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Kangqiao Service Group Limited

康橋悅生活集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2205)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

FINANCIAL HIGHLIGHTS

1. Revenue for the six months ended June 30, 2021 was approximately RMB397.4 million, representing an increase of 82.6% as compared to the corresponding period in 2020.
2. Revenue by business lines for the Reporting Period was as follow: (i) revenue from property management services was approximately RMB162.5 million, accounting for 40.9% of the total revenue, representing an increase of 36.0% as compared to the corresponding period in 2020; (ii) revenue from value-added services to non-property owners was approximately RMB172.4 million, accounting for 43.4% of the revenue, representing an increase of 187.8% as compared to the corresponding period in 2020; and (iii) revenue from community value-added services was approximately RMB62.4 million, accounting for 15.7% of the total revenue, representing an increase of 63.2% as compared to the corresponding period in 2020.
3. Gross profit for the Reporting Period was approximately RMB112.4 million, representing an increase of 38.5% as compared to the corresponding period in 2020. Gross profit margin was 28.3%, representing a decrease of 9.0% as compared to that of 37.3% for the corresponding period in 2020.
4. Profit for the Reporting Period was approximately RMB54.8 million, representing an increase of 13.2% as compared to that of approximately RMB48.4 million for the corresponding period in 2020. Excluding the listing expenses of approximately RMB9.0 million, profit for the Reporting Period was approximately RMB63.8 million, representing an increase of 31.9% as compared to that of approximately RMB48.4 million for the corresponding period in 2020. Profit for the Reporting Period attributable to owners was approximately RMB51.3 million, representing an increase of 10.5% as compared to that of approximately RMB46.4 million for the corresponding period in 2020.

5. The contracted GFA in respect of property management services during the Reporting Period was approximately 44.4 million sq.m., representing an increase of 32.1% as compared to approximately 33.6 million sq.m. for 2020, among which, the GFA under management was approximately 19.9 million sq.m., representing an increase of 50.1% as compared to approximately 13.3 million sq.m. for 2020. The GFA under management of non-residential properties, all of which were from third-party property developers, was approximately 2.4 million sq.m., representing an increase of 228.4% as compared to approximately 0.7 million sq.m. for 2020.
6. The Board resolved not to declare any interim dividend for the six months ended June 30, 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Kangqiao Service Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**” or “**Kangqiao Service**”) for the six months ended June 30, 2021 (the “**Reporting Period**”) with comparative figures for the corresponding period in 2020 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts expressed in RMB thousand unless otherwise stated)

		Six months ended June 30,	
	Notes	2021 (Unaudited)	2020 (Unaudited)
Revenue	5	397,357	217,656
Cost of sales	6	(284,940)	(136,517)
Gross profit		112,417	81,139
Administrative expenses	6	(29,191)	(11,043)
Selling and marketing expenses	6	(5,441)	(3,004)
Net impairment losses on financial assets		(1,344)	(3,059)
Other income		6,046	4,764
Other gains — net		58	—
Operating profit		82,545	68,797
Finance income		113	233
Finance costs		(7,975)	(4,656)
Finance costs — net		(7,862)	(4,423)
Share of profit of investments accounted for using the equity method		156	—
Profit before income tax		74,839	64,374
Income tax expenses	7	(20,046)	(15,990)
Profit for the period		54,793	48,384
Profit attributable to:			
— Owners of the Company		51,290	46,433
— Non-controlling interests		3,503	1,951
		54,793	48,384

		Six months ended June 30,	
	<i>Note</i>	2021	2020
		(Unaudited)	(Unaudited)
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
— Exchange difference on translation of foreign operations		<u>30</u>	<u>—</u>
Total comprehensive income for the period		<u>54,823</u>	<u>48,384</u>
Total comprehensive income attributable to:			
— Owners of the Company		51,320	46,433
— Non-controlling interests		<u>3,503</u>	<u>1,951</u>
		<u>54,823</u>	<u>48,384</u>
Earnings per share			
— Basic and diluted (expressed in RMB per share)	8	<u>0.098</u>	<u>0.088</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts expressed in RMB thousand unless otherwise stated)

	Notes	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
ASSETS			
Non-current assets			
Property and equipment	9	9,577	9,068
Investment properties		4,799	5,705
Intangible assets	9	20,477	20,862
Right-of-use assets		2,761	3,377
Investments accounted for using the equity method		354	198
Deferred income tax assets		7,298	6,544
Restricted cash		1,324	1,324
		<u>46,590</u>	<u>47,078</u>
Current assets			
Inventory		147	—
Trade and other receivables and prepayments	10	294,492	719,473
Financial assets at fair value through profit or loss		11,034	—
Cash and cash equivalents		129,842	134,758
		<u>435,515</u>	<u>854,231</u>
Total assets		<u><u>482,105</u></u>	<u><u>901,309</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	—	—
Other reserves	12	28,612	7,982
Retained earnings		89,272	137,982
		<u>117,884</u>	<u>145,964</u>
Non-controlling interests		22,332	21,052
Total equity		<u>140,216</u>	<u>167,016</u>

