HEVOL SERVICES GROUP CO. LIMITED

和泓服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6093)

2019 INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Wenhao *(Chief Executive Officer)*
Ms. Hu Hongfang

Non-executive Directors

Mr. Liu Jiang *(Chairman)*
Mr. Zhou Wei

Independent Non-executive Directors

Mr. Qian Hongji
Dr. Li Yongrui
Mr. Fan Chi Chiu
Dr. Chen Lei

AUDIT COMMITTEE

Mr. Fan Chi Chiu *(Chairman)*
Mr. Qian Hongji
Dr. Chen Lei

REMUNERATION COMMITTEE

Dr. Li Yongrui *(Chairman)*
Mr. Qian Hongji
Dr. Chen Lei

NOMINATION COMMITTEE

Mr. Liu Jiang *(Chairman)*
Mr. Qian Hongji
Dr. Li Yongrui

COMPANY SECRETARY

Mr. Li Lap Keung
(Hong Kong Certified Public Accountant)

AUTHORISED REPRESENTATIVES

Mr. Li Lap Keung
Mr. Wang Wenhao

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Suite 2409, Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 1505, 1512, Block 4
Dianshi Business Park
No. 39, Badachu Road
Shijingshan District
Beijing, China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITORS

Grant Thornton Hong Kong Limited
Certified Public Accountants
12th Floor
28 Hennessy Road
Wanchai, Hong Kong

COMPLIANCE ADVISOR

Southwest Securities (HK) Capital Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Miao & Co
(in Association with Han Kun Law Offices)
Rooms 3901-05
39/F Edinburgh Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

PRINCIPAL BANKERS

China Construction Bank, Beijing Branch,
Zhongguancun South Avenue Sub-branch,
China Construction Bank Beijing,
Gucheng Sub-branch

COMPANY WEBSITE

www.hevolwy.com.cn

STOCK CODE

6093

DATE OF LISTING

12 July 2019

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "**Board**") of the Company, I am pleased to present the interim results of the Company for the six months ended 30 June 2019. On 12 July 2019, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Landing in the Hong Kong capital market has brought to the Company new opportunities for development. The Company's management has fully seized the opportunity to further strengthen the Company's brand recognition and expanded business with sustainable profitability. The Company's management will continue to enhance the application of technology and intelligent management systems in the property management industry to meet the increasingly high customer demands for service. The Company's management will continue to innovate its management mechanisms to improve the Company's operational and managerial efficiency and returns for the shareholders of the Company (the "**Shareholders**").

For the six months ended 30 June 2019, the Group achieved revenue of RMB121.1 million, an increase of 21.8% over the same period in 2018, and gross profit of RMB38.1 million, an increase of 23.2% compared to the same period in 2018. For the six months ended 30 June 2019, the net profit after tax decreased by 70.5% to RMB3.0 million from RMB10.2 million for the same period in 2018, primarily due to the incurrence of one-off listing-related expenses. The adjusted net profit after tax (excluding the listing-related expenses) was RMB18.4 million, representing an increase of RMB8.2 million, or 80.7%, compared to the same period in 2018.

The Company is committed to build a first-class brand in the property management industry and provide high-quality services to our customers through improved operational efficiency and intelligent management procedures. Since its establishment 16 years ago, the Group has been a well-known property management participant and has maintained an improving market position in the industry. The Group was ranked 44th in the China Top 100 Property Service Enterprises by the China Index Academy. The Group had a total contracted GFA of 8.2 million sq.m. and a total revenue-bearing GFA of 6.3 million sq.m. as at 30 June 2019. The management team of the Company is confident that a higher ranking can be achieved in the future.

On behalf of the Board, I would like to express my sincere gratitude to the management and all employees of the Group for their contribution and our shareholders, suppliers, bankers and customers for their continuous support.

Liu Jiang
Chairman of Board of Directors

Hong Kong, 30 August 2019

Management Discussion and Analysis

BUSINESS REVIEW

Business Overview

The Group is a reputable market player in the property management industry in China, providing i) property management services, ii) community-related services and iii) property developer related services in the PRC for more than 16 years. According to the China Index Academy, we were ranked 44th among the "2019 Top 100 Property Management Enterprises" (2019 中國物業服務百強企業) in terms of overall strength of property management in 2019, and we were considered as a growing China Top 100 Property Management Company from 2017 to 2019. The ranking was based on certain key factors such as property management scale, business performance, service quality, development potential and social responsibility. As at 30 June 2019, we managed 34 property management projects across 11 cities in the PRC with a total contracted GFA of 8.2 million sq.m. and a total revenue-bearing GFA of 6.3 million sq.m.

Property Management Services

We provide a range of property management services to property owners and residents, as well as property developers, including, security, cleaning, greening, gardening services as well as repair and maintenance services. Our property management portfolio focus on residential communities but also covers other types of properties such as commercial properties.

Our Geographic Coverage

The table below sets out the breakdowns of our (i) revenue from property management services and (ii) revenue-bearing GFA by geographic regions which we have property management operation, for the periods or as at the dates indicated:

	Six months ended 30 June							
	2019				2018			
	Revenue		Revenue-bearing GFA		Revenue		Revenue-bearing GFA	
	(RMB'000)	*(%)*	*('000 sq.m.)*	*(%)*	*(RMB'000)*	*(%)*	*('000 sq.m.)*	*(%)*
Northern China[1]	35,236	42.5	2,876	45.3	29,315	43.7	2,876	45.4
Northeastern China[2]	6,224	7.5	477	7.5	5,326	7.9	471	7.4
Southwestern China[3]	30,319	36.6	2,218	35.0	24,479	36.4	2,218	35.0
Southern China[4]	11,105	13.4	776	12.2	8,039	12.0	776	12.2
Total	82,884	100.0	6,347	100.0	67,159	100.0	6,341	100.0

Notes:

(1) "Northern China" includes Beijing, Tianjin and Tangshan.

