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Xingye Wulian Service Group Co. Ltd.

興業物聯服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9916)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- The Group's revenue was approximately RMB184.1 million for the year ended 31 December 2019, representing an increase of approximately RMB53.1 million or 40.5% as compared to that of approximately RMB131.0 million for the year ended 31 December 2018.
- Revenue generated from property management and value-added services, which accounted for approximately 81.0% of our total revenue, was approximately RMB149.2 million for the year ended 31 December 2019, representing an increase of approximately RMB41.7 million or 38.8% as compared to that of approximately RMB107.5 million for the year ended 31 December 2018.
- Profit attributable to owners of the parent was approximately RMB44.5 million for the year ended 31 December 2019 excluding the effect of listing expenses, representing an increase of approximately 30.1% as compared to that of approximately RMB34.2 million for the year ended 31 December 2018.

RESULTS

The board of directors (the “**Board**”) of Xingye Wulian Service Group Co. Ltd. (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”, “**we**”, “**our**” or “**us**”) for the year ended 31 December 2019 together with the comparative figures for the corresponding period in 2018 as set out in this announcement.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	4	184,122	131,046
Cost of sales		<u>(105,470)</u>	<u>(68,755)</u>
Gross profit		78,652	62,291
Other income and gains	4	1,981	1,905
Selling and marketing expenses		(1,380)	(1,349)
Administrative expenses		(32,265)	(17,321)
Finance costs	5	<u>(84)</u>	<u>(68)</u>
PROFIT BEFORE TAX	6	46,904	45,458
Income tax expenses	7	<u>(11,731)</u>	<u>(11,238)</u>
PROFIT FOR THE YEAR		<u>35,173</u>	<u>34,220</u>
Attributable to:			
Owners of the parent		<u>35,173</u>	<u>34,220</u>

	<i>Note</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		<u>(3)</u>	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		<u>(3)</u>	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>35,170</u>	<u>34,220</u>
Attributable to:			
Owners of Parent		<u>35,170</u>	<u>34,220</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year (RMB)	9	<u>0.12</u>	<u>0.11</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,191	2,298
Right-of-use assets		2,676	1,259
Deferred tax assets		666	83
		<u>5,533</u>	<u>3,640</u>
Total non-current assets		5,533	3,640
CURRENT ASSETS			
Inventories		–	124
Trade receivables	<i>10</i>	18,237	13,806
Contract assets	<i>11</i>	11,412	8,356
Prepayments, other receivables and other assets		7,672	4,607
Cash and cash equivalents		173,147	161,397
		<u>210,468</u>	<u>188,290</u>
Total current assets		210,468	188,290
CURRENT LIABILITIES			
Trade payables	<i>12</i>	18,223	11,434
Other payables and accruals	<i>13</i>	45,739	24,771
Contract liabilities	<i>14</i>	29,402	28,067
Tax payable		4,528	4,217
Provisions		22	–
Lease liabilities		1,859	1,304
		<u>99,773</u>	<u>69,793</u>
Total current liabilities		99,773	69,793
NET CURRENT ASSETS		110,695	118,497
TOTAL ASSETS LESS CURRENT LIABILITIES		116,228	122,137
NON-CURRENT LIABILITIES			
Provisions		33	–
Lease liabilities		2,195	921
		<u>2,228</u>	<u>921</u>
Total non-current liabilities		2,228	921
Net assets		114,000	121,216
EQUITY			
Equity attributable to owners of the parent			
Share capital		–	–
Reserves		114,000	121,216
		<u>114,000</u>	<u>121,216</u>
Total equity		114,000	121,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

The Company is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 12 August 2019. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 9 March 2020.

The Company is an investment holding company. The Company became the holding company of the subsidiaries now comprising the Group upon completion of the reorganisation in 2019.

The Group were principally engaged in property management and value-added services, property engineering services and ancillary food supply services.

2. BASIS OF PRESENTATION

The consolidated results set out in this announcement do not constitute our Group’s consolidated financial statements for the year ended 31 December 2019 but are extracted from those financial statements.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”), and International Accounting Standards (“**IASs**”) and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention.