	<i>Note</i>	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings		–	221,119
Lease liabilities		3,536	7,305
Deferred income tax liabilities		1,676	1,756
		<u>5,212</u>	<u>230,180</u>
Current liabilities			
Contract liabilities		117,601	108,316
Trade and other payables	13	192,952	225,506
Current income tax liabilities		20,277	38,546
Bank borrowings		–	125,865
Lease liabilities		5,847	5,880
		<u>336,677</u>	<u>504,113</u>
Total liabilities		<u>341,889</u>	<u>734,293</u>
Total equity and liabilities		<u>482,105</u>	<u>901,309</u>

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on October 8, 2020 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since July 16, 2021 by way of its initial public offering.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in provision of property management services and related value-added services in the People’s Republic of China (the “**PRC**”). The ultimate controlling entity of the Group is Hung Fai Property Limited, which is controlled by Mr. Song Gewei (“**Mr. Song**”, the “**Controlling Shareholder**”).

The interim condensed consolidated balance sheet as at June 30, 2021, and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “**Interim Financial Information**”) of the Group have been approved for issuance by the board of directors (the “**Board**”) on August 25, 2021.

The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Interim Financial Information has been reviewed but not audited.

2 BASIS OF PREPARATION

The Interim Financial Information for the six months ended June 30, 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The Interim Financial Information should be read in conjunction with the combined financial statements for the years ended December 31, 2018, 2019 and 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), as set out in the prospectus of the Company dated June 29, 2021 (the “**Prospectus**”).

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those in the preparation of the Group’s combined financial statements for the years ended December 31, 2018, 2019 and 2020, except for the adoption of new and amended standards as set out below.

(a) Amendments to existing standards adopted by the Group

The Group has applied the following amendments for the first time for the reporting period commencing January 1, 2021. The adoption of these amendments does not have significant impact on the Interim Financial Information of the Group.

Amendment to HKFRS 16	2019 novel coronavirus disease (“ COVID-19 ”)-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

- (b) New standards and amendments to existing standards that have been issued but are not effective for the financial year beginning on January 1, 2021 and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19-related rent concessions beyond 30 June 2021	April 1, 2021
Amendments to HKFRS 3	Update reference to the conceptual framework	January 1, 2022
Amendments to HKAS 16	Property, plant and equipment	January 1, 2022
Amendments to HKAS 37	Onerous contracts — costs of fulfilling a contract	January 1, 2022
Annual Improvements	Annual improvements to HKFRS standards 2018–2020 cycle	January 1, 2022
Revised Accounting Guideline 5	Merger accounting for common control combination	January 1, 2022
Hong Kong Interpretation 5 (2020)	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause	January 1, 2023
HKFRS 17	Insurance Contracts	January 1, 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint ventures	To be determined

The Group has already commenced an assessment of the impact of these new or amended standards, which are not expected to have a material impact on the Group in the current or future reporting period.

4 SEGMENT INFORMATION

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

During the six months ended June 30, 2021, the Group is principally engaged in provision of property management services and related value-added services in the PRC. Management reviews the operating results of the business as a single reportable segment as the nature of services, the type of customers for services, the method used to provide their services and the nature of regulatory environment is same in different regions.

During the six months ended June 30, 2021, all the revenue were derived in the PRC.

As at June 30, 2021, substantially all assets of the Group were located in the PRC.

5 REVENUE

Revenue mainly comprises of proceeds from property management services and related value-added services. An analysis of the Group's revenue by categories for the six months ended June 30, 2021 is as follows:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Property management services	162,490	119,499
Value-added services to non-property owners	172,449	59,917
Community value-added services	62,418	38,240
	<u>397,357</u>	<u>217,656</u>
Timing of revenue recognition:		
— Over time	249,524	183,805
— At a point in time	147,833	33,851
	<u>397,357</u>	<u>217,656</u>

For the six months ended June 30, 2021, revenue from entities controlled by Mr. Song contributed 38.1% (June 30, 2020: 27.0%) of the Group's revenue. Other than entities controlled by Mr. Song, none of the Group's customers contributed 10% or more of the Group's revenue during the six months ended June 30, 2021 (six months ended June 30, 2020: same).

6 EXPENSES BY NATURE

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefit expenses and labour costs	88,977	99,882
Sales agency service costs	51,206	—
Security service costs	47,697	6,136
Greening and cleaning expenses	42,509	19,039
Maintenance and customer service costs	25,742	3,997
Cost of goods sold	18,025	—
Utilities	10,576	7,744
Listing expenses	9,032	—
Office expenses	5,266	2,385
Travelling and entertainment expenses	2,972	2,265
Depreciation of property and equipment (<i>Note 11</i>)	1,044	808
Depreciation of right-of-use assets	572	509
Depreciation of investment properties	906	720
Amortisation of intangible assets (<i>Note 11</i>)	610	500
Others	14,438	6,579
	<u>319,572</u>	<u>150,564</u>

7 INCOME TAX EXPENSES

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	20,880	18,416
Deferred income tax		
— PRC corporate income tax	(834)	(2,426)
	<u>20,046</u>	<u>15,990</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Island ("BVI") were incorporated under the International Business Companies Act of the BVI and accordingly, are exempted from BVI tax.