(2) "Northeastern China" includes Dandong, Harbin and Shenyang.

(3) "Southwestern China" includes Chongqing, Guiyang and Chengdu.

(4) "Southern China" includes Sanya and Changsha.

We manage a diverse portfolio of properties, comprising primarily residential properties and to a lesser extent, non-residential properties. Non-residential properties include commercial properties and other types of public facilities. During the period, we generated the majority of our property management service revenue from managing residential properties, which will continue to account for a significant portion of our revenue stream in the near future. The table below sets out the breakdowns of our (i) revenue generated from property management services by type of properties; and (ii) total revenue-bearing GFA by type of properties for the periods or as at the dates indicated:

	Six months ended 30 June							
	2019				2018			
	Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA	
	(RMB'000)	*(%)*	*('000 sq.m.)*	*(%)*	*(RMB'000)*	*(%)*	*('000 sq.m.)*	*(%)*
Residential properties	76,296	92.1	6,014	94.8	61,318	91.3	6,014	94.8
Non-residential properties	6,588	7.9	333	5.2	5,841	8.7	327	5.2
Total	82,884	100.0	6,347	100.0	67,159	100.0	6,341	100.0

Community-Related Services

As an extension of our property management services, we provide community-related services to property owners and residents of our property management projects to address their lifestyle and daily needs, to enhance customer experience, satisfaction and royalty, as well as to create a healthier and more convenient living community for property owners and residents. We mainly provide three types of community-related services, namely, (i) home-living services, (ii) leasing of car parking space, and (iii) leasing of common facilities.

The table below sets forth a breakdown of revenue of our community-related services during the periods indicated by sub-segment.

	For the six months ended 30 June			
	2019		2018	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*
Home-living services	**13,578**	**51.1**	10,955	41.9
Leasing of car parking space	**9,367**	**35.2**	10,318	39.4
Leasing of common facilities	**3,650**	**13.7**	4,881	18.7
Total	**26,595**	**100.0**	26,154	100.0

For the six months ended 30 June 2018 and 2019, revenue generated from our community-related services amounted to approximately RMB26.2 million and RMB26.6 million, respectively, representing approximately 26.3% and 22.0% of our total revenue for the same periods.

Property Developer-Related Services

We offer sales assistance services as well as consulting services to property developers and property management companies to address their various needs on property management. For example, we provide display unit management services, market planning services and visitor reception services to property developers during the sales and marketing phase of property management projects in order to facilitate the sale of development projects. In addition, we may provide additional consultation services on matters ranging from human resources, technical support and management systems to such property developer and property management companies.

PROSPECTS AND FUTURE PLANS

Further expand the scale of our property management business and increase our operational efficiency

We strive to leverage our existing business relationship with Hevol Real Estate Group Limited (和泓置地集團有限公司) and its subsidiaries (the "**Hevol Real Estate Group**") to further expand our business. For the next three years, we expect to undertake new high-end residential community projects from Hevol Real Estate Group, which will allow us to further strengthen our market presence in the cities which we already have property management business. Moreover, we will continue to diversify our property management portfolio through securing new property management engagements developed by third party developers or institutions with attractive investment returns in the public bidding. We believe such strategy will increase the number of our property management projects on a long-term basis.

Furthermore, we seek to increase our operation by expanding and diversifying our property management portfolio of non-residential properties, such as office space, retail business and other public facilities. We continue to explore strategic investments in, and acquisition of, other property management companies that will create synergies with our business. By broadening our property portfolio, we will be able to enhance the allocation, utilisation and sharing of resources across different properties in our portfolio, as well as to increase our market presence and brand recognition in the relevant local markets.

Continue to provide comprehensive services to customers, enhance their experience and create additional value to our business

We plan to continue developing new types of services in order to improve the overall customer experience and strengthen our capabilities in property management through the following measures:

- to continue improve our resident services, community accommodation and other services, leasing of car-parking space and common facilities, and focus on improving the service standards of our community accommodation services on reception guests, room service, food service as well as housekeeping and cleaning services as our major drivers for growth. We also plan to increase the scale of our community-related services such as purchase of additional car parking spaces or clubhouse in our property management projects to be managed by us for leasing or operation from time to time.

- to dedicate more resources in providing property owners and residents of our property management projects with more specialised service providers. We will recruit local vendors and collaborate with nationwide service providers which can directly deliver products and services to our customers. The local vendors and service providers can enhance our home renovation, furniture procurement services as well as vacation-home management services.

- upgrade the information systems of our residential communities to improve the living experience of our customers and to enhance the efficiency of our integrated management system.

Further enhance the levels of standardisation and smart management in our service process in order to increase operational efficiency and improve customer satisfaction

We plan to continue providing high quality services to our customers through standardisation and smart management in our service process, which enables us to strengthen our operational efficiency and control our costs effectively. To increase our cost efficiency and improve our service quality, we plan to further streamline and standardise the comprehensive and diverse property management services provided by us and our sub-contractors, while maintaining the flexibility to respond to customer specific requests and market changes. In view of this, we plan to improve our processes on a regular basis, through further standardisation and implementation of the improved standards across all our property management projects.

Our current information technology system mainly serves to manage key operational functions such as processing financial data, facilitating communications, managing customers' information and payment records, and implementing internal approval processes. Our smart management systems currently include, for instance, smart car parking system, smart patrol system and video surveillance. We plan to further strengthen our standardised operations through upgrading our information technology and smart management systems, as well as to further reduce our service costs and improve service standards.