These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Our Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 3	<i>Definition of a Business¹</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material¹</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current³</i>

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ No mandatory effective date yet determined but available for adoption

Our Group will adopt the above new and revised IFRSs when they become effective.

3. OPERATING SEGMENT INFORMATION

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

- (a) Property management and value-added services
- (b) Property engineering services
- (c) Ancillary food supply services

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

Segment revenue

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Property management and value-added services	149,249	107,480
Property engineering services	34,143	18,297
Ancillary food supply services	730	5,269
	<u>184,122</u>	<u>131,046</u>

Segment results

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Property management and value-added services	45,753	42,826
Property engineering services	701	2,535
Ancillary food supply services	(111)	97
	<u>46,343</u>	<u>45,458</u>
Segment results	46,343	45,458
<u>Reconciliation:</u>		
Unallocated income	597	–
Unallocated expenses	(36)	–
	<u>46,904</u>	<u>45,458</u>
Profit before tax	46,904	45,458

Segment assets

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Property management and value-added services	177,099	172,847
Property engineering services	36,027	18,165
Ancillary food supply services	2,042	918
	<u>215,168</u>	<u>191,930</u>
Segment assets	215,168	191,930
<u>Reconciliation:</u>		
Unallocated assets	833	–
	<u>216,001</u>	<u>191,930</u>
Total assets	216,001	191,930

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment liabilities

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Property management and value-added services	86,399	63,540
Property engineering services	13,680	6,343
Ancillary food supply services	1,789	831
	<hr/>	<hr/>
Segment liabilities	101,868	70,714
<u>Reconciliation:</u>		
Unallocated liabilities	133	–
	<hr/>	<hr/>
Total liabilities	102,001	70,714
	<hr/> <hr/>	<hr/> <hr/>

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<u>Type of products or services</u>		
Property management and value-added services	149,249	107,480
Property engineering services	34,143	18,297
Ancillary food supply services	730	5,269
	<hr/>	<hr/>
	184,122	131,046
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	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<u>Timing of revenue recognition</u>		
<u>At a point in time</u>		
Value-added services	8,135	4,562
Ancillary food supply services	730	5,269
<u>Over time</u>		
Property management	141,114	102,918
Property engineering services	34,143	18,297
	<hr/>	<hr/>
	184,122	131,046
	<hr/> <hr/>	<hr/> <hr/>

An analysis of other income and gains is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Government grants	827	1,280
Interest income	557	619
Other gains	597	6
	<hr/>	<hr/>
	1,981	1,905
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COST

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest on lease liabilities	<u>84</u>	<u>68</u>

6. PROFIT BEFORE TAX

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Cost of service provided	104,691	63,706
Cost of ancillary food supplied	779	5,049
Depreciation of property, plant and equipment	660	544
Depreciation of right-of-use assets	328	427
Research and development expenses	2,590	3,012
Auditors' remuneration	900	142
Employee benefit expense (including directors' remuneration)		
Wages and salaries	21,568	16,148
Pension scheme contributions	1,942	1,783
Foreign exchange differences, net	(597)	–
Impairment losses on trade receivables and contract assets	11	235
Listing expenses	<u>12,373</u>	<u>–</u>

7. INCOME TAX EXPENSES

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

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

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, except for Henan Xingye Internet of Things Information Consulting Co., Ltd. which enjoyed a preferential enterprise tax rate during the reporting period, the subsidiaries which operate in Mainland China are subject to enterprise income tax at a rate of 25% on the taxable income.

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current	12,314	11,229
Deferred	<u>(583)</u>	<u>9</u>
Total tax charge for the year	<u>11,731</u>	<u>11,238</u>

8. DIVIDENDS

The Directors do not recommend the payment of a dividend since the date the Company incorporated.

