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泓盈集團
HOLLWIN

HOLLWIN URBAN OPERATION SERVICE GROUP CO., LTD

泓盈城市運營服務集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2529)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

FINANCIAL HIGHLIGHTS

- Revenue of the Group remained relatively stable at RMB311.6 million for the six months ended June 30, 2024 (six months ended June 30, 2023: RMB314.7 million), among which revenue from property management services increased by RMB30.5 million, revenue from urban services decreased by RMB33.7 million, and revenue from commercial operation services remained relatively stable at RMB30.3 million.
- The gross profit of the Group increased by RMB8.4 million to RMB86.7 million for the six months ended June 30, 2024 (six months ended June 30, 2023: RMB78.3 million), while the gross profit margin increased from 24.9% to 27.8%, which was primarily due to the improvement in the gross profit margin of property management services and urban services, benefiting from the Group's cost-saving measures.
- For the six months ended June 30, 2024, the profit and total comprehensive income remained relatively stable at RMB38.1 million (six months ended June 30, 2023: RMB37.7 million).
- For the six months ended June 30, 2024, profit and total comprehensive income attributable to equity shareholders of the Company amounted to RMB38.2 million (six months ended June 30, 2023: RMB37.7 million).
- Basic and diluted earnings per share amounted to RMB0.29 for the six months ended June 30, 2024 (six months ended June 30, 2023: RMB0.31).
- The Board recommended the declaration of a special dividend of RMB0.22 per share out of the retained profits of the Company as at June 30, 2024.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hollwin Urban Operation Service Group Co., Ltd (the “**Company**”) hereby announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”), together with the comparative figures for the six months ended June 30, 2023 and the comparative figures as at December 31, 2023.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2024 – unaudited

		For the six months ended	
		June 30,	
	Notes	2024	2023
		RMB'000	RMB'000
		(Unaudited)	
REVENUE	3	311,609	314,742
Cost of sales		<u>(224,934)</u>	<u>(236,470)</u>
Gross profit		86,675	78,272
Other net income		564	1,225
Selling expenses		(2,389)	(1,915)
Administrative expenses		(31,531)	(21,883)
Expected credit loss		(3,448)	(7,374)
Profit from operations		49,871	48,325
Share of profits less losses of an associate and joint ventures		164	962
Finance income		908	858
Finance costs		(11)	(3)
PROFIT BEFORE TAXATION		50,932	50,142
Income tax	4	(12,882)	(12,433)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		38,050	37,709
Attributable to:			
Equity shareholders of the Company		38,177	37,709
Non-controlling interests		(127)	–
Profit for the period		38,050	37,709
Earnings per shares (RMB)			
Basic and diluted	5	0.29	0.31

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2024 – unaudited

		June 30, 2024	December 31, 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	
NON-CURRENT ASSETS			
Property, plant and equipment		16,822	17,971
Intangible assets		64	83
Investments in joint ventures		13,261	13,080
Investment in an associate		11,284	11,039
Deferred tax assets		10,716	10,235
Prepayments for acquisition of non-current assets		1,426	1,426
		<hr/>	<hr/>
Total non-current assets		53,573	53,834
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		4,628	4,152
Contract assets	8	268,596	249,703
Prepayments, trade and other receivables	6	128,015	125,182
Tax recoverable		1,078	2,434
Restricted bank deposits		4,063	4,579
Cash and cash equivalents		346,085	210,210
		<hr/>	<hr/>
Total current assets		752,465	596,260
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and other payables	7	398,573	359,698
Contract liabilities	8	19,461	18,475
Lease liabilities		504	30
Current taxation		9,340	13,905
		<hr/>	<hr/>
Total current liabilities		427,878	392,108
		<hr/>	<hr/>
NET CURRENT ASSETS		324,587	204,152
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		378,160	257,986
		<hr/>	<hr/>

	June 30, 2024	December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
NON-CURRENT LIABILITIES		
Lease liabilities	132	–
Deferred income	1,996	2,132
	<hr/>	<hr/>
Total non-current liabilities	2,128	2,132
	<hr/>	<hr/>
NET ASSETS	376,032	255,854
	<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES		
Share capital	160,000	120,000
Reserves	216,032	135,854
	<hr/>	<hr/>
TOTAL EQUITY	376,032	255,854
	<hr/> <hr/>	<hr/> <hr/>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2024 – unaudited