Continue to incentivise, retain and recruit talents in order to better our human resources management

We will continue to recruit, develop and retain talents by offering competitive remuneration packages and strengthening internal promotion opportunities. In addition, we will continue to cultivate entrepreneurial working environment to strengthen our employees' responsibilities and to elevate our corporate culture. By strengthening interactions and cooperation among our employees, we can enhance their operational efficiency, loyalty, job satisfaction, and thus our overall business operation.

FINANCIAL REVIEW

Revenue

Revenue of the Group is mainly derived from three main business segments, namely (i) property management services, (ii) community-related services and (iii) property developer-related services. For the six months ended 30 June 2019, the total revenue increased by approximately RMB21.6 million, or approximately 21.8% to approximately RMB121.1 million from approximately RMB99.4 million for the six months ended 30 June 2018.

	Six months ended 30 June			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Property management services	**82,884**	**68.4**	67,159	67.6
Community-related services	**26,595**	**22.0**	26,154	26.3
Property developer-related services	**11,584**	**9.6**	6,105	6.1
Total	**121,063**	**100.0**	99,418	100.0

(i) Property management services

Revenue from property management services increased by approximately RMB15.7 million, or 23.4% to approximately RMB82.9 million for the six months ended 30 June 2019 from approximately RMB67.2 million for the six months ended 30 June 2018, accounting for approximately 68.5% of the total revenue for the six months ended 30 June 2019 compared to 67.6% for the six months ended 30 June 2018.

The table below sets out the breakdowns of (i) our revenue-bearing GFA, and (ii) our revenue generated from the management of properties developed by the Hevol Real Estate Group and independent third-party property developers respectively, for the periods or as at the dates indicated:

	Six months ended 30 June							
	2019				2018			
	Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA	
	(RMB'000)	*(%)*	*('000 sq.m.)*	*(%)*	*(RMB'000)*	*(%)*	*('000 sq.m.)*	*(%)*
Property management projects developed by Hevol Real Estate Group	78,902	95.2	5,877	92.6	65,188	97.1	5,877	92.7
Property management projects developed by Independent Third Party property developers	3,982	4.8	470	7.4	1,971	2.9	464	7.3
Total	82,884	100.0	6,347	100.0	67,159	100.0	6,341	100.0

Revenue derived from property management projects developed by Hevol Real Estate Group increased by approximately RMB13.7 million, or approximately 21.0% from approximately RMB65.2 million for the six months ended 30 June 2018 compared to approximately RMB78.9 million for the six months ended 30 June 2019; among which, the revenue-bearing GFA from management of properties developed by independent third-party property developers remained relatively stable.

(ii) Community-related services

Revenue from community-related services increased slightly by approximately RMB0.4 million, or approximately 1.7% to approximately RMB26.6 million for the six months ended 30 June 2019 from approximately RMB26.2 million for the six months ended 30 June 2018, accounting for approximately 22.0% of the total revenue for the six months ended 30 June 2019 compared to 26.3% for the six months ended 30 June 2018. The increase in revenue from community-related services was mainly attributable to an increase in home-living services by approximately RMB2.6 million, offset by a decrease in leasing of common facilities by approximately RMB1.2 million during the period.

(iii) Property developer-related services

Revenue from property developer-related services increased by approximately RMB5.5 million, or approximately 89.7% to approximately RMB11.6 million for the six months ended 30 June 2019 from approximately RMB6.1 million for the same period in 2018, accounting for approximately 9.6% of the total revenue for the months ended 30 June 2019 compared to 6.1% for the six months ended 30 June 2018. Revenue of property developer-related services increased as Hevol Real Estate Group had more properties under development which reached the selling stages and required our sales assistance services for the six months ended 30 June 2019 when compared to that of the same period in 2018.

Cost of Sales

The Group's cost of sales included (i) staff costs, (ii) sub-contracting costs, (iii) utilities, (iv) repairs and maintenance costs, (v) material costs, (vi) sales taxes and (vii) others. During the six months ended 30 June 2019, cost of sales was approximately RMB83.0 million, representing an increase of approximately RMB14.5 million, or approximately 21.1% compared to approximately RMB68.5 million for the six months ended 30 June 2018.

During the period, the increase in our cost of sales was mainly attributable to (i) the increase in staff costs due to the increasing number of our service employee headcount as a result of our business expansion and an increasing level of average salaries; and (ii) the increase in sub-contracting costs due to an increase in our revenue-bearing GFA under management. The general increase of cost of sales during the period is in line with our expanding scale of business operations and an increasing number of properties under our management.

Gross Profit and Gross Profit Margin

	Six months ended 30 June			
	2019		2018	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Property management services	25,593	30.9	19,394	28.9
Community-related services	10,722	40.3	10,587	40.5
Property developer-related services	1,797	15.5	949	15.6
Total	38,112	31.5	30,930	31.1

Gross profit for the period increased by approximately RMB7.2 million, or approximately 23.2% to approximately RMB38.1 million for the six months ended 30 June 2019 from approximately RMB30.9 million for the six months ended 30 June 2018. The overall gross profit margin increased to approximately 31.5% for the six months ended 30 June 2019 from approximately 31.1% for the six months ended 30 June 2018, which was mainly due to the increase in the gross profit margin of our property management services.

(i) Property management services

Gross profit from our property management services increased by approximately RMB6.2 million, or 32.0% to approximately RMB25.6 million for the six months ended 30 June 2019 from approximately RMB19.4 million for the six months ended 30 June 2018, primarily attributable to (i) the Company only recognised revenue for few months for certain projects which were secured during the six months ended 30 June 2018 but such revenue were fully recognised for the six months ended 30 June 2019; and (ii) an increasing level of the average charging rate of our property management services during the period. Gross profit margin of our property management services increased to approximately 30.9% for the six months ended 30 June 2019 from approximately 28.9% for the six months ended 30 June 2018. This was primarily due to the increase in average charging rate of our property management services compared to the corresponding period in 2018.