The distribution amounts set out in the consolidated statements of changes in equity of RMB42,625,000 for the year ended 31 December 2019 represented the dividends declared by Henan Xingye Internet of Things Management Technology Co., Ltd. to its then shareholders.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 299,992,466 (2018: 299,990,000) comprises the weighted average number of shares issued during the year ended 31 December 2019 and 299,990,000 ordinary shares issued pursuant to the capitalisation issue after the reporting period.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019.

The calculations of basic earnings per share during both years are based on the assumption that the capitalisation issue have been effective on 1 January 2018:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>35,173</u>	<u>34,220</u>
	2019	2018
Shares		
Issue of shares on 12 August 2019	1	–
Issue of shares on 2 October 2019	9,999	–
Effect of Capitalisation Issue on 9 March 2020 (<i>note 16</i>)	<u>299,990,000</u>	<u>299,990,000</u>
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>299,992,466</u>	<u>299,990,000</u>

On 9 March 2020, the shares of the Company were listed on the Stock Exchange, and in connection with the Company's listing, 100,000,000 new shares of the Company were issued and allotted at the offer price of HK\$1.99 per share. The transactions occur after the end of the reporting period and that would have changed significantly the number of ordinary shares of the Company outstanding at the end of the reporting period if those transactions had occurred before the end of the reporting period.

10. TRADE RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade receivables	18,466	14,054
Impairment	<u>(229)</u>	<u>(248)</u>
	<u>18,237</u>	<u>13,806</u>

Our Group's trading terms for rendering property management and value-added services with its customers are mainly payment in advance. The trading terms for property engineering services and ancillary food supply services are mainly on credit and the credit period is generally within 30 days. Our Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that our Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Our Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

10. TRADE RECEIVABLES (CONTINUED)

Included in trade receivables are amounts due from related parties of RMB14,088,000 as at 31 December 2019 (2018: RMB5,955,000).

The carrying amount of trade receivables approximates to their fair value.

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

	2019 RMB'000	2018 <i>RMB'000</i>
Within 1 year	18,237	12,245
1 to 2 years	–	1,029
2 to 3 years	–	532
	<u>18,237</u>	<u>13,806</u>

11. CONTRACT ASSETS

	2019 RMB'000	2018 <i>RMB'000</i>
Contract assets arising from provision of property engineering services	11,527	8,441
Impairment	<u>(115)</u>	<u>(85)</u>
	<u>11,412</u>	<u>8,356</u>

Contract assets are initially recognised for revenue earned from property engineering services as the receipt of consideration is conditional on certain milestones or successful completion of construction. Upon the milestones or completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. Our Group's trading terms and credit policy with customers are disclosed in note 10 to the announcement.

Included in contract assets are amounts due from related parties of RMB11,527,000 as at 31 December 2019 (2018: RMB8,441,000).

12. TRADE PAYABLES

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

	2019 RMB'000	2018 <i>RMB'000</i>
Within 3 months	<u>18,223</u>	<u>11,434</u>

The trade payables are non-interest-bearing and are normally settled in less than three months.

13. OTHER PAYABLES AND ACCRUALS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Payroll payables	5,360	4,299
Tax payables other than income tax	4,809	2,611
Amounts due to related parties	11,026	6,869
Deposits	6,531	4,184
Listing expenses	8,163	–
Other payables	9,850	6,808
	<u>45,739</u>	<u>24,771</u>

The amounts due to related parties were non-trade in nature, non-interest-bearing and repayable on demand.

14. CONTRACT LIABILITIES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Advanced receipts for property management and value-added services	<u>29,402</u>	<u>28,067</u>

There is no advanced receipts from related parties included in contract liabilities as at 31 December 2019 (2018: RMB153,000). The increase in contract liabilities during the reporting period was mainly due to the continuous increase in the number of properties under management by the Group.

15. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Sales of services or products:		
Property management and value-added services rendered to related parties	24,122	17,176
Property engineering services rendered to related parties	33,868	18,297
Ancillary food sold to related parties	36	5,215
	<u>58,026</u>	<u>40,688</u>

Details of the Group's outstanding balances with related parties as at the end of the reporting period are disclosed in notes 10, 11, 13 and 14 of this announcement.

16. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Completion of the Listing

Pursuant to a written resolution of the shareholders of the Company passed on 7 February 2020, a total of 299,990,000 shares of HK\$0.01 each were allotted and issued at par value to the shareholders as of the date immediately before the listing date on a pro rata basis by way of capitalisation of HK\$2,999,900 from the Company's share premium account on the date of listing.

On 9 March 2020, the shares of the Company were listed on the Stock Exchange, in connection with the Company's Listing, 100,000,000 new shares of the Company were issued and allotted at the offer price of HK\$1.99 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

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

Our portfolio of properties under management expanded rapidly during the year ended 31 December 2019, with the gross floor area (“GFA”) increased from approximately 1.6 million sq.m. as at 31 December 2018 to approximately 2.4 million sq.m. as at 31 December 2019. As at 31 December 2019, our portfolio of properties under management covered 17 commercial buildings, three governmental buildings and one industrial park with GFA of approximately 2.4 million sq.m. in aggregate and our portfolio of contracted properties has GFA of approximately 4.1 million sq.m. in aggregate.

Our property engineering services grew rapidly during the year ended 31 December 2019. We entered into 58 (2018:15) property engineering contracts with an aggregated original contract sum of approximately RMB54.8 million (2018: RMB40.7 million) (or original net of tax contract sum of approximately RMB50.3 million (2018: RMB37.0 million)) during the year ended 31 December 2019.

Future Outlook

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

FINANCIAL REVIEW

Revenue

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

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

	Year ended 31 December			
	2019		2018	
	RMB' 000	%	RMB' 000	%
Property management and value-added services				
– Property management services	141,114	76.7	102,918	78.5
– Value-added services	8,135	4.4	4,562	3.5
	<u>149,249</u>	<u>81.1</u>	<u>107,480</u>	<u>82.0</u>
Property engineering services	34,143	18.5	18,297	14.0
Ancillary food supply services <i>(Note)</i>	730	0.4	5,269	4.0
Total	<u>184,122</u>	<u>100.0</u>	<u>131,046</u>	<u>100.0</u>

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

The following table sets out the breakdown of our revenue between a person(s) or company(ies) who/which is or are independent of and not connected with our Company and our connected persons (“**Independent Third Parties**”) and related parties for the periods indicated:

	Year ended 31 December			
	2019		2018	
	RMB' 000	%	RMB' 000	%
Independent Third Parties	126,096	68.5	90,358	69.0
Related parties	58,026	31.5	40,688	31.0
Total	<u>184,122</u>	<u>100.0</u>	<u>131,046</u>	<u>100.0</u>

Our Group's total revenue increased by approximately RMB53.1 million or 40.5% from approximately RMB131.0 million for the year ended 31 December 2018 to approximately RMB184.1 million for the year ended 31 December 2019. Such increase was attributable to the combined effect of the increase in revenue from property management and value-added services of approximately RMB41.7 million and the increase in revenue from property engineering services of approximately RMB15.8 million which were slightly offset by the decrease in revenue from ancillary food supply services of approximately RMB4.6 million.

Property management and value-added services

Our Group's revenue from property management and value-added services increased by approximately RMB41.7 million or 38.8% from approximately RMB107.5 million for the year ended 31 December 2018 to approximately RMB149.2 million for the year ended 31 December 2019. This increase was primarily due to (i) the increase in the number of properties under management from 16 projects as at 31 December 2018 to 21 projects as at 31 December 2019, namely (1) Zensun Huaxiang International Building (正商華祥國際大廈); (2) Zensun Cheng Xi Yuan Court No. 2 (正商城禧園2號院); (3) Zensun Huazuan Huijing Court No. 2 (正商華鑽匯景2號院); (4) Zensun Shuxiang Mingzhu (正商書香銘築); and (5) Industrial Park with an aggregate GFA of approximately 0.6 million sq.m; (ii) one of our projects under management as at 31 December 2018, namely Zensun Boya Square (正商博雅廣場), was partially delivered in 2018; and the remaining was delivered to the property owners in early 2019. As a result, this project has an increase in GFA under management by 0.2 million sq.m. during the year ended 31 December 2019.