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong for the six months ended June 30, 2021 (six months ended June 30, 2020: same).

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the periods, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate is 25% for the Reporting Period. Under the relevant regulations of the Corporate Income Tax Law, certain subsidiaries of the Group are qualified as small enterprises earning low profits in the PRC are subject to a reduced income tax rate of 20% in the respective periods. Income tax expenses is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

Pursuant to the Detailed Implementation Regulations for Implementation of the Corporate Income Tax Law issued on December 6, 2007, dividends distributed from the profits generated by the PRC companies after January 1, 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the subsidiaries in the PRC are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its subsidiaries in the PRC during the six months ended June 30, 2021 as the Group is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits out of the PRC in the foreseeable future.

8 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2021. In determining the weighted average number of ordinary shares in issue, the 100 shares issued upon incorporation of the Company at October 8, 2020, the 100 shares issued during the reorganization (Note 11(a)) and the capitalization issue of 524,999,800 shares after Reporting Period (Note 15(b)) were retrospectively adjusted as in issue since January 1, 2020.

The Company did not have any potential ordinary shares outstanding during the six months ended June 30, 2021. Diluted earnings per share was equal to basic earnings per share.

	Six months ended June 30	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (<i>RMB'000</i>)	51,290	46,433
Weighted average number of ordinary shares in issue (in thousands)	525,000	525,000
Basic and diluted earnings per share attributable to the owners of the Company during the period (<i>expressed in RMB per share</i>)	0.098	0.088

9 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and equipment <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended June 30, 2021 (Unaudited)			
Opening net book amount	9,068	20,862	29,930
Additions	1,555	225	1,780
Disposals	(2)	–	(2)
Depreciation and amortisation	(1,044)	(610)	(1,654)
Closing net book amount	9,577	20,477	30,054
As at June 30, 2021			
Cost	17,071	22,986	40,057
Accumulated depreciation and amortisation	(7,494)	(2,509)	(10,003)
Net book amount	9,577	20,477	30,054
Six months ended June 30, 2020 (Unaudited)			
Opening net book amount	7,968	17,324	25,292
Additions	518	–	518
Depreciation and amortisation	(808)	(500)	(1,308)
Closing net book amount	7,678	16,824	24,502
As at June 30, 2020			
Cost	13,176	18,213	31,389
Accumulated depreciation and amortisation	(5,498)	(1,389)	(6,887)
Net book amount	7,678	16,824	24,502

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Trade receivables (<i>Note (a)</i>)		
— Related parties	149,925	258,157
— Third parties	109,879	95,547
	<u>259,804</u>	<u>353,704</u>
Less: allowance for impairment of trade receivables	<u>(9,855)</u>	<u>(6,945)</u>
	<u>249,949</u>	<u>346,759</u>
Other receivables		
— Loans to related parties	—	301,626
— Amounts due from related parties	30,479	47,439
— Loan to a third party	—	7,200
— Cash advances to non-controlling interests	230	244
— Interest receivables from related parties	—	8,380
— Interest receivables from third parties	—	422
— Deposits	3,873	1,440
— Others	5,000	6,334
	<u>39,582</u>	<u>373,085</u>
Less: allowance for impairment of other receivables	<u>(2,026)</u>	<u>(2,586)</u>
	<u>37,556</u>	<u>370,499</u>
Prepayments		
— Prepaid listing expenses	5,223	2,126
— Others	1,764	89
	<u>6,987</u>	<u>2,215</u>
	<u>294,492</u>	<u>719,473</u>

Note:

- (a) As at June 30, 2021, the ageing analysis of the trade receivables based on recognition date were as follows:

	As at June 30, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
0–180 days	176,071	288,731
181–365 days	46,072	19,195
1 to 2 years	22,213	32,294
2 to 3 years	7,849	7,442
3 to 4 years	4,950	4,713
Over 4 years	2,649	1,329
	259,804	353,704

11 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>
Authorised:			
As at December 31, 2020	38,000,000	380,000	320
Increase of authorised shares	962,000,000	9,620,000	8,050
As at June 30, 2021 (Unaudited)	1,000,000,000	10,000,000	8,370
Issued:			
As at December 31, 2020	100	1	–
New issuance during the period (<i>Note (a)</i>)	100	1	–
As at June 30, 2021 (Unaudited)	200	2	–

Note:

- (a) On January 28, 2021, New Hefeng Holdings Limited (“**New Hefeng**”) transferred the entire shareholding in Friend Holdings it held to the Company in exchange for the allotment and issue of 10 shares in the Company to New Hefeng. Friend Holdings then became a direct wholly-owned subsidiary of the Company. On the same date, 90 shares were allotted and issued to Kangqiaoyue Shenghuo Holdings Limited (“**Kangqiaoyue Shenghuo BVI**”) at a price of HK\$0.01 per share. Upon completion of such share transfer and allotment, the Company was owned as to 95% and 5% by Kangqiaoyue Shenghuo BVI and New Hefeng, respectively.

