivalents, short-term deposits and restricted bank deposits. Total capital is calculated as "Total equity" shown in the consolidated statement of financial position. As at 30 June 2022 and 31 December 2021, the Group has a net cash position.

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

The Group is principally engaged in the provision of property management services, value-added services to property developers and community value-added services in the PRC. CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The Group's customers include property owners, property developers, residents and tenants (collectively "Customers"). The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the relevant periods.

As at 30 June 2022 and 31 December 2021, all of the non-current assets of the Group were located in the PRC.

7 REVENUE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Types of services		
Property management services	368,212	310,060
Value-added services to property developers	55,154	49,619
Community value-added services	36,726	27,165
	<u>460,092</u>	<u>386,844</u>
Revenue is recognised:		
– Over time	452,118	380,692
– At a point in time	7,974	6,152
	<u>460,092</u>	<u>386,844</u>

For the six months ended 30 June 2022, revenue from the companies controlled and jointly controlled by Mr. Shum contributed 11% (for the six months ended 30 June 2021: 13%) of the Group's revenue. Other than these companies, none of the Group's Customers contributed 10% or more of the Group's revenue during the period.

8 OTHER INCOME AND EXPENSES, NET

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Government grants	2,021	2,655
Value-added tax refund	1,495	1,206
Interest income on bank deposits	2,910	835
Late fees and penalties	(148)	(28)
Others	134	113
	<u>6,412</u>	<u>4,781</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

9 OTHER GAINS AND LOSS, NET

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Exchange gain/(loss)	<u>9</u>	<u>(2,543)</u>

10 EXPENSES BY NATURE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Employee benefit expenses	243,005	211,290
Cleaning and security expenses	32,546	15,854
Utilities expenses	23,997	20,417
Maintenance expenses	20,034	18,657
Depreciation and amortisation charges	9,910	6,767
Office and communication expenses	7,015	6,746
Cost of inventories sold	5,668	1,912
Advertising and promotion expenses	3,944	2,963
Travelling and entertainment expenses	3,338	3,375
Greening and gardening expenses	2,715	2,579
Taxes and surcharges	2,310	2,185
Housekeeping and catering	1,828	1,460
Professional service fees	1,344	1,301
Bank charges	1,015	2,015
Short-term lease expenses	671	649
Disabled persons' employment security fund	217	324
Other expenses	<u>488</u>	<u>747</u>
Total cost of services and sales, selling and marketing expenses and administrative expenses	<u>360,045</u>	<u>299,241</u>

11 FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest expense on bank borrowings	1,226	73
Interest expense on lease liabilities	24	66
	<u>1,250</u>	<u>139</u>

12 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax	29,743	27,746
Deferred income tax	(9,452)	(7,057)
	<u>20,291</u>	<u>20,689</u>

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

Income tax provision of the Group in respect of the business operated in the PRC has been calculated at the applicable tax rate (i.e. ranging from 2.5% to 25%) on the estimated assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

NOTES TO THE INTERIM FINANCIAL INFORMATION

13 EARNINGS PER SHARE – BASIC AND DILUTED

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended 30 June	
	2022 <i>(Unaudited)</i>	2021 <i>(Unaudited)</i>
Profit attributable to owners of the Company (RMB' 000)	65,679	60,070
Weighted average number of ordinary shares in issue (in thousands)	<u>611,709</u>	<u>611,386</u>
Basic earnings per share (RMB)	<u>0.11</u>	<u>0.10</u>

(b) Diluted earnings per share

For the six months ended 30 June 2022 and 2021, diluted earnings per share equal basic earnings per share as there were no dilutive potential shares in both periods.

14 DIVIDENDS

The Board of Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

The final dividend in respect of the year ended 31 December 2021 of HK79 cents per ten ordinary shares, in an aggregate amount of approximately HKD48,325,000 or approximately RMB39,450,000 (taking into account 611,709,000 ordinary shares in issue), was withdrawn by the Board on 27 June 2022.

15 PROPERTY AND EQUIPMENT

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Opening net book amount	28,784	18,847
Acquisition of a subsidiary	-	4,971
Additions	5,402	2,899
Disposals	(167)	(178)
Depreciation	(4,287)	(3,185)
Closing net book amount	<u>29,732</u>	<u>23,354</u>
Cost	63,777	48,333
Accumulated depreciation	<u>(34,045)</u>	<u>(24,979)</u>
Net book amount	<u>29,732</u>	<u>23,354</u>

Depreciation was charged to the “Administrative expenses” in the consolidated statement of comprehensive income.