	Attributable to equity shareholders of the Company						Total equity RMB'000 (Unaudited)
	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Statutory surplus reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	
Balance at January 1, 2024	120,000	–	5,938	129,916	255,854	–	255,854
Changes in equity for the six months ended June 30, 2024:							
Profit and total comprehensive income for the period	–	–	–	38,177	38,177	(127)	38,050
Issuance of shares by initial public offering	40,000	42,001	–	–	82,001	–	82,001
Capital contribution receivable from non-controlling interests	–	–	–	–	–	127	127
Balance at June 30, 2024	160,000	42,001	5,938	168,093	376,032	–	376,032
Balance at January 1, 2023	120,000	–	5,605	60,071	185,676	–	185,676
Changes in equity for the six months ended June 30, 2023:							
Profit and total comprehensive income for the period	–	–	–	37,709	37,709	–	37,709
Balance at June 30, 2023 and July 1, 2023	120,000	–	5,605	97,780	223,385	–	223,385
Changes in equity for the six months ended December 31, 2023:							
Profit and total comprehensive income for the period	–	–	–	32,469	32,469	–	32,469
Appropriation for statutory surplus reserve	–	–	333	(333)	–	–	–
Balance at December 31, 2023	120,000	–	5,938	129,916	255,854	–	255,854

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2024 – unaudited

	For the six months ended	
	June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
OPERATING ACTIVITIES		
Profit before taxation	50,932	50,142
Adjustments for:		
Expected credit loss on trade receivables, other receivables and contract assets	3,448	7,374
Other non-cash expenses and loss	2,348	1,559
Changes in working capital:		
(Increase)/decrease in prepayments, trade and other receivables	(22,432)	29,215
Increase in contract assets	(22,260)	(26,930)
Increase in trade and other payables	32,495	59,318
Decrease in other working capital	890	8,265
Cash generated from operations	45,421	128,943
Income tax paid	(16,572)	(24,887)
Net cash generated from operating activities	<u>28,849</u>	<u>104,056</u>
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment	(1,836)	(3,771)
Capital contribution to a joint venture	–	(510)
Advances to related parties	–	(682)
Proceeds from repayment of advances to related parties	–	60,375
Other cash flows arising from investing activities	915	862
Net cash (used in)/generated from investing activities	<u>(921)</u>	<u>56,274</u>

	For the six months ended	
	June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
FINANCING ACTIVITIES		
Advances from related parties	2,105	12,950
Repayments of advances from related parties	(4,114)	(21,272)
Dividend paid	–	(5,090)
Net cash outflow on Reorganisation	–	(9,872)
Issuance of shares upon initial public offering, net of issuing costs paid/(payment of listing expenses)	109,772	(8,410)
Other cash flows used in financing activities	(75)	(80)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	107,688	(31,774)
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as at January 1,	135,616	128,556
Effect of foreign exchanges rates changes	210,210	123,822
	259	–
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT JUNE 30,	346,085	252,378
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

June 30, 2024 – unaudited

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (the “IASB”). It was authorised for issue on August 26, 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Accountants’ Report disclosed in Appendix I to the prospectus of the Company dated May 8, 2024 (the “Prospectus”), except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Accountants’ Report disclosed in Appendix I to the Prospectus. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Standards issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current
- Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants
- Amendments to IFRS Accounting Standards 16, Leases: Lease liability in a sale and leaseback
- Amendments to IAS 7, Statement of cash flows and IFRS Accounting Standards 7, Financial instruments: Disclosures – Supplier finance arrangements

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The adoption of the amended IFRS Accounting Standards have no effect on the Group’s consolidated statement of profit or loss and other comprehensive income, financial position, cash flows and earnings per share.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group principally generates its revenue from the provision of property management services, urban services and commercial operation services as defined in note 3(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers and other sources by major services lines is as follows:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major service lines		
– Provision of property management services	134,432	103,940
– Provision of municipal sanitation services	28,589	23,854
– Provision of lighting system operation services	30,953	34,672
– Provision of commercial operation services	30,346	30,282
– Provision of landscaping and engineering services	65,394	99,069
– Provision of parking lots services	19,855	20,403
	<u>309,569</u>	<u>312,220</u>
Revenue from other sources		
Disaggregated by major services lines		
– sublease of commercial properties	–	10
– sublease of parking lots	2,040	2,512
	<u>2,040</u>	<u>2,522</u>
	<u>311,609</u>	<u>314,742</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(ii) **Information about major customers**

Revenue from customers contributing over 10% of the Group's revenue for the six months ended June 30, 2024 and 2023 are as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Changsha Urban Development Group Co., Ltd. and its subsidiaries (excluding the Group, together, the "CSUD Group")	117,168	146,997

(b) **Segment reporting**

The Group manages its businesses by divisions, which are organised by services lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purpose of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property Management Services which include management and operation services provided to commercial properties, residential properties, and public properties.
- Urban Services which include the provision of lighting system operation services, municipal sanitation services, landscaping and engineering services, parking lot operation services and sublease of parking lot.
- Commercial Operation Services which include the provision of commercial operation services such as tenant sourcing services, tenant management, rent collection services and sublease of commercial properties.