12 OTHER RESERVES

	Statutory reserve RMB'000 (Note (a))	Capital reserve RMB'000 (Note (b))	Currency translation difference RMB'000	Total RMB'000
(Unaudited)				
As at January 1, 2021	7,982	–	–	7,982
Currency translation differences	–	–	30	30
Capital injection from shareholders of the Company (Note(b)(i))	–	25,600	–	25,600
Deemed distribution to the then shareholder of the Group arising from the reorganisation (Note (b)(ii))	–	(5,000)	–	(5,000)
As at June 30, 2021	<u>7,982</u>	<u>20,600</u>	<u>30</u>	<u>28,612</u>
(Unaudited)				
As at January 1, 2020 and June 30, 2020	<u>7,515</u>	<u>–</u>	<u>–</u>	<u>7,515</u>

Notes:

(a) Statutory reserve

In accordance with relevant rules and regulations in the PRC, the PRC Group entities are required to appropriate no less than 10% of their profit after income tax calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase the capital of the respective PRC Group entities.

(b) Capital reserve

Prior to the reorganisation accomplished in January 2021, the Group was principally operated by Kangqiao Yueshenghuo Service Group Co., Ltd. (“**Kangqiao Yueshenghuo**”) and its subsidiaries, and Kangqiao Technology Service Group Co., Ltd. and its subsidiary, which were incorporated in the PRC (together, the “**Operating Companies**”) and ultimately controlled by Mr. Song. The following steps was undertaken in 2021 in relation to the reorganisation:

(i) Capital injection into Kangqiao Yueshenghuo by an independent third party and Mr. Song

In January 2021, the Group received capital injection of RMB25,600,000 from an independent third party and Mr. Song. On January 4, 2021, Keanda Holdings Limited (“**Keanda Holdings**”) acquired 5% of the equity interests in Kangqiao Yueshenghuo from Henan Boyuan Quanjing Enterprise Consulting Co., Ltd. (“**Henan Boyuan**”), a related party controlled by Mr. Song, via capital injection. Kangqiao Yueshenghuo then became ultimately owned by Mr. Song and the independent third party as to 95% and 5%, respectively.

(ii) Transfer of 95% equity interest in Kangqiao Yueshenghuo to the Group

On January 27, 2021, Henan Kangqiao Yueshenghuo Business Service Co., Ltd. (“**Henan Kangqiao Yueshenghuo**”) acquired 95% of the equity interests in Kangqiao Yueshenghuo from Henan Boyuan at a cash considerations of RMB5,000,000. Kangqiao Yueshenghuo then was owned by Henan Kangqiao Yueshenghuo and Keanda Holdings as to 95% and 5%, respectively.

13 TRADE AND OTHER PAYABLES

	As at June 30, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
Trade payables (<i>Note (a)</i>)		
— Related parties	16	25
— Third parties	<u>52,102</u>	<u>51,464</u>
	<u>52,118</u>	<u>51,489</u>
Other payables		
— Amounts due to related parties	5,379	20,287
— Deposits from third parties	39,210	33,232
— Accrued payroll and workforce payables	37,296	56,704
— Other tax payables	12,548	20,453
— Others	<u>46,401</u>	<u>43,341</u>
	<u>140,834</u>	<u>174,017</u>
	<u><u>192,952</u></u>	<u><u>225,506</u></u>

Note:

- (a) As at June 30, 2021, ageing analysis of the trade payables (including amounts due to related parties which were trade in nature) based on invoice date were as follows:

	As at June 30, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
Up to 1 year	50,141	45,225
1 to 2 years	804	3,014
2 to 3 years	133	2,194
Over 3 years	<u>1,040</u>	<u>1,056</u>
	<u><u>52,118</u></u>	<u><u>51,489</u></u>

14 DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: same).

15 EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) On July 16, 2021, 175,000,000 shares were issued upon the listing (the “**Listing**”) on the Main Board of the Stock Exchange by way of initial public offering at a price of HK\$3.68 per share and total proceeds of the offering were approximately HK\$644 million (equivalent to RMB536 million).
- (b) Upon the Listing, a total of 524,999,800 shares were allotted and issued, which were credited as fully paid at par value to Kangqiaoyue Shenghuo BVI and New Hefeng in proportion to their respective shareholdings by way of capitalisation of the sum of HK\$5,249,998 standing to the credit of the share premium account of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

(1) Business Overview

The year of 2021 is an important milestone in the history of the Group's development, as the Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and entered into the capital market on July 16, 2021. In the first half of the year, the Group has continued to expand its scale, optimize its revenue structure and improve its operating efficiency, by its accurate judgement on the market development trend, quick adaptation to the market changes and adherence to its prudent yet rapid development strategy, resulting in a steady growth in its scale and performance. During the Reporting Period, the Group's revenue was approximately RMB397.4 million, representing an increase of 82.6% as compared to approximately RMB217.7 million for the corresponding period in 2020. Profit for the Reporting Period was approximately RMB54.8 million, representing an increase of 13.2% as compared to approximately RMB48.4 million for the corresponding period in 2020. Profit for the Reporting Period attributable to owners was approximately RMB51.3 million, representing an increase of 10.5% as compared to approximately RMB46.4 million for the corresponding period in 2020. Excluding the listing expenses of approximately RMB9.0 million, profit for the Reporting Period was approximately RMB63.8 million, representing an increase of 31.9% as compared to that of approximately RMB48.4 million for the corresponding period in 2020.