(ii) Community-related services

Gross profit and gross profit margin of our community-related services remained stable during the period.

(iii) Property developer-related services

Gross profit from our property developer-related services increased by approximately RMB0.8 million, or approximately 89.4% for the six months ended 30 June 2018 to approximately RMB1.8 million for the six months ended 30 June 2019. This was mainly attributable to an increase in number of projects under development by Hevol Real Estate Group during the period, which reached the selling phases and required our sales assistance services. Gross profit margin of our property developer-related services remained relatively stable during the period, primarily because the relevant fee rates charged to property developers as well as the relevant sub-contracting costs and staff costs remained relatively stable due to market conditions.

Other Income

Other income amounted to approximately RMB5.7 million for the six months ended 30 June 2019, representing an increase of approximately RMB4.7 million, or approximately 492.1% compared to approximately RMB1.0 million for the six months ended 30 June 2018. The increase was mainly due to the reversal of expected credit loss allowance on trade and other receivables during the six months ended 30 June 2019.

Administrative Expenses

Our administrative expenses amounted to RMB18.5 million for the six months ended 30 June 2019, representing an increase of approximately RMB1.2 million, or approximately 7.0% compared to approximately RMB17.3 million for the six months ended 30 June 2018. Our administrative expenses accounted for approximately 15.3% and 17.4% of our total revenue for the six months ended 30 June 2019 and 2018, respectively. The increase in our administrative expenses was primarily due to an increasing number of our administration staff headcount and the increasing level of average salaries of our staff.

Income Tax Expense

Income tax expense amounted to approximately RMB6.9 million for the six months ended 30 June 2019, representing an increase of approximately RMB2.5 million, or approximately 56.2% compared to approximately RMB4.4 million for the six months ended 30 June 2018. The increase of income tax expenses was primarily due to the increase of our taxable income and an increase of deferred tax expenses arising from the origination and reversal of temporary differences.

Profit and Total Comprehensive Income For The Period

Our profit and total comprehensive income decreased by approximately RMB7.2 million, or 70.5% to approximately RMB3.0 million for the six months ended 30 June 2019 from approximately RMB10.2 million for the same period in 2018, the decrease was mainly attributable to the incurrence of one-off listing-related expenses of approximately RMB15.4 million for the six months ended 30 June 2019. The adjusted profit and total comprehensive income (excluding listing-related expenses), for the six months ended 30 June 2019 was approximately RMB18.4 million, representing an increase of approximately RMB8.2 million or 80.7% compared to the same period in 2018. The adjusted net profit margin (excluding listing expenses) was approximately 15.2% for the six months ended 30 June 2019, represented an increase from 10.3% for the same period in 2018.

Investment Properties

Investment properties which consisted of certain car parking spaces and shop premises decreased from RMB32.0 million as at 31 December 2018 to RMB31.4 million as at 30 June 2019. The decrease in investment properties was mainly due to depreciation.

Trade and Other Receivables

Trade and other receivables include trade receivables, prepayments, deferred IPO costs and other receivables. Trade receivables mainly arise from income from property management services and property developer-related services. As at 30 June 2019, the Group recorded total trade receivables of approximately RMB44.4 million, representing a decrease of approximately RMB21.8 million compared to approximately RMB66.2 million as at 31 December 2018, primarily due to the repayment of trade receivables from Hevol Real Estate Group of approximately RMB26.8 million during the period. Other receivables decreased from approximately RMB18.9 million as at 31 December 2018 to approximately RMB17.7 million as at 30 June 2019. The decrease was mainly due to the settlement of amounts due from related parties of approximately RMB7.6 million, offset by an increase in deferred IPO costs of approximately RMB4.7 million.

Trade and Other Payables

Trade and other payables include trade payables, other payables, amounts collected on behalf of property owners, payroll payables and other taxes payables. Trade payables primarily represent payables for goods or services acquired from suppliers in the ordinary course of business, including purchase of materials and utilities as well as payments of sub-contracting fees. As at 30 June 2019, trade payables of the Group were approximately RMB12.7 million, representing an increase of approximately RMB5.0 million compared to approximately RMB7.7 million as at 31 December 2018, primarily due to an increase in procurement costs driven up by the increase in the number of property management projects of the Group during the period.

Other payables primarily include (i) deposits from property owners in relation to interior decorations, (ii) temporary receipts from properties owners mainly consisting of utilities fees collected from properties owners and income generated from community-related services from common areas that belonged to properties owners, (iii) accruals and others mainly in relation to accrued payroll and reimbursement. Other payables remained stable during the period.

Contract Liabilities

Contract liabilities mainly arise from advance payments made by customers for the underlying services such as property management services and community-related services, which were yet to be provided. Contract liabilities decreased from approximately RMB73.1 million as at 31 December 2018 to approximately RMB58.7 million as at 30 June 2019, representing a decrease of approximately RMB14.4 million, primarily due to the decrease of advance payment of property management fees received from our customers.

Liquidity, Financial and Capital Resources

As at 30 June 2019, total bank deposits and cash of the Group were approximately RMB137.6 million, representing an increase of approximately RMB3.2 million compared to approximately RMB134.4 million as at 31 December 2018. Our financial position remained solid. As at 30 June 2019, net current assets of the Group were approximately RMB24.5 million compared to RMB44.0 million as at 31 December 2018, a decrease was attributable to an amount of dividend payable of approximately RMB25.4 million. As at 30 June 2019, the current ratio of the Group was 1.14 times compared to 1.25 times as at 31 December 2018. The Group did not have any loan or borrowing as at 30 June 2019.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. The Board closely monitors the Group's liquidity positions, while surplus cash will be invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments.