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment profit/loss represents gross profit earned by/loss from each segment.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

For the six months ended	Property Management Services		Urban Services		Commercial Operation Services		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Revenue from external customers</i>								
Revenue from contracts with customers within the scope of IFRS 15								
Disaggregated by timing of revenue recognition								
Point in time	1,218	1,197	–	–	793	804	2,011	2,001
Over time	133,214	102,743	144,791	177,998	29,553	29,478	307,558	310,219
Subtotal	134,432	103,940	144,791	177,998	30,346	30,282	309,569	312,220
Revenue from other sources								
Gross rental income	–	–	2,040	2,512	–	10	2,040	2,522
Total	134,432	103,940	146,831	180,510	30,346	30,292	311,609	314,742
Inter-segment revenue	4,007	3,382	260	290	–	241	4,267	3,913
Reportable segment revenue	138,439	107,322	147,091	180,800	30,346	30,533	315,876	318,655
Gross profit	27,169	16,820	40,134	42,422	19,372	19,030	86,675	78,272

No segment assets and liabilities information are provided as no such information is regularly provided to CODM of the Group on making decision of resources allocation and performance assessment.

No geographical segment analysis is shown as all of the Group's revenue are derived from activities in, and from customers located in the People's Republic of China (the "PRC") and all the Group's assets are situated in PRC.

4 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Current tax – PRC Corporate Income Tax		
Provision for the period	13,449	14,407
Over-provision in respect of prior year	(86)	–
Deferred tax		
Origination and reversal of temporary differences	(481)	(1,974)
	<u>12,882</u>	<u>12,433</u>

Notes:

- (i) The Group's entities in the PRC are subject to PRC income tax at 25%.
- (ii) Certain entities of the Group had been filed as Small Low-Profit Enterprises for previous years. The management of the Group believes that these entities will continue to qualify as Small Low-Profit Enterprises for the year ending 31 December 2024 and are subject to a preferential effective tax rate at 5% for the six months ended 30 June 2024.

5 EARNINGS PER SHARE

(a) **Basic and diluted earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB38,177,000 (six months ended June 30, 2023: RMB37,709,000) and the weighted average of 129,890,110 ordinary shares after adjusting for the issuance of shares by initial public offering in 2024 (2023: 120,000,000 shares) in issue during the interim period.

There were no dilutive shares during the six months ended June 30, 2024 and 2023.

6 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Trade receivables		
– related parties (<i>note 10(b)</i>)	52,348	54,888
– third parties	72,500	51,849
	<u>124,848</u>	<u>106,737</u>
Less: allowance for trade receivables	<u>(21,040)</u>	<u>(22,016)</u>
	<u>103,808</u>	<u>84,721</u>
Other receivables	12,477	10,439
Less: allowance for other receivables	<u>(2,655)</u>	<u>(1,598)</u>
Subtotal	<u>9,822</u>	<u>8,841</u>
Amounts due from related parties (<i>note 10(b)</i>)	1,141	585
Input VAT to be deducted	3,460	2,355
Prepayments	9,784	9,035
Prepayment for listing expenses	<u>–</u>	<u>19,645</u>
	<u>128,015</u>	<u>125,182</u>

All of the prepayments, trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

As at the end of each reporting period, the ageing analysis of trade receivables based on the date of relevant revenue recognised and net of loss allowance, is as follows:

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Within 1 year	95,919	71,813
1 to 2 years	4,047	12,596
Over 2 years	<u>3,842</u>	<u>312</u>
	<u>103,808</u>	<u>84,721</u>

Trade receivables are due when the receivables are recognised.