During the presence of the Group for over 10 years, the Group has been deeply rooted in Henan and has gradually expanded its business into key regions outside Henan, including Zhejiang, Jiangsu, Hubei, Hebei, Guangdong, Shandong and Shaanxi. Its business covers a variety types of property, including residential properties and non-residential properties (such as commercial properties, office buildings, industrial parks, hospitals and other public infrastructure), as well as value-added services to non-property owners and community value-added services, with each business line developing in an integrated and balanced manner in the market. As at June 30, 2021, the Group provided property management services and value-added services in 31 cities in the People's Republic of China (the "**PRC**"), with 139 projects under management and a contracted gross floor area (the "**GFA**") of approximately 44.4 million sq.m., representing an increase of 32.1% as compared to the corresponding period in 2020, of which the GFA under management was approximately 19.9 million sq.m., representing an increase of 50.1% as compared to the corresponding period in 2020. The GFA under management of non-residential properties, all of which were from third party property developers, was approximately 2.4 million sq.m., representing an increase of 228.4% as compared to the corresponding period in 2020.

In the first half of 2021, the 2019 novel coronavirus disease (“**COVID-19**”) fluctuated globally, posing an unprecedented challenge to the global economy. Under the strong and core leadership under the General Secretary Xi Jinping of the Central Committee of the Chinese Communist Party, China has effectively prevented and controlled the epidemic, so that it could continue to revive the economic recovery, increase the production demand, stabilize the employment and commodity prices, and steadily improve the quality and efficiency, which has led to a stable and upward trend of the economic development. With the favorable macroeconomic policies of the domestic property industry and the people’s demand for a better life to live and work in peace and contentment, the development of the property industry has shown an effective growth. The Group, in conjunction with the effective implementation of the national prevention and control policies in the community, continued to pay attention to the situation of COVID-19 to ensure the safety of the lives and properties of property owners and our employees, maintain sufficient inventory for prevention and control of the epidemic and business defense, and actively prevent its impact on the financial position and operating results of the Group. The Group considered that COVID-19 did not have any material adverse impact on the financial position and operating results of the Group.

(2) Three Major Business Lines

The Group is a reputable comprehensive property management service provider in the PRC, with a leading position in Henan. In April 2021, the Group was awarded the title of “2021 China Top 100 Property Management Companies” by China Index Academy, with its overall industry strength ranking increased by five places to 37th compared with the year of 2020. The Group generates its revenue mainly from three business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

Property management services — the Group provides property owners, property developers, residents of residential properties as well as tenants in non-residential properties with a wide range of property management services, which typically include security, cleaning, greening, gardening, repairs and maintenance services. The Group’s portfolio of properties under management comprises of residential properties and non-residential properties, such as commercial properties, office buildings, industrial parks, hospital and other public infrastructure. The Group’s business has been effectively improved in 2021, especially the GFA under management of non-residential properties of the Group increased by 228.4% over the corresponding period in 2020.

Value-added services to non-property owners — the Group provides value-added services to non-property owners, primarily property developers, mainly consisting of (i) sales office management services to property developers’ sales offices and show flats, such as visitor reception, cleaning and security services; (ii) pre-delivery services that the Group offers to property developers at different stages before the delivery of properties from the perspective of property owners and future property management services, primarily including optimization of construction blueprints at

the drawing design stage, quality control during the construction process, measurement and inspection of completed units prior to delivery; (iii) sales agency services in which the Group mainly facilitates property developers in selling their first-hand properties prior to property delivery; (iv) construction site management services in which the Group provides daily security services to constructors and property developers, such as video surveillance, emergency response, access control and visitor management; and (v) consultancy services for property developers and property management companies in relation to sales and management of projects. Revenue from value-added services to non-property owners provided by the Group was RMB172.4 million, representing an increase of 187.8% as compared to that of RMB59.9 million for the corresponding period in 2020. The increase in revenue from value-added services to non-property owners was mainly due to the increase in the revenue from sales agency services.

Community value-added services — the Group also provides a comprehensive range of community value-added services to property owners and residents to improve their living experiences and to preserve and increase the value of their assets. These services primarily include (i) home-living services, such as housekeeping and cleaning services, home maintenance services, decoration and move-in furnishing services and shopping services; (ii) community operation services with respect to managing community spaces and optimizing the utilization of public resources, such as assist third-party vendors in seeking suitable places to operate or promote their businesses, facilitating their promotional events, daily cleaning and equipment maintenance; and (iii) asset operation services, primarily including property agency services with respect to second-hand properties and unsold parking spaces after property delivery, as well as rental service in relation to parking spaces and shop spaces. Revenue from community value-added services provided by the Group was RMB62.4 million, representing an increase of 63.2% as compared to that of RMB38.2 million for the corresponding period in 2020, which was mainly attributable to the increase of the GFA under management and service users as well as the increasing diversification of types of lifestyle services business.