Foreign Exchange Risk

The Group is principally focused on its business in the PRC. Except for the bank deposits denominated in foreign currencies, the Group was not subject to any other material risk directly relating to foreign exchange fluctuation. During the period, the Directors expected that fluctuations of the RMB exchange rate would not materially and adversely affect the operations of the Group. The management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce foreign exchange risks.

Employees and Remuneration Policies

As at 30 June 2019, the Group had approximately 956 employees compared to 1,013 employees as at 31 December 2018. For the six months ended 30 June 2019, total staff costs were approximately RMB36.3 million. The remuneration package of the employees includes salary, bonus and other cash subsidies. Employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of the employees, a monthly social insurance fund covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, the housing provident fund, or other mandatory provident fund schemes on behalf of the employees. The Group hosted comprehensive internal staff training programmes for our staff to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards. The Group provided orientation training to new hires and introduce them to our corporate culture to understand our service standards and procedures. The Group also provided training courses and regular seminars on various aspects of our business operations, such as quality control and customer relationship management, to our employees. The Group had also adopted a share option scheme, details of which are disclosed in the paragraph headed "Share Option Scheme" in this report.

Corporate Governance and Other Information

INTERIM DIVIDEND

The Board resolved that no interim dividend shall be declared for the six months ended 30 June 2019.

CHARGE ON ASSETS

As at 30 June 2019, the Group did not have any charges on its assets (31 December 2018: nil).

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintain high standards of corporate governance by focusing on principles of integrity, accountability, transparency independence, responsibility and fairness to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

As the shares of the Company were not yet listed on the Stock Exchange as at 30 June 2019, the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules were not applicable to the Company during the reporting period. The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the date of listing.

The Company has complied with all the applicable code provisions set out in the CG Code throughout the period from the date of listing up to the date of this interim report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since the date of listing. As the shares of the Company were not yet listed on the Stock Exchange as at 30 June 2019, the Model Code was not applicable to the Company during the reporting period.

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code throughout the period from the date of listing up to the date of this interim report.

AUDIT COMMITTEE

The Audit Committee assists the Board in providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of the Group, performing other duties and responsibilities as may be assigned by the Board from time to time.

The audit committee of the Company currently comprises three independent non-executive Directors, namely Dr. Chen Lei, Mr. Fan Chi Chiu and Mr. Qian Hongji. The audit committee had reviewed the unaudited interim results and interim report for the six months ended 30 June 2019 and has discussed, among other things, the matters of risk management and internal control with the management.

USE OF NET PROCEEDS FROM LISTING

With the Shares of the Company listed on the Stock Exchange on 12 July 2019, the net proceeds from the Global Offering were approximately HK$76.9 million, which will be utilised for the purposes as set out in the Company's prospectus dated 27 June 2019 (the "**Prospectus**").

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

Since the Company was not listed on the Stock Exchange during the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the reporting period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As the Company was not listed on the Stock Exchange as at 30 June 2019, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executives of the Company as at 30 June 2019.

As at the date of this interim report, the interests and short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director or chief executives of our Company is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares of the Company

Name of Director	Nature of interest	Number of shares held *(Note 1)*	Number of interests in underlying Shares of held under equity derivatives	Total	As at 30 June 2019 % of total Shares in issue
Mr. Liu Jiang	Interest of controlled corporation *(Note 2)*	286,439,934 *(Note 2)*	–	286,439,934	71.61%

Notes:

(1) All interests stated are long positions and after adjustment pursuant to the Capitalisation Issue.

(2) The Shares are registered in the name of Brilliant Brother Limited ("**Brilliant Brother**"). The entire issued share capital of Brilliant Brother is held by Mr. Liu Jiang. Accordingly, Mr. Liu Jiang is deemed to be interested in all the Shares held by Brilliant Brother under the SFO.

Long position in shares of the associated corporations of our Company

Name of Director	Name of associated corporation	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Mr. Liu Jiang	Brilliant Brother *(Note 2)*	1	100%

Notes:

(1) All interests stated are long positions and after adjustment pursuant to the date of this interim report.

(2) Brilliant Brother, a company whose entire issued share capital is held by Mr. Liu, is the ultimate holding company of our Company and thus an associated corporation of our Company under the SFO.

Save as disclosed above, as at the date of this interim report, none of the Directors and chief executives of the Company (including their spouses and children under the age of 18) had any interest in, or had been granted any right to subscribe for the Shares and options of the Company and its associated corporations (within the meaning of the SFO), or had exercised any such rights.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at the date of this interim report, according to the register kept under Section 336 of the SFO, the following companies and persons (other than the Directors and chief executives of the Company) had long positions of 5% or more in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Interests and long positions in the Shares

Shareholder Name	Capacity	Number of shares held or interested	Approximate percentage of shareholding
Mr. Liu Jiang(1)	Interest of controlled corporation	286,439,934	71.61%
Brilliant Brother	Beneficial owner	286,439,934	71.61%
Mrs. Liu Hong (劉宏)(2)	Interest of spouse	286,439,934	71.61%

Note:

(1) The entire issued share capital of Brilliant Brother is held by Mr. Liu Jiang. Therefore, Mr. Liu Jiang is deemed to be interested in the shares held by Brilliant Brother in the Company under the SFO.

(2) By virtue of the SFO, Mrs. Liu Hong (劉宏) is deemed to be interested in the Shares held by her spouse, Mr. Liu Jiang, whose interests are disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures of the Company".

Save as disclosed above, as of at date of this interim report, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who was recorded in the register of the Company as having an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provision 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 under Section 336 of the SFO.