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

	Year ended 31 December			
	2019		2018	
	RMB'000	%	RMB'000	%
Property management services				
– Commercial building	131,126	87.9	94,935	88.3
– School	–	–	84	0.1
– Governmental building	9,988	6.7	7,899	7.4
	<u>141,114</u>	<u>94.6</u>	<u>102,918</u>	<u>95.8</u>
Value-added services	<u>8,135</u>	<u>5.4</u>	<u>4,562</u>	<u>4.2</u>
Total	<u><u>149,249</u></u>	<u><u>100.0</u></u>	<u><u>107,480</u></u>	<u><u>100.0</u></u>

Property engineering services

Our Group's revenue from property engineering services increased by approximately RMB15.8 million or 86.3% from approximately RMB18.3 million for the year ended 31 December 2018 to approximately RMB34.1 million for the year ended 31 December 2019. The increase was primarily due to the new contracts our Group entered into during the year ended 31 December 2019 and the aggregated original contract value of which amounted to RMB54.8 million. This led to an increase in the number of revenue generating contracts from 16 (including one contract signed but not completed during the year ended 31 December 2017) for the year ended 31 December 2018 to 74 for the year ended 31 December 2019.

Ancillary food supply services

Our Group's revenue from ancillary food supply services decreased by approximately RMB4.6 million or 86.8% from approximately RMB5.3 million for the year ended 31 December 2018 to approximately RMB0.7 million for the year ended 31 December 2019. This decrease was primarily due to the fact that contracts which were entered into in 2018 had expired and only one contract was entered into during the year ended 31 December 2019. The last contract relating to our ancillary food supply services ended in August 2019.

Cost of Sales

Our Group's cost of sales primarily consists of subcontracting costs, staff costs and materials and consumables. We recorded an increase in cost of sales of approximately RMB36.7 million or 53.3% from approximately RMB68.8 million for the year ended 31 December 2018 to approximately RMB105.5 million for the year ended 31 December 2019. Such increase was in line with our growth in revenue for the period and was primarily due to the increase in the number of properties under management and the increase in number of revenue generating contracts of our property engineering services which required additional provision of services.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately RMB16.4 million or 26.3% from approximately RMB62.3 million for the year ended 31 December 2018 to approximately RMB78.7 million for the year ended 31 December 2019. Our gross profit margin decreased from approximately 47.6% for the year ended 31 December 2018 to approximately 42.7% for the year ended 31 December 2019.

Other Income and Gains

Other income and gains mainly consisted of government grants, interest income and other gains. Our other income and gains increased by approximately RMB76,000 or 4.0% from approximately RMB1.9 million for the year ended 31 December 2018 to approximately RMB2.0 million for the year ended 31 December 2019. Such increase was mainly as a result of foreign exchange gains.

Selling and Marketing Expenses

Our selling and marketing expenses primarily comprised marketing expenses and staff costs for our marketing personnel. Our selling and marketing expenses increased by approximately RMB31,000 or 2.3% from approximately RMB1.3 million for the year ended 31 December 2018 to approximately RMB1.4 million for the year ended 31 December 2019. Such increase was driven by the increase in average number of staff in our marketing development department from seven for the year ended 31 December 2018 to ten for the year ended 31 December 2019, which led to the increase in staff costs for the marketing development staff.

Administrative Expenses

Our administrative expenses mainly comprised staff costs of our administrative staff at our headquarters, office expenses and professional fees. Our administrative expenses increased by approximately RMB15.0 million or 86.7% from approximately RMB17.3 million for the year ended 31 December 2018 to approximately RMB32.3 million for the year ended 31 December 2019. Such increase was mainly attributed by (i) the increase in professional fees due to the recognition of listing expenses of RMB12.4 million; and (ii) the increase in office expenses.