II. OUTLOOK AND STRATEGY

Kangqiao Service is committed to becoming an outstanding integrated operator which aims at providing better life and smart city services. The Group has always been upholding the original intention of providing customers with “satisfaction + surprise” and has been working hard to move forward. In the second half of the year, the Group will continue to adopt its core competitiveness strategy model of “one body and two wings (一主兩翼)”, of which the body refers to focusing on rendering services and keeping improving its service capability. In respect of the two wings, the Group, on the one hand, will constantly promote its market expansion capability, expand the area of property management and increase its service scale; by adhering to the comprehensive development of its scale, revenue, profit and satisfaction, the Group will continue to develop its business in Central China, expand its presence in key cities nationwide and strive to provide services to non-residential properties, such as offices, industrial parks, educational and medical institutions other than residential properties, with a view to further enriching the Group’s property management portfolio. On the other hand, the Group will continue to invest more resources and strengthen its development in smart technology to make improvement and satisfy its customers by enhancing its technological, data-oriented and digital capabilities. Various service requirements of property owners and our employees will also be met by building a membership platform, centralizing its call center and updating its customer satisfaction system, thereby improving its operational efficiency.

It is believed that under the clear strategic layout of the Group, it will be able to continue to increase its market capitalization by rapidly expanding its scale, reserving contracted GFA as well as expanding the proportion of the GFA from third party properties and the proportion of non-residential properties, and thereby calmly respond to the intensive competition in the capital market and offer rewards to its shareholders, customers and employees.

III. FINANCIAL REVIEW

Revenue

The Group's revenue was mainly generated from three major businesses: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services. During the Reporting Period, the Group's revenue was approximately RMB397.4 million, representing an increase of 82.6% as compared to approximately RMB217.7 million for the corresponding period in 2020.

The following table sets out the revenue contribution of each business line for the periods indicated:

	Six months ended June 30,			
	2021		2020	
	RMB'000	%	RMB'000	%
Property management services	162,490	40.9	119,499	54.9
Value-added services to non-property owners	172,449	43.4	59,917	27.5
Community value-added services	62,418	15.7	38,240	17.6
Total	397,357	100.0	217,656	100.0

Property management services

During the Reporting Period, the Group's revenue from the provision of property management services amounted to approximately RMB162.5 million, representing an increase of 36.0% as compared to approximately RMB119.5 million for the corresponding period in 2020, which was mainly attributable to the rapid increase in the total GFA under management as a result of the Group's business expansion.

Value-added services to non-property owners

During the Reporting Period, the Group's revenue from the provision of value-added services to non-property owners amounted to approximately RMB172.4 million, representing an increase of 187.8% as compared to approximately RMB59.9 million for the corresponding period in 2020. The increase in revenue from value-added services to non-property owners was mainly attributable to the increase in revenue from sales agency services.

Community value-added services

During the Reporting Period, the Group's revenue from the provision of community value-added services amounted to approximately RMB62.4 million, representing an increase of 63.2% as compared to approximately RMB38.2 million for the corresponding period in 2020, which was mainly attributable to the increase in the area under management and service users as well as the increasing diversification of the types of lifestyle services business.

COST OF SALES

The Group's cost of sales primarily consists of employee benefit expenses and labor costs, greening and cleaning expenses, utilities, maintenance and customer service costs, security service costs, sales agency service costs, office expenses, rental expenses related to short-term leases, travelling and entertainment expenses, depreciation and amortization charges and others.

During the Reporting Period, the Group's cost of sales was approximately RMB284.9 million, representing an increase of approximately 108.7% as compared to approximately RMB136.5 million for the corresponding period in 2020. The increase in cost of sales was mainly due to the rapid growth of the Group's business scale.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets out the Group's gross profit and gross profit margin by business line for the periods indicated:

	Six months ended June 30,			
	2021		2020	
	Gross profit	Gross profit	Gross profit	Gross profit
	RMB'000	margin %	RMB'000	margin %
Property management services	35,451	21.8	32,124	26.9
Value-added services to non-property owners	56,475	32.7	25,784	43.0
Community value-added services	20,491	32.8	23,231	60.8
Total	112,417	28.3	81,139	37.3

During the Reporting Period, the Group's gross profit margin was 28.3%, representing a decrease of 9.0% as compared to 37.3% for the corresponding period in 2020, which was mainly due to the overall lower gross profit margin of value-added services to non-property owners as a result of the faster growth in the scale of sales agency services related to first-hand properties and the relatively lower prices the Group offered to expand our business to compete with other companies. During the Reporting Period, the Group generated a substantial increase in revenue through vigorously developing the community operation services, such as sale of community merchandise, which were mainly used to diversify ancillary facilities inside the community and enable property owners to enjoy a better living experience. However, the establishment of professional operation teams, continuous upgrades of service platforms, optimization of service systems, and more investment in operation and higher maintenance costs have resulted in lower overall gross profit margins for such businesses.