Share Option Scheme

On 14 June 2019, a share option scheme was adopted by the then shareholders of the Company (the "**Share Option Scheme**").

The purpose of the Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in our Company and to encourage the selected participants to work towards enhancing the value of our Company and our Shares for the benefit of our Company and our Shareholders as a whole. The Share Option Scheme will provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the selected participants.

No options was granted under the Share Option Scheme as at the date of this interim report.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue		**121,063**	99,418
Cost of sales		**(82,951)**	(68,488)
Gross profit		**38,112**	30,930
Other income	5	**5,696**	962
Administrative expenses		**(18,515)**	(17,302)
Listing-related expenses		**(15,417)**	–
Profit before income tax	6	**9,876**	14,590
Income tax expense	7	**(6,870)**	(4,397)
Profit and total comprehensive income for the period attributable to equity holders of the Company		**3,006**	10,193
Earnings per share attributable to equity holders of the Company *(expressed in RMB cents per share)*			
Basic and diluted	9	**1.00**	3.40

The notes on pages 29 to 52 are an integral part of these financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	5,219	2,979
Intangible assets		853	924
Investment properties		31,445	31,988
Deferred tax assets		2,110	4,766
		39,627	40,657
Current assets			
Inventories		44	68
Trade and other receivables	11	62,129	85,072
Bank balances and cash		137,570	134,417
		199,743	219,557
Current liabilities			
Contract liabilities		58,717	73,116
Trade and other payables	12	88,127	87,950
Lease liabilities		917	–
Income tax liabilities		2,044	14,442
Dividends payable		25,400	–
		175,205	175,508
Net current assets		24,538	44,049
Total assets less current liabilities		64,165	84,706

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		1,853	–
Deferred tax liabilities		4,600	4,600
		6,453	4,600
Net assets		57,712	80,106
EQUITY			
Share capital	13	–*	–*
Reserves		57,712	80,106
Total equity		57,712	80,106

* The balance represents amount less than RMB1,000.

The notes on pages 29 to 52 are an integral part of these financial statements.

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2019

	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
For the six months ended 30 June 2019 (unaudited)					
At 1 January 2019	–*	34,226	9,019	36,861	80,106
Profit and total comprehensive income for the period	–	–	–	3,006	3,006
Transactions with owners – Dividend declared *(note 9)*	–	–	–	(25,400)	(25,400)
Balance at 30 June 2019	–*	34,226	9,019	14,467	57,712
For the six months ended 30 June 2018 (unaudited)					
At 1 January 2018	30,000	4,000	7,416	43,178	84,594
Profit and total comprehensive income for the period	–	–	–	10,193	10,193
Balance at 30 June 2018	30,000	4,000	7,416	53,371	94,787

* The balance represents amount less than RMB1,000.

The notes on pages 29 to 52 are an integral part of these financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash from/(used in) operating activities	**5,449**	(3,547)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(318)**	(181)
Purchase of intangible assets	**–**	(4)
Decrease in amounts due from related parties	**7,075**	1,414
Net cash from investing activities	**6,757**	1,229
Cash flows from financing activities		
Decrease in amounts due to related parties	**(4,820)**	(356)
Payment for deferred IPO costs	**(4,070)**	–
Payment of lease liabilities	**(163)**	–
Net cash used in financing activities	**(9,053)**	(356)
Net increase/(decrease) in cash and cash equivalents	**3,153**	(2,674)
Cash and cash equivalents at beginning of period	**134,417**	113,297
Cash and cash equivalents at end of period, represented by bank balances and cash	**137,570**	110,623

The notes on pages 29 to 52 are an integral part of these financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. GENERAL INFORMATION

Hevol Services Group Co. Limited (the "**Company**") was incorporated in the Cayman Islands on 28 May 2018 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 P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

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

The Company and its subsidiaries now comprising the Group underwent a group reorganisation (the "**Reorganisation**") as detailed in the section headed "History, reorganisation and corporate structure" to the prospectus of the Company dated 27 June 2019 (the "**Prospectus**"). Pursuant to the Reorganisation, which was completed on 26 December 2018, the Company became the holding company of the companies now comprising the Group.

On 12 July 2019, the Company has its shares listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

This interim condensed consolidated financial information (the "**Interim Financial Information**") is presented in Renminbi ("**RMB**"), unless otherwise stated. The Interim Financial Information was approved for issue by the board of directors on 30 August 2019 and has not been audited.

2. BASIS OF PREPARATION

This Interim Financial Information has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**"). The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the accountant's report for the year ended 31 December 2018 included in the Prospectus.

The Group has not early adopted any International Financial Reporting Standards ("**IFRSs**") that has been issued but is not yet effective. The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the accountant's report for the year ended 31 December 2018 included in the Prospectus except for the adoption of the IFRS 16 "Leases" that have become effective for accounting period beginning on 1 January 2019 and is relevant to the Group. The impact of the adoption of IFRS 16 and the change in accounting policies are disclosed in note 2.1 and note 2.2 below.