7 TRADE AND OTHER PAYABLES

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Trade payables		
– related parties (<i>note 10(b)</i>)	24,032	21,021
– third parties	<u>220,042</u>	<u>207,785</u>
	<u>244,074</u>	<u>228,806</u>
Amounts due to related parties (<i>note 10(b)</i>)	2,855	10,008
Accrued payroll and other benefits	17,251	21,669
Other taxes and charges payables	20,068	19,492
Deposits	55,535	53,984
Receipts on behalf of property owners and tenants	43,904	22,120
Other payables and accrued charges	<u>14,886</u>	<u>3,619</u>
	<u><u>398,573</u></u>	<u><u>359,698</u></u>

As at the end of each reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Within 1 year	200,824	211,819
1 to 2 years	41,981	15,973
Over 2 years	<u>1,269</u>	<u>1,014</u>
	<u><u>244,074</u></u>	<u><u>228,806</u></u>

8 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Arising from performance under lighting system operations services and landscaping and engineering services contracts		
– related parties (<i>note 10(b)</i>)	128,249	124,926
– third parties	<u>156,485</u>	<u>137,548</u>
	284,734	262,474
Less: loss allowance on contract assets	<u>(16,138)</u>	<u>(12,771)</u>
	<u>268,596</u>	<u>249,703</u>

(b) Contract liabilities

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Billings in advance of performance under property management services and landscaping and engineering services contracts		
– related parties (<i>note 10(b)</i>)	3,516	2,021
– third parties	<u>15,945</u>	<u>16,454</u>
	<u>19,461</u>	<u>18,475</u>

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

9 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Special dividend declared after the interim period of RMB0.22 per share (2023: nil)	35,200	–

The special dividend has not been recognised as a liability at the end of the Reporting Period.

(b) Share capital and share premium

	Number of shares in issue	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>
Ordinary shares issued and fully paid			
At January 1, 2024	120,000,000	120,000	–
Share issued by initial public offering (<i>Note</i>)	<u>40,000,000</u>	<u>40,000</u>	<u>42,001</u>
At June 30, 2024	<u><u>160,000,000</u></u>	<u><u>160,000</u></u>	<u><u>42,001</u></u>

Note: 40,000,000 ordinary shares of par value of RMB1.00 each were issued at a price of HK\$3.2 per ordinary share upon the listing of the shares of the Company on the Stock Exchange. The proceeds of RMB40,000,000 (equivalent to approximately HK\$43,929,000), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance costs, of approximately RMB42,001,000 were credited to the Company's share premium account.

10 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions:

(a) Related parties transactions

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Service provided to related parties		
– CSUD Group	117,168	146,997
– Associates of CSUD Group	4,497	206
	<u>121,665</u>	<u>147,203</u>
Purchase from related parties		
– CSUD Group	4,489	4,179
– Associates of CSUD Group	6,117	2,975
– Pingxiang Huiheng Pilot Property Management Co., Ltd. (“Pingxiang Huiheng”)	–	1,504
	<u>10,606</u>	<u>8,658</u>
Short-term leases payment paid or payable to related parties	39	329
Variable lease payment paid or payable to related parties	7,765	5,496
Additions of right-of-use assets	416	–
	<u>8,220</u>	<u>5,825</u>

(b) Balance with related parties

	At June 30,	At December 31,
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade in nature		
Trade receivables (<i>note 6</i>)		
– CSUD Group	49,457	50,038
– Associates of CSUD Group	2,891	4,850
	<u>52,348</u>	<u>54,888</u>
Contract assets (<i>note 8</i>)		
– CSUD Group	125,241	122,561
– Associates of CSUD Group	3,008	2,365
	<u>128,249</u>	<u>124,926</u>

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Other receivables (<i>note 6</i>)		
– CSUD Group	1,110	564
– Associates of CSUD Group	31	21
	<u>1,141</u>	<u>585</u>
Prepayment of acquisition of non-current assets		
– CSUD Group	1,400	1,400
	<u>1,400</u>	<u>1,400</u>
Trade in nature		
Trade payables (<i>note 7</i>)		
– CSUD Group	15,895	13,787
– Associates of CSUD Group	2,237	1,334
– Pingxiang Huiheng	5,845	5,845
– Huaihua Hecheng District Chengtou Property Management Co., Ltd.	55	55
	<u>24,032</u>	<u>21,021</u>
Contract liabilities (<i>note 8</i>)		
– CSUD Group	3,516	2,021
	<u>3,516</u>	<u>2,021</u>
Lease liabilities		
– CSUD Group	421	–
	<u>421</u>	<u>–</u>
Non-trade in nature (<i>Note</i>)		
Other payables (<i>note 7</i>)		
– CSUD Group	2,564	10,008
– Associates of CSUD Group	29	–
– Huaihua Hecheng District Chengtou Property Management Co., Ltd.	262	–
	<u>2,855</u>	<u>10,008</u>

Note: For the six months ended June 30, 2024, amounts due to related parties with non-trade in nature amounting to RMB5,408,000 have been offset against amounts due from related parties with trade in nature through offsetting agreement between these relevant related parties and the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a state-owned urban service and operation provider deeply rooted in Hunan Province, especially in Changsha. The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on May 17, 2024 by way of global offering (the “**Listing**”).