The gross profit margin of property management services was 21.8%, representing a decrease from 26.9% for the corresponding period in 2020, which was mainly because the Company actively stepped up its efforts in team building, conducted recruitment activities and completed talent training ahead of time for the main purpose of providing good service to the upcoming projects; at the same time, in order to increase the scale of public infrastructure project management and accumulate experience, the Company took an initiative to offer competitive pricing during the bidding process.

The gross profit margin of value-added services to non-property owners was 32.7%, representing a decrease from 43.0% for the corresponding period in 2020, which was mainly due to the overall lower gross margin of value-added services to non-property owners as a result of the faster growth in the scale of sales agency services related to first-hand properties and the relatively lower prices the Group offered to expand our business to compete with other companies.

The gross profit margin of community value-added services was 32.8%, representing a decrease from 60.8% for the corresponding period in 2020, which was mainly due to the significant increase in revenue generated from community operation services (such as sale of community merchandise) which the Group has vigorously promoted during the Reporting Period, with the overall lower gross profit margin of these businesses.

OTHER INCOME

During the Reporting Period, the Group's other income amounted to approximately RMB6.0 million, representing an increase of 26.9% as compared to approximately RMB4.8 million for the corresponding period in 2020. Such increase was mainly due to the increase in interest income from loans to related parties and the substantial deduction of value-added tax.

SELLING AND MARKETING EXPENSES

During the Reporting Period, the Group's selling and marketing expenses amounted to approximately RMB5.4 million, representing an increase of 81.1% as compared to approximately RMB3.0 million for the corresponding period in 2020. The increase in selling and marketing expenses was mainly due to the increase in the Group's employee benefit expenses and labor costs as well as travelling and entertainment expenses, which were caused by the further expansion of the Group's business.

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB29.2 million, representing an increase of 164.3% as compared to approximately RMB11.0 million for the corresponding period in 2020, mainly due to the listing expenses arising from the global offering and the increase in expenses due to business expansion.

INCOME TAX EXPENSES

During the Reporting Period, the Group's income tax expenses amounted to approximately RMB20.0 million, representing an increase of 25.4% as compared to approximately RMB16.0 million for the corresponding period in 2020. The increase in income tax expenses was mainly due to the increase in profit before tax.

PROFIT

During the Reporting Period, the Group's profit amounted to approximately RMB54.8 million, representing an increase of 13.2% as compared to that of approximately RMB48.4 million for the corresponding period in 2020. Excluding the listing expenses of approximately RMB9.0 million, profit for the Reporting Period was approximately RMB63.8 million, representing an increase of 31.9% as compared to that of approximately RMB48.4 million for the corresponding period in 2020. Net profit margin was 13.8%, representing a decrease of 8.4% from 22.2% for the corresponding period in 2020. Excluding the effect of listing expenses, net profit margin was 16.1%, representing a decrease of 6.1% from 22.2% for the corresponding period in 2020. Profit for the Reporting Period attributable to owners was approximately RMB51.3 million, representing an increase of 10.5% as compared to that of approximately RMB46.4 million for the corresponding period in 2020.

LIQUIDITY, RESERVES AND CAPITAL STRUCTURE

The Group maintained a strong financial position and the Group has sufficient capital during the Reporting Period. The Group's cash and cash equivalents were mostly denominated in RMB and amounted to RMB129.8 million, representing a slight decrease from RMB134.8 million as at December 31, 2020, mainly due to the utilisation of cash to repay all bank loans. The Group's current ratio (current assets divided by current liabilities) as at June 30, 2021 was 1.3, representing a decrease from 1.7 as at December 31, 2020. The asset-liability ratio (total liabilities divided by total assets) as at June 30, 2021 was 70.9%, representing a decrease from 81.5% as at December 31, 2020.

Gearing ratio is total borrowings divided by total equity. It is calculated as the sum of long-term and short-term interest-bearing bank loans and other loans as at the corresponding dates divided by total equity as at the same dates. As at June 30, 2021, the Group did not have any bank borrowings and the gearing ratio was nil.

The Group actively reviews and manages its capital structure on a regular basis and strikes a balance between retaining higher returns for the Group's owners and the possible high level of borrowing, while maintaining the advantages and security of a strong capital position and adjusting the capital structure in response to changes in economic conditions.

TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

As at June 30, 2021, trade and other receivables and prepayments amounted to RMB294.5 million, representing a decrease of 59.1% from RMB719.5 million as at December 31, 2020, which was mainly attributable to the Group's enhanced efforts in recovering outstanding trade and other receivables.

TRADE AND OTHER PAYABLES

As at June 30, 2021, trade and other payables amounted to RMB193.0 million, representing a decrease of 14.4% from RMB225.5 million as at December 31, 2020. This was mainly attributable to the Group's enhanced efforts in settlement of trade and other payables.

FOREIGN EXCHANGE RISK

The Group operates its business primarily in the PRC. RMB is the currency used by the Group for valuation and settlement of most transactions. Any depreciation of RMB would adversely affect the value of any dividends paid by the Group to shareholders outside the PRC. The Group is currently not engaged in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange activities and make its best efforts to protect the cash value of the Group.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended June 30, 2021.

PLEDGE OF ASSETS

As at June 30, 2021, the Group did not provide mortgage nor guarantees for loans.