NOTES TO THE INTERIM FINANCIAL INFORMATION

16 INTANGIBLE ASSETS

	Property management contracts <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2022 (Unaudited)				
Opening net book amount	46,159	106,762	1,564	154,485
Amortisation	(4,689)	–	(89)	(4,778)
Closing net book amount	<u>41,470</u>	<u>106,762</u>	<u>1,475</u>	<u>149,707</u>
At 30 June 2022 (Unaudited)				
Cost	56,704	106,762	1,856	165,322
Accumulated amortisation	(15,234)	–	(381)	(15,615)
Net book amount	<u>41,470</u>	<u>106,762</u>	<u>1,475</u>	<u>149,707</u>
Six months ended 30 June 2021 (Unaudited)				
Opening net book amount	17,547	14,859	1,780	34,186
Acquisition of a subsidiary	26,850	83,645	–	110,495
Amortisation	(2,544)	–	(116)	(2,660)
Closing net book amount	<u>41,853</u>	<u>98,504</u>	<u>1,664</u>	<u>142,021</u>
At 30 June 2021 (Unaudited)				
Cost	48,124	98,504	1,780	148,408
Accumulated amortisation	(6,271)	–	(116)	(6,387)
Net book amount	<u>41,853</u>	<u>98,504</u>	<u>1,664</u>	<u>142,021</u>

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 June 2022 RMB'000 <i>(Unaudited)</i>	31 December 2021 RMB'000 <i>(Audited)</i>
Interests in joint ventures (a)	–	–
Interests in associates (b)	5,476	5,472
	<u>5,476</u>	<u>5,472</u>

(a) Interests in joint ventures

	30 June 2022 RMB'000 <i>(Unaudited)</i>	30 June 2021 RMB'000 <i>(Unaudited)</i>
At 1 January	–	229
Share of results	–	(145)
	<u>–</u>	<u>84</u>

(b) Interests in associates

	30 June 2022 RMB'000 <i>(Unaudited)</i>	30 June 2021 RMB'000 <i>(Unaudited)</i>
At 1 January	5,472	1,609
Additions	–	4,000
Share of results	4	46
	<u>5,476</u>	<u>5,655</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 TRADE AND OTHER RECEIVABLES

	30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables (a)	392,549	328,791
Other receivables (b)	44,159	41,591
Prepayments	157,925	5,227
	<u>594,633</u>	<u>375,609</u>

(a) Trade receivables

	30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables	469,871	389,945
Less: allowance for impairment	<u>(77,322)</u>	<u>(61,154)</u>
	<u>392,549</u>	<u>328,791</u>

No credit term is granted to Customers. The aging analysis of the trade receivables based on invoice date was as follows:

	30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
0-60 days	110,831	93,492
61-180 days	105,395	89,275
181-365 days	101,105	76,941
1-2 years	90,446	89,736
2-3 years	44,947	28,001
3-4 years	8,373	4,648
4-5 years	4,844	4,248
More than 5 years	3,930	3,604
	<u>469,871</u>	<u>389,945</u>

18 TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Other receivables		
– Deposits and payments made on behalf of Customers	39,246	36,656
– Others	5,612	5,524
	<u>44,858</u>	<u>42,180</u>
Less: allowance for impairment	(699)	(589)
	<u>44,159</u>	<u>41,591</u>

19 RESTRICTED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash at banks and on hand (a)	420,347	633,061
Less: Restricted bank deposits (b)	(1,204)	(1,276)
Less: Short-term bank deposits	–	(280,000)
	<u>419,143</u>	<u>351,785</u>
Cash and cash equivalents		
Cash at banks and on hand are denominated in:		
HKD	213	147,258
RMB	420,134	485,803
	<u>420,347</u>	<u>633,061</u>

(a) The above bank balances carry interest at variable rates with an average interest rate of 0.30% (for the six months ended 30 June 2021: 0.35%) per annum.

(b) Renovation guarantee deposits received from Customers were deposited in restricted bank accounts according to the requirements of the local government authorities.

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 SHARE CAPITAL

	Number of ordinary shares	Nominal value of shares <i>HKD'000</i>	Equivalent nominal value of shares <i>RMB'000</i>
Authorised			
At 1 January 2021, 1 January 2022 and 30 June 2022	<u>2,000,000,000</u>	<u>20,000</u>	<u>17,195</u>
Issued and fully paid			
At 1 January 2021	600,000,000	6,000	5,128
Issuance of shares	<u>11,709,000</u>	<u>117</u>	<u>97</u>
At 30 June 2021	<u>611,709,000</u>	<u>6,117</u>	<u>5,225</u>
At 31 December 2021 and 30 June 2022	<u>611,709,000</u>	<u>6,117</u>	<u>5,225</u>

21 NON-CONTROLLING INTERESTS

There is no subsidiary with material non-controlling interest for the six months ended 30 June 2022 and year ended 31 December 2021.