2.1 Impacts of adoption of IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "**Evaluating the Substance of Transactions Involving the Legal Form of a Lease**"). IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

2. BASIS OF PREPARATION (continued)

2.1 Impacts of adoption of IFRS 16 "Leases" (continued)

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 5.5%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	RMB'000
Total operating lease commitments disclosed at 31 December 2018	1,117
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(118)
Operating leases liabilities before discounting	999
Discounting using incremental borrowing rate as at 1 January 2019	(103)
Operating leases liabilities recognised under IFRS 16 at 1 January 2019	896
Classified as:	
– Current lease liabilities	275
– Non-current lease liabilities	621
	896

2. BASIS OF PREPARATION (continued)

2.1 Impacts of adoption of IFRS 16 "Leases" (continued)

The following table summarises the impact of transition to IFRS 16 on the Group's condensed consolidated statement of financial position at 1 January 2019:

	RMB'000
Increase in right-of-use assets presented in property, plant and equipment	896
Increase in lease liabilities	(896)

2.2 Key changes in accounting policies – IFRS 16 "Leases"

(a) The Group as a lessee

Applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

2. BASIS OF PREPARATION (continued)

2.2 Key changes in accounting policies – IFRS 16 "Leases" (continued)

(a) The Group as a lessee (continued)

Applicable from 1 January 2019 (continued)

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

2. BASIS OF PREPARATION (continued)

2.2 Key changes in accounting policies – IFRS 16 "Leases" (continued)

(a) The Group as a lessee (continued)

Applicable from 1 January 2019 (continued)

Measurement and recognition of leases as a lessee (continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the condensed consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are presented within investment property.

2. BASIS OF PREPARATION (continued)

2.2 Key changes in accounting policies – IFRS 16 "Leases" (continued)

(a) The Group as a lessee (continued)

Applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

2. BASIS OF PREPARATION (continued)

2.2 Key changes in accounting policies – IFRS 16 "Leases" (continued)

(b) The Group as a lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Information requires management to make judgements, 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 the Interim Financial Information, the significant judgements 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 consolidated financial statements for the year ended 31 December 2018.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services and valued-added services in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-makers (the "**CODM**"), being the executive directors of the Group. The CODM reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions.

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from customers and recognised over time		
Property management services	**82,884**	67,159
Value added services:		
– Community-related services	**26,595**	26,154
– Property developer-related services	**11,584**	6,105
	121,063	99,418

Geographical information

The major operating entities of the Group are domiciled in the PRC. As at 30 June 2019 and 31 December 2018, substantially all of the non-current assets (other than deferred tax assets) of the Group were located in the PRC.

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**170**	158
Unconditional government subsidy income	**1,258**	789
Sundry income	**148**	15
Reversal of expected credit loss allowance ("**ECL allowance**") on trade and other receivables	**4,120**	–
	5,696	962

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**70**	15
Depreciation of property, plant and equipment	**449**	301
Depreciation of right-of-use assets	**468**	–
Depreciation of investment properties	**543**	543
Loss on disposal of property, plant and equipment	**16**	17
Write-off of intangible assets	**1**	1
ECL allowance on trade and other receivables	**–**	1,463

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – PRC enterprise income tax		
Current period	**4,214**	3,458
Deferred tax		
Origination and reversal of temporary differences	**2,656**	939
Total income tax expense	**6,870**	4,397

Notes:

(a) CAYMAN ISLANDS INCOME TAX

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

(b) HONG KONG PROFITS TAX

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the reporting period.

(c) PRC ENTERPRISE INCOME TAX

The income tax provision of certain PRC entities of the Group has been calculated at the statutory tax rate of 25% on the estimated assessable profits for the reporting period, based on the existing legislation, interpretations and practices in respect thereof.

The preferential income tax rate applicable to certain of the Group's PRC entities within the scope of the China's Western Development Program was 15% for the six months ended 30 June 2018 and 2019.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group's PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the six months ended 30 June 2018 and 2019. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises with annual taxable income of less than RMB1,000,000 for the six months ended 30 June 2018 and 2019, were also entitled a tax concession for 50% of its taxable income.

7. INCOME TAX EXPENSE (continued)

Notes (continued):

(d) PRC WITHHOLDING INCOME TAX

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

8. DIVIDENDS

On 14 February 2019, a dividend of RMB25,400,000 has been declared and approved by the board of directors of the Company to the then shareholders.

In July 2018, a dividend amounting to RMB21,600,000 has been proposed, approved and paid by Beijing Hongsheng Investment Limited, a subsidiary of the Group, to its then shareholders.

9. EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the Reorganisation and the Capitalisation Issue (as defined and detailed in note 13(iii)) as if the Reorganisation and Capitalisation Issue had been completed on 1 January 2018.

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(RMB'000)*	**3,006**	10,193
Number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**300,000**	300,000
Basic earnings per share *(expressed in RMB cents per share)*	**1.00**	3.40

b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2019 and 2018 equals the basic earnings per share as there were no dilutive potential ordinary shares in existence during the periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of RMB318,000 (six months ended 30 June 2018: RMB181,000) and disposal of certain property, plant and equipment with total carrying amount of approximately RMB16,000 (six months ended 30 June 2018: RMB17,000).

As detailed in note 2, the Group has initially applied IFRS 16 and elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. During the six months ended 30 June 2019, the Group entered into certain new lease agreements for use of various buildings for leasing period of 3 years. The Group makes fixed payments during the leasing periods. On lease commencement, the Group recognised right-of-use assets and lease liabilities amounting to RMB1,959,000 and RMB1,959,000 respectively. The finance cost on the lease liabilities for the six months ended 30 June 2019 are insignificant to the condensed consolidated financial statements.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Trade receivables		
– Third parties	43,488	40,894
– Related parties	12,154	38,947
	55,642	79,841
Less: ECL allowance of trade receivables	(11,261)	(13,636)
	44,381	66,205
Other receivables		
Deposits, prepayment and other receivables	2,044	3,224
Payment on behalf of property owners	5,622	4,794
Advances to employees	1,898	1,494
Amounts due from related parties	–	7,647
Deferred IPO costs	8,184	3,453
	17,748	20,612
Less: ECL allowance of other receivables	–	(1,745)
	17,748	18,867
	62,129	85,072

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

11. TRADE AND OTHER RECEIVABLES (continued)

a) Trade receivables

Trade receivables mainly arise from property management services managed under lump sum basis and value-added services.