The Group focuses on providing a wide spectrum of services to its customers, forming a cohesive business layout rooted in urban area. Headquartered in Changsha, Hunan Province, the Group has established a solid market presence in the region. The services the Group provides can be divided into three categories depending on service characteristics and industry standards: (i) property management services, including different property management services and value-added services to public properties, commercial properties, and residential properties; (ii) urban services, including landscaping and engineering, lighting system operation, parking lot operation, and municipal sanitation services; and (iii) commercial operation services. The Group has built a reputation in the local market by serving a variety of property owners and developers, and its prospects are reliant on the relationships the Group has cultivated with these property owners and developers. The Group believes that provision of diverse services will improve customers’ loyalty, increase the Group’s brand recognition and enhance business operations and financial performance. According to China Index Academy (“**CIA**”), the Group was ranked 47th among the top 100 property management service enterprises in China in 2024 (2024中國物業服務百強企業). The Group was also recognised as a “Leading Smart Urban Services Enterprise in China 2024” (2024中國智慧城市服務領先企業) and “Leading Enterprise of Characteristic Property Service in China 2024” (2024中國特色物業服務領先企業) by CIA.

During the six months ended June 30, 2024, the Group derived revenue primarily from three business lines, namely, (i) property management services; (ii) urban services; and (iii) commercial operation services.

Project Portfolio

The following table sets forth the number of projects and GFA under management for property management services, urban services and commercial operation services as at the dates indicated by type of services:

	As at June 30,			
	2024		2023	
	Number of projects	GFA under management (million sq.m.)	Number of projects	GFA under management (million sq.m.)
Property management services	73	10.9	64	10.1
Urban services ⁽¹⁾	200	–	188	–
Commercial operation services	57	0.8	50	0.8
Total	330	11.7	302	10.9

Note:

(1) Urban services projects are not measured by GFA under management.

Property management services – accounting for 43.1% of the Group's total revenue

The Group provides public property management services, commercial property management services and residential property management services. Public properties include civic squares, parks and scenic spots, urban exhibition halls, government office buildings and schools; commercial properties include commercial office buildings, commercial complexes and sales centres; and residential properties mainly include residences and apartments. In addition, the Group also provides a wide range of value-added services to property developers, property owners, and tenants.

During the Reporting Period, the Group's revenue from property management services amounted to RMB134.4 million, representing an increase of 29.3% as compared to the same period in 2023, mainly due to the increase in the GFA and number of projects under management of the Group.

As at June 30, 2024, the GFA under management of the Group's property management services was approximately 10.9 million sq.m., representing a year-on-year increase of 7.9%, which was primarily due to the fact that the Group enhanced its efforts in market expansion by utilising the business resources of CSUD Group and actively exploring business opportunities with independent third party customers.

In the first half of 2024, the Group achieved continuous improvement in market expansion. The Group undertook 11 new projects contracted in the first half of 2024 by enhancing efforts in market expansion, and had 73 projects in total in terms of property management services.

Urban services – accounting for 47.2% of the Group's total revenue

Founded on the Group's established expertise, experience and track record of providing quality and tailor-made management services to various categories of properties, the Group has been extending its business capacities to become a state-owned professional urban service provider specializing in serving public spaces and municipal infrastructures. The Group assists local governments and public institutions in providing urban services to improve the living experience and environment of citizens. The Group's urban services mainly include (i) landscaping and engineering, including landscape construction and engineering construction; (ii) lighting system operation, including landscape lighting operation and functional lighting operation; (iii) parking lot operation including the operation and management of public parking spaces by self-operation and leasing; and (iv) municipal sanitation services including the cleaning of municipal infrastructures such as city roads, the external walls of buildings along the main road, street lamps, and bus platforms.

During the Reporting Period, the Group's revenue from urban services amounted to RMB146.8 million, representing a decrease of 18.7% from RMB180.5 million for the same period in 2023. The decrease was primarily due to a decrease in the revenue from landscaping and engineering services, resulting from (i) the completion of certain major projects that commenced in the first half of 2023, and (ii) a decrease in the contract value of the newly-engaged projects.

Commercial operation services – accounting for 9.7% of the Group's total revenue

The Group offers a wide range of commercial property operation services to developers, owners, and tenants, including preliminary business planning, preliminary operation analysis, tenant recruitment, lease agreement formulation, opening guidance, and daily operation counselling.

During the Reporting Period, the Group's revenue from commercial operation services remained stable at RMB30.3 million as compared to RMB30.3 million for the six months ended June 30, 2023.