22 TRADE AND OTHER PAYABLES

	30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
Trade payables (a)	<u>52,791</u>	<u>61,277</u>
Other payables		
– Utility and other payables (b)	56,030	53,027
– Property owners' maintenance fund (c)	40,170	41,822
– Deposits received (d)	74,053	87,548
– Payroll payable	50,374	83,675
– Other taxes payables	11,234	14,367
– Consideration payable for business combinations	27,079	28,839
– Others	<u>17,683</u>	<u>19,187</u>
	<u>276,623</u>	<u>328,465</u>
	<u><u>329,414</u></u>	<u><u>389,742</u></u>

(a) The ageing analysis of trade payables based on the invoice date was as follows:

	30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
0-60 days	32,858	42,430
61-180 days	12,728	13,424
181-365 days	3,598	2,259
More than 1 year	<u>3,607</u>	<u>3,164</u>
	<u>52,791</u>	<u>61,277</u>

(b) The amounts represented receipts from Customers to settle their utility bills and other charges on their behalf.

(c) The amounts represented various proceeds received on behalf of the property owners.

(d) The amounts mainly represented deposits received in relation to housing decoration from Customers and performance guarantee deposits from suppliers, which would be refunded upon completion of the construction.

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 BANK BORROWINGS

	30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
Bank loans		
– secured and guaranteed	46,887	52,540
Less: amounts due within one year or on demand (shown under current liabilities)	<u>(11,376)</u>	<u>(11,378)</u>
Amount shown under non-current liabilities	<u>35,511</u>	<u>41,162</u>

The weighted average effective interest rate of bank borrowings for the six months ended 30 June 2022 was 4.75% (2021: 4.75%) per annum.

As at 30 June 2022 and 31 December 2021, 100% equity interest of a subsidiary of the Group, Shanghai Baoji Property Management Company Limited, has been pledged to secure the whole balance of bank loans. The bank borrowings are guaranteed jointly by Mr. Shum and an entity controlled by Mr. Shum.

24 COMMITMENTS

Operating lease commitments

The Group's lease commitments under non-cancellable short-term and low-value operating leases are as follows:

	30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
No later than 1 year	<u>614</u>	<u>582</u>

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

Apart from those related party transactions disclosed elsewhere in the Interim Financial Information, the following transactions were carried out with related parties:

(a) Transactions with related parties

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Entities controlled by Mr. Shum		
– Provision of property management services	7,308	6,720
– Provision of value-added services to property developers	42,480	43,897
– Payments on leases	83	76
– Interest expense on lease liabilities	12	13
Entities jointly controlled by Mr. Shum		
– Provision of property management services	268	154
– Provision of value-added services to property developers	2,264	926
Entities over which Mr. Shum has significant influence		
– Provision of value-added services to property developers	2,046	–

The prices for the above services and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

NOTES TO THE INTERIM FINANCIAL INFORMATION

25 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

During the six months ended 30 June 2022 and the year ended 31 December 2021, certain subsidiaries of Jiayuan International primarily engaged in property development business (“Property Development Companies”) entered into sales contracts with the property buyers, which included sales of properties developed by the Property Development Companies and provision of property management services by the Group for a certain period of time. The Property Development Companies collected the contract sum from the property buyers and then transferred the amounts relating to the part of property management services to the Group on a regular basis.

Balance with related parties were included in the following items:

	30 June 2022 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2021 <i>RMB'000</i> <i>(Audited)</i>
Entities controlled by Mr. Shum		
Trade in nature and included in:		
– Trade receivables	133,301	99,684
– Deposits and payments made on behalf of Customers	6,688	4,953
– Trade payables	98	126
– Utility and other payables	2,874	2,641
– Contract liabilities	–	370
– Lease liabilities	78	1,253
Entities jointly controlled by Mr. Shum		
Trade in nature and included in:		
– Trade receivables	4,304	3,549
– Utility and other payables	124	182
Entities over which Mr. Shum has significant influence		
Trade in nature and included in:		
– Trade receivables	1,873	1,469
– Utility and other payables	–	117

Notes:

The amounts payables due to related parties are interest-free and repayable on demand.

26 EVENTS AFTER THE REPORTING PERIOD

There were no significant events took place after 30 June 2022.