Finance Costs

Our finance costs represented imputed interest expenses generated from using the incremental borrowing rate of our Group to discount lease payments under the leases to present value, which remained relatively stable between the periods at approximately RMB68,000 for the year ended 31 December 2018 and approximately RMB84,000 for the year ended 31 December 2019.

Income Tax Expenses

Our income tax expenses increased by approximately RMB0.5 million or 4.5% from approximately RMB11.2 million for the year ended 31 December 2018 to approximately RMB11.7 million for the year ended 31 December 2019, which was in line with the growth in profit before tax for the year ended 31 December 2019 as compared to the year ended 31 December 2018.

Profit for the Year

As a result of the foregoing, our profit attributable to the owners of the parent increased by approximately RMB1.0 million or 2.9% from approximately RMB34.2 million for the year ended 31 December 2018 to approximately RMB35.2 million for the year ended 31 December 2019. If excluding the effect of listing expenses, our profit attributable to owners of the parent achieved approximately RMB44.5 million, representing an increase of approximately 30.1% as compared to that of last year.

FINANCIAL POSITION

Property, Plant and Equipment

Property, plant and equipment of our Group primarily represented machinery and electronic equipment used in our headquarters and the management centres in our properties under management. The total net book value of our property, plant and equipment decreased by approximately RMB0.1 million or 4.3% from approximately RMB2.3 million for the year ended 31 December 2018 to approximately RMB2.2 million for the year ended 31 December 2019, which was mainly due to the additions of electronic equipment, such as computers and printers, in response to the expansion of portfolio of properties under management during the year ended 31 December 2019, were offset by the depreciation charge for the year ended 31 December 2019.

Inventories

Our inventories primarily included materials for property engineering projects. Our inventories amounted to approximately RMB0.1 million and nil as at 31 December 2018 and 31 December 2019, respectively. This reflected our effort in maintaining a minimal level of inventory in order to minimise our risk of exposure to obsolete stock.

Trade Receivables

Our trade receivables mainly consisted of receivables arising from provision of property management and value-added services. Our total trade receivables prior to impairment was approximately RMB14.1 million and RMB18.5 million as at 31 December 2018 and 31 December 2019, respectively. Our trade receivables from related parties amounted to approximately RMB6.0 million and RMB14.1 million as at 31 December 2018 and 31 December 2019, respectively, which were associated with outstanding property management fees generated from unsold properties under management and property engineering services surrendered to the related parties. The increase in trade receivables from related parties was primarily attributable to the expansion of our business in both property management services and property engineering services. Our trade receivables from Independent Third Parties amounted to approximately RMB8.1 million and RMB4.4 million as at 31 December 2018 and 31 December 2019, respectively. The decrease in our trade receivables from Independent Third Parties was mainly as a result of our continuing effort in cash collection from Independent Third Parties.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets comprised prepayments, capitalised listing expenses, deposits, other receivables, amounts due from related parties and value-added tax recoverable. Our prepayments, other receivables and other assets amounted to approximately RMB4.6 million and RMB7.7 million as at 31 December 2018 and 31 December 2019, respectively.

Trade Payables

Our trade payables primarily consisted of payables to our suppliers for their products and our subcontractors for their provision of labour or services for property management services and property engineering services. Our trade payables amounted to approximately RMB11.4 million and RMB18.2 million as at 31 December 2018 and 31 December 2019, respectively. The increase in trade payables was primarily attributable to the increased amount due to our property engineering service suppliers as a result of expansion of our property engineering services.

Other Payables and Accruals

Our other payables and accruals comprised other payables, payroll payables, deposits, tax payables other than income tax, amounts due to related parties and listing expenses. Our other payables and accruals amounted to approximately RMB24.8 million and RMB45.7 million as at 31 December 2018 and 31 December 2019, respectively.

Indebtedness

As at 31 December 2019, we had no outstanding borrowings. Our Group did not have any unutilised banking facilities as at 31 December 2019 and we had lease liabilities of approximately RMB4.1 million as at 31 December 2019.