As at June 30, 2024, the GFA under management of the Group’s commercial operation services was approximately 0.8 million sq.m., representing a year-on-year increase of 6.5%, which was mainly due to the fact that the Group deepened the cooperation relationships with its existing customers and increased market expansion efforts. As at June 30, 2024, the Group provided commercial operation services to 57 commercial properties. The Group undertook six new projects contracted in the first half of 2024 by increasing promotion efforts. The Group’s revenue from commercial operation services during the Reporting Period remained stable as compared to that during the six months ended June 30, 2023 primarily due to that the new projects undertaken by the Group in the first half of 2024 were delivered in April and May 2024, thereby only a small amount of revenue was recognized from such new projects for the Reporting Period.

FUTURE OUTLOOK

In the second half of 2024, the Group will continue to be committed to achieving the mission of “making urban life better”, further diversify its businesses, enhance internal control level, adhere to the parallel development of scale and quality, further strengthen confidence in development, and continuously achieve new breakthroughs in operating results.

(1) Continue to consolidate the Group’s position in Hunan Province and continue to expand the business scale through multiple channels

The Group’s business scale will be expanded through mergers and acquisitions, equity investment and other methods. Sound procedures for the selection of acquisition targets as well as due diligence and judgment will be implemented. The Group will optimize its service offerings based on the deep cultivation of related industries and accumulated years of experience. The Group will continue to leverage the project reserves held by CSUD Group and plan to actively secure projects to be developed by CSUD Group and its associates in the future to expand the business scale of the Group. In addition to cooperation with CSUD Group, the Group will strengthen its business development capabilities by obtaining business opportunities with independent third-party property developers and other customers, as well as leveraging the Group’s brand image and business know-hows that are accumulated through the Group’s successful business operation.

(2) Continue to improve the Group’ brand awareness, service quality and customer satisfaction

Based on the whole industry chain and full life cycle of urban service and operation and to meet the people’s growing needs for a better urban life, the Group will continue to focus on customer satisfaction as a core, continue to upgrade service quality, and provide more detailed, comprehensive, caring and efficient property services and value-added services for diversified customers. Leveraging the advantages of CSUD Group, the Group will actively expand its business reach to undertake more projects. In addition, the Group will cooperate with local governments to take urban services as the entry point, and undertake relevant projects to increase the Group’s output value. The Group will also try to enrich its brand awareness and value-added services by adding different customised value-added services to the service value chain.

(3) Continue to invest in technology empowerment to further improve the Group’s technology capabilities and promote its degrees of digitisation and automation

The Group will continue to develop and optimize the functionality of its internal management information system, which primarily focuses on the online management of various labour-intensive tasks, contracts, finance, and assets. Furthermore, the Group will continue to develop and enhance various types of business operating systems to achieve functional development, data linking, and information resource sharing.

FINANCIAL REVIEW

Revenue

The total revenue of the Group remained relatively stable at RMB314.7 million and RMB311.6 million for the six months ended June 30, 2023 and 2024, respectively:

- *Property management services.* Revenue from property management services increased by 29.3% from RMB103.9 million for the six months ended June 30, 2023 to RMB134.4 for the Reporting Period, mainly attributable to (i) an increase in the GFA under management from 10.1 million sq.m. as at June 30, 2023 to 10.9 million sq.m. as at June 30, 2024; and (ii) an increase in the number of projects under management from 64 as at June 30, 2023 to 73 as at June 30, 2024.

- *Urban services.* Revenue from urban services decreased by 18.7% from RMB180.5 million for the six months ended June 30, 2023 to RMB146.8 million for the Reporting Period, primarily due to a decrease in the revenue from landscaping and engineering services, resulting from (i) the completion of certain major projects that commenced in the first half of 2023, and (ii) a decrease in the contract value of the newly-engaged projects.
- *Commercial operation services.* Revenue from commercial operation services remained relatively stable at RMB30.3 million and RMB30.3 million for the six months ended June 30, 2023 and 2024, respectively.

Cost of sales

The cost of sales of the Group decreased by 4.9% from RMB236.5 million for the six months ended June 30, 2023 to RMB224.9 million for the Reporting Period, mainly attributable to (i) the continued implementation of cost-saving measures for property management services, such as reducing utility consumption by applying energy-efficient renovations in common areas and elevating labor efficiency by streamlining tasks; (ii) the enhanced cost management for landscaping and engineering services; (iii) the enhanced cost efficiency for municipal sanitation services, benefiting from the integration of services across the municipal sanitation projects and the property management projects that were located in the same area; and (iv) further-optimised management information system, resulting in a decrease in labour costs of parking lot operation.