Property management services income under lump sum basis are received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by property owners upon rendering of services.

The ageing analysis of trade receivables at the end of each of the reporting period, based on invoice date and due date, is as follows:

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
0 – 90 days	**24,763**	19,355
91 – 180 days	**9,678**	5,238
181 – 365 days	**5,524**	6,718
1 to 2 years	**5,930**	32,872
Over 2 years	**9,747**	15,658
	55,642	79,841

11. TRADE AND OTHER RECEIVABLES (continued)

a) Trade receivables (continued)

The movement in the provision for impairment of trade receivables is as follows:

	As at 30 June 2019 ***RMB'000*** **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Balance at the beginning of the period/year	**13,636**	10,650
Net ECL allowance (reversed)/recognised during the period/year	**(2,375)**	2,986
Balance at the end of the period/year	**11,261**	13,636

b) Other receivables

The movement in the provision for impairment of other receivables is as follows:

	As at 30 June 2019 ***RMB'000*** **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Balance at the beginning of the period/year	**1,745**	1,745
ECL allowance reversed during the period/year	**(1,745)**	–
Balance at the end of the period/year	**–**	1,745

12. TRADE AND OTHER PAYABLES

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade payables			
– Third parties	(a)	12,747	7,740
Other payables			
Accrued charges and other payables		29,032	20,163
Amounts collected on behalf of property owners		26,544	28,556
Other tax liabilities		5,661	4,623
Staff costs and welfare accruals		13,617	21,522
Amounts due to related parties		526	5,346
		75,380	80,210
		88,127	87,950

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at the end of the reporting period were considered to be a reasonable approximation of their fair values.

12. TRADE AND OTHER PAYABLES (continued)

(a) TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 to 90 days. The ageing analysis of trade payables based on invoice date is as follows:

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
0-30 days	10,859	5,480
31-180 days	1,446	1,169
181-365 days	104	298
Over 1 year	338	793
	12,747	7,740

13. SHARE CAPITAL

	Note	Number of shares	Nominal value of shares *US$*
Authorised:			
Ordinary shares of the Company:			
Ordinary shares upon incorporation and at 31 December 2018, 1 January 2019 and 30 June 2019	*(i)*	5,000,000,000	50,000

13. SHARE CAPITAL (continued)

	Notes	Number of shares	Nominal value of shares US$	Equivalent nominal value of shares RMB'000
Issued and fully paid:				
Ordinary shares of the Company:				
Issued upon incorporation	*(i)*	100	–	–*
Allotment of shares	*(ii)*	104,634	1	–*
As at 31 December 2018, 1 January 2019 and 30 June 2019 (unaudited)		104,734	1	–*

* The balance represents amount less than RMB1,000.

Notes:

(i) The Company was incorporated in the Cayman Islands on 28 May 2018 with an authorised share capital of US$50,000 divided into 5,000,000,000 ordinary shares of par value of US$0.00001 each. On incorporation, 100 ordinary share was issued at par to the shareholders of the Company.

(ii) On 19 July 2018 and 26 December 2018, 900 shares and 99,000 shares were allotted and issued to the shareholders of the Company, respectively. On 26 December 2018, the Company allotted and issued 4,734 shares of par value US$0.00001 to the then shareholder of Rime Venture Limited as consideration in exchange for 100% equity interest in Rime Venture Limited. These shares rank pari passu with the existing shares in all respects.

(iii) Pursuant to a shareholders resolution dated 14 June 2019, and conditional on the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the proposed share offering described in the Prospectus, the Company will capitalise an amount of approximately RMB21,000 (equivalent to US$2,999), standing to the credit of its share premium account and to appropriate such amount as capital to pay up to 299,895,266 shares in full at par (the "**Capitalisation Issue**"). The capitalisation Issue was completed on 12 July 2019.

14. SHARE OPTION SCHEME

On 14 June 2019 (the "**Adoption Date**"), the Company adopted a share option scheme (the "**Share Option Scheme**"). The Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless terminated earlier by the shareholders in general meeting.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of 40,000,000 shares, which is the expected shares of the Company in issue as at the date of Listing.

No option of the Company was granted to the Company's employees and other eligible participants since the Adoption Date and up to the date of this Interim Financial Information.

15. OPERATING LEASE COMMITMENTS

As lessor

At the reporting date, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Within one year	886	886
In the second to fifth years	1,402	1,845
	2,288	2,731

15. OPERATING LEASE COMMITMENTS (continued)

As lessee

As at 30 June 2019, the Group leases properties with a lease period less than 12 months, which are qualified to be accounted for under short-term leases exemption under IFRS 16. As at 31 December 2018, the Group leases properties under operating leases, ranging from 1 to 5 years. The leases have varying lease terms and renewal rights.

At the end of the reporting period, the lease commitments for short-term leases (as at 31 December 2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Within one year	53	442
In the second to fifth years	–	675
	53	1,117

16. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Information during the period, the Group had the following material transactions with related parties:

(a) During the reporting period, the transactions with related parties of the Group carried in the ordinary course of business were as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Companies controlled by Mr. Liu Jiang (a substantial shareholder of the Company)		
Provision of property management and value-added services	**17,241**	13,702
Rental expenses	**–**	310

(b) **Key management personnel remuneration**

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	**782**	466
Retirement benefit scheme contributions	**125**	148
	907	614

17. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this Interim Financial Information, the following significant events took place subsequent to 30 June 2019:

i) On 12 July 2019, a total of 100,000,000 new shares of the Company were issued at the offering price of HK$1.28 per share, and the Company's shares were listed on the Main Board of the Stock Exchange. The net proceeds from the initial public offering, after deduction of related issuance expenses, amounted to HK$76.9 million.