CONTINGENT LIABILITIES

As at June 30, 2021, the Group did not have any material contingent liabilities and capital commitments.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

SIGNIFICANT INVESTMENTS

During the Reporting Period, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group intends to utilize part of the net proceeds raised from the global offering to acquire property management companies and professional service companies, and to cooperate with local municipal investment companies or local property developers through capital injection or forming joint ventures according to the Prospectus. As at the date of this announcement, the Group did not have any other future plans for material investments.

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2021, the Group had a total of 1,803 employees (December 31, 2020: 1,777), of whom 1,299 employees were primarily engaged in property management and related services, while 504 employees were primarily engaged in value-added services to non-property owners and community value-added services.

The Group has a well-established recruitment and internal promotion system in place and strive to hire talented employees by offering competitive wages, bonuses, benefits, systematic training opportunities and internal promotions. The Group hires employees through a combination of online recruitment, job fairs, campus recruitment and referrals. To provide employees with fair competition opportunities, in addition to external recruitment, selections for management positions are open to all employees for application.

The Group offers employee with benefits such as housing allowances, cultural and social events, as well as holiday and birthday gifts. The Group is also committed to embracing diversity within the Group's organization and treating all of the Group's employees with equality and respect in recruitment, training, wellness, as well as professional and personal development. While maximizing equal career opportunities for everyone, the Group will continue to promote work-life balance and create a culture of fun for all employees in the Group's workplace and pantry.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on July 16, 2021 (the “**Listing Date**”) and the total net proceeds from the global offering, after deduction of the listing expenses, amounted to approximately HK\$628.9 million.

The proceeds from the global offering are and will continue to be applied in accordance with the plans disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, namely:

Purpose	Percentage of total amount (approximate)	Net proceeds HK\$ million	Expected timeline for use of proceeds
1. Pursue selective strategic investment and acquisition opportunities to further develop strategic cooperation and expand our business scale	65%	408.8	By December 2024
2. Invest in our intelligent operational and internal management systems to improve service quality and customer experience	10%	62.9	By December 2024
3. Enrich and expand our service and product offerings to develop our diverse business lines	15%	94.3	By December 2024
4. Working capital and other general corporate purposes	10%	62.9	By December 2024
Total	100%	628.9	

As at the date of this announcement, the proceeds were deposited in short-term interest-bearing bank accounts with domestic and overseas licensed financial institutions and will continue to be used in accordance with the purposes set out in the Prospectus and are expected to be used up by December 2024.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

On July 16, 2021, 175,000,000 shares of the Company were issued upon the listing on the Main Board of the Stock Exchange by way of initial public offering at a price of HK\$3.68 per share, and the total gross proceeds were approximately HK\$644 million.

Upon listing, a total of 524,999,800 shares were allotted and issued, which were credited as fully paid at par value to Kangqiaoyue Shenghuo Holdings Limited (康橋悅生活控股有限公司) and New Hefeng Holdings Limited (新禾豐控股有限公司) in proportion to their respective shareholdings by way of capitalisation of the sum of HK\$5,249,998 standing to the credit of the share premium account of the Company.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Group has adopted the Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its code of governance. The Group has complied with all applicable code provisions under the CG Code throughout the period from the Listing Date up to the date of this announcement. The Group will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

As the Company’s shares were not listed on the Stock Exchange during the Reporting Period, the CG Code was not applicable to the Company during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as the code for dealing in the securities of the Group by the Directors. As the Company’s shares were not listed on the Stock Exchange during the Reporting Period, the provisions under the Listing Rules relating to compliance with the Model Code by the Directors were not applicable to the Company.

After specific enquiries made to all Directors, Directors have confirmed their compliance with the required standard set out in the Model Code since the Listing Date of the Company up to the date of this announcement.

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

Since the shares of the Company have not yet been listed on the Stock Exchange for the six months ended June 30, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) in accordance with the CG Code which consisted of one non-executive Director, namely Mr. SONG Gewei; and two independent Directors, namely Mr. WONG Yun Pun and Dr. FAN Yun. The Audit Committee is chaired by Mr. WONG Yun Pun. Mr. WONG Yun Pun is an independent non-executive Director possessing appropriate professional accounting and related financial management expertise. The primary duties of the Audit Committee are to review the financial information of the Company, and supervise the financial reporting system, risk management and internal control process of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2021 together with the Board, and confirmed that it has complied all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed audit and financial reporting matters. The interim financial information for the six months ended June 30, 2021 have not been audited, but have been reviewed by the auditor of the Group, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND 2021 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.kqysh.com.cn). The interim report of the Company for the six months ended June 30, 2021 will be dispatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
Kangqiao Service Group Limited
SONG Gewei
Chairman

Hong Kong, August 25, 2021

As at the date of this announcement, the Board comprises Mr. SONG Gewei as the chairman and non-executive Director; Mr. DAI Wei, Mr. KANG Weiguo and Ms. WANG Na as executive Directors; and Dr. LI Haitao, Dr. FAN Yun and Mr. WONG Yun Pun as independent non-executive Directors.