Gross profit and gross profit margin

As a result of the foregoing, the overall gross profit margin of the Group increased from 24.9% for the six months ended June 30, 2023 to 27.8% for the Reporting Period.

Other net income

The Group's other net income decreased by 54.0% from RMB1.2 million for the six months ended June 30, 2023 to RMB0.6 million for the Reporting Period, primarily due to a decrease in the super deduction of value-added tax as a result of the adjustment in the relevant policy.

Selling expenses

The Group's selling expenses increased by 24.8% from RMB1.9 million for the six months ended June 30, 2023 to RMB2.4 million for the Reporting Period, primarily driven by an increase in marketing expenses as a result of the Group's increased marketing activities.

Administrative expenses

The Group's administrative expenses increased by 44.1% from RMB21.9 million for the six months ended June 30, 2023 to RMB31.5 million for the Reporting Period, primarily due to (i) an increase in administrative personnel and a corresponding increase in wages and salaries; and (ii) an increase in professional service fees relating to the Listing.

Expected credit loss

The Group's expected credit loss decreased by 53.2% from RMB7.4 million for the six months ended June 30, 2023 to RMB3.4 million for the Reporting Period, primarily due to that the Group recovered and certified some long-aged trade receivables and contract assets that were provided for impairment on an individual basis, leading to a reduction in the risk of default and expected loss rates.

Finance income

The Group's finance income increased by 5.8% from RMB858,000 for the six months ended June 30, 2023 to RMB908,000 for the Reporting Period, primarily because of an increase in cash at banks, leading to higher interest income from bank deposits.

Share of profits less losses of an associate and joint ventures

The Group's share of profits less losses of an associate and joint ventures decreased by 83.0% from RMB1.0 million for the six months ended June 30, 2023 to RMB0.2 million for the Reporting Period, primarily due to a decrease in shared results of the associate and joint ventures.

Income tax

The Group's income tax remained relatively stable at RMB12.4 million and RMB12.9 million for the six months ended June 30, 2023 and 2024, respectively.

Profit and total comprehensive income for the period

As a result of the foregoing, the Group recorded the profit and total comprehensive income for the period of RMB37.7 million and RMB38.1 million for the six months ended June 30, 2023 and 2024, respectively.

Inventories

The Group's inventories remained relatively stable at RMB4.2 million and RMB4.6 million as at December 31, 2023 and June 30, 2024, respectively.

Contract assets

The Group's contract assets amounted to RMB249.7 million and RMB268.6 million as at December 31, 2023 and June 30, 2024, respectively, primarily due to the prolonged fiscal review process and settlement period of the Group's certain customers.

Trade receivables

The Group's trade receivables increased by 22.5% from RMB84.7 million as at December 31, 2023 to RMB103.8 million as at June 30, 2024, primarily due to the prolonged period of settlement with certain customers of the Group.

Prepayment and other receivables

The Group's prepayment and other receivables decreased by 40.2% from RMB40.5 million as at December 31, 2023 to RMB24.2 million as at June 30, 2024, primarily because the Group recorded prepayment for listing expenses of RMB19.6 million as at December 31, 2023 and such prepayment for listing expenses was offset against the gross proceeds from the Listing in capital reserve of the Group.

Trade payables

The Group's trade payables increased by 6.7% from RMB228.8 million as at December 31, 2023 to RMB244.1 million as at June 30, 2024, primarily due to the slower settlement process of the Group with its suppliers resulting from the prolonged period of settlement by certain of the Group's customers.

Other payables

The Group's other payables increased by 18.0% from RMB130.9 million as at December 31, 2023 to RMB154.5 million as at June 30, 2024, primarily due to an increase in receipts on behalf of property owners and tenants along with the expansion of business scale of the Group's property management services.

Property, plant and equipment

The Group's property, plant and equipment consist primarily of (i) motor vehicles; (ii) machinery and electronic equipment; (iii) furniture and others; (iv) leasehold improvement; and (v) right-of-use assets. The carrying amount of property, plant and equipment remained relatively stable at RMB18.0 million and RMB16.8 million as at December 31, 2023 and June 30, 2024, respectively.

Liquidity and capital resources and current assets

In order to manage the Group's cash, maintain strong and healthy liquidity and ensure that the Group is well positioned to take advantage of future growth opportunities, the Group has adopted comprehensive treasury policies and internal control measures to review and monitor its financial resources and has maintained stable financial condition and sufficient liquidity throughout. As at June 30, 2024, the Group did not have any outstanding borrowings or banking facilities.