Current Ratio

Current ratio is calculated based on the total current assets at the end of the relevant year/period divided by the total current liabilities at the end of the respective year/period. The current ratio of our Group as at 31 December 2018 and 31 December 2019 were approximately 2.7 times and 2.1 times, respectively.

Pledge of Assets

As at 31 December 2019, none of the assets of our Group was pledged.

Contingent Liabilities

As at 31 December 2019, we did not have any material contingent liabilities.

Proceeds from the Listing

The shares of our Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 9 March 2020 (the “**Listing**”) and 100,000,000 new shares were issued. After deducting the underwriting fees and commissions and other estimated expenses in connection with the Global Offering, net proceeds from the Listing amounted to approximately HK\$167.8 million. Such proceeds will be applied in the manner consistent with that in the prospectus of our Company dated 25 February 2020:

- approximately 72.3% for the expansion of our business, through the acquisition of suitable acquisition targets;
- approximately 7.2% for enhancing our property engineering services;
- approximately 10.5% for enhancing our property management services; and
- approximately 10.0% for general working capital.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, our Group had 328 employees. Total staff-related cost, including Directors’ emoluments, was approximately RMB23.5 million during the year ended 31 December 2019. We generally determine employees’ compensation based on their qualification, position, seniority and performance. Pursuant to relevant laws and regulations in the People’s Republic of China, we participate in various employee social security plans that are organised by applicable local municipal and provincial governments, including pension, medical, maternity, work-related injury and unemployment benefit plans.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2019, our Group did not have any significant acquisitions and disposals.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, our Group did not have any major investments.

EVENTS AFTER THE REPORTING PERIOD

(i) Completion of the Listing

On 9 March 2020, our Company was listed on the Main Board of the Stock Exchange with the global offering of ordinary shares of par value HK\$0.01 each of our Company, including, a public offering in Hong Kong of 50,000,000 shares and an international offering of 50,000,000 shares, in each case at a price of HK\$1.99 per share (the “**Global Offering**”). The net proceeds from the Global Offering amounted to approximately HK\$167.8 million (after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering).

(ii) Outbreak of coronavirus disease

Since the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been implemented across the country. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this report, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY’S LISTED SECURITIES

As our Company’s shares were not listed on the Stock Exchange as at 31 December 2019, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company’s listed securities during the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

As our Company was not a listed company during the year ended 31 December 2019, the Corporate Governance Code contained in Appendix 14 to the Listing Rules (“**Corporate Governance Code**”) was not applicable to our Company during that period, but has been applicable to it since 9 March 2020 (the “**Listing Date**”). The Board has reviewed our Company’s corporate governance practices and is satisfied that our Company has been in compliance with code provisions set out in the Corporate Governance Code and, where applicable, the recommended best practices of the Corporate Governance Code, save and except for the deviation from Code Provision A.2.1, during the period between the Listing Date and the date of this announcement.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As our Company’s shares were not listed on the Stock Exchange as at 31 December 2019, related rules under the Listing Rules concerning the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) that the Directors shall observe do not apply to our Company for the year ended 31 December 2019. Our Company has made specific enquiry with all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code from the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

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

The Audit Committee has reviewed, with Company’s management, the accounting principles and practices adopted by the Group, and discussed, among other things, auditing and financial reporting matters including a review of the audited consolidated results of the Group for the year ended 31 December 2019.

AUDITOR

The consolidated financial statements of our Group for the year ended 31 December 2019 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for their re-appointment as the auditor of our Company will be proposed at the AGM.

PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the 2020 annual general meeting of the Company (“**2020 AGM**”), the register of members of the Company will be closed from Friday, 5 June 2020 to Wednesday, 10 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2020 AGM, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company’s Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4 June 2020.

ANNUAL GENERAL MEETING

The 2020 AGM will be held on Wednesday, 10 June 2020 and the notice of 2020 AGM will be published and despatched to the shareholders in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.xingyewulian.com). The annual report of our Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to our Company’s shareholders and available on the above websites in due course.

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

Hong Kong, 30 March 2020

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