As at June 30, 2024, the Group's cash and cash equivalents amounted to RMB346.1 million, representing an increase of 64.6% as compared with RMB210.2 million as at December 31, 2023. The increase was mainly attributable to the proceeds from Global Offering (as defined below). The Group's net cash flows from operating activities decreased to RMB28.8 million for the six months ended June 30, 2024 from RMB104.1 million for the six months ended June 30, 2023. The management believes that the Group has sufficient financial resources and future revenue to support the current working capital requirement and future expansion of the Group.

Foreign currency risk

The Group's principal activities are conducted in the PRC. Except for certain net proceeds raised from the Listing, which are denominated in Hong Kong dollars, the Group is not exposed to any significant risk directly related to foreign exchange fluctuations. Taking into account the potential RMB exchange rate fluctuations, the Group will continue to monitor its foreign exchange exposure and take prudent measures to reduce its foreign exchange risk. For the six months ended June 30, 2024, the Group did not use any financial instruments for hedging purposes.

Capital commitment and capital expenditure

The Group mainly has capital commitments with respect to contribution to the associate and joint ventures. Capital expenditure contracted for but not yet incurred as at December 31, 2023 and June 30, 2024 was RMB6.7 million and RMB6.4 million, respectively.

The following table sets out the Group's capital expenditure for the periods indicated:

	For the six months ended	
	June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Additions to purchase of property, plant and equipment	1,836	3,771
Capital contribution to a joint venture	–	510
Total	<u>1,836</u>	<u>4,281</u>

Contingent liabilities

The Group had no material contingent liabilities as at June 30, 2024.

Pledge of assets

As at June 30, 2024, none of the assets of the Group was pledged.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on May 17, 2024 by way of global offering of ordinary shares of the Company, including a public offering in Hong Kong of 12,000,000 shares and an international offering of 28,000,000 shares, in each case at a price of HK\$3.2 per share (collectively the “**Global Offering**”). After deducting the underwriting fees and relevant expenses, net proceeds from the Global Offering amounted to approximately HK\$86.4 million. Such proceeds have been and will continue to be applied in the manner consistent with that in the prospectus of the Company dated May 8, 2024 (the “**Prospectus**”):

Usage	% of total net proceeds	Planned allocation of net proceeds HK\$ million (approximately)	Utilised net proceeds as at June 30, 2024 HK\$ million (approximately)	Unutilised net proceeds as at June 30, 2024 HK\$ million (approximately)	Expected timeline for full utilisation of the balance
Strategic acquisitions, including strategic acquisitions of property management service providers specializing in professional service providers and urban service providers with relevant operation experience and required qualifications	29.2%	25.2	–	25.2	By the end of 2025
Purchase of vehicles and equipment, including:					
(i) Purchase operational vehicles for municipal sanitation services	19.8%	17.1	–	17.1	By the end of 2026
(ii) Procure operational vehicles and equipment for lighting system operation services	1.2%	1.0	–	1.0	By the end of 2025
Technological investment, including:					
(i) Develop and optimise the internal management information system	8.5%	7.4	–	7.4	By the end of 2026
(ii) Develop and enhance business operating systems	7.4%	6.4	–	6.4	By the end of 2027
(iii) Develop device connection systems	8.5%	7.4	–	7.4	By the end of 2026
(iv) Recruit engineers for software development and maintenance	0.8%	0.7	–	0.7	By the end of 2026
Talent training and retention, including:					
(i) Expand the Group’s dedicated team	13.7%	11.8	–	11.8	By the end of 2027
(ii) Optimise talent training programmes	1.6%	1.4	–	1.4	By the end of 2027
Working capital	9.3%	8.0	–	8.0	By the end of 2024
Total	100.0%	86.4	–	86.4	

The net proceeds are currently held in bank deposits and will continue to be applied in the manner consistent with the proposed allocations in the Prospectus. For further information, please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As at the date of this announcement, there has been no material change in the actual use of the net proceeds from the intended use.

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2024, the Group had a total of 570 employees. For the Reporting Period, the total staff cost of the Group was RMB48.4 million (six months ended June 30, 2023: RMB36.9 million).

The Group’s employee remuneration policy is determined by factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, the inflation level, corporate operating efficiency and employee performance. The Group conducts performance appraisals once every year for its employees, the results of which are applied in annual salary reviews and promotional assessments. The Group considers the employee’s annual bonuses according to certain performance criteria and appraisals results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service quality. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or suffer from any material labor dispute during the Reporting Period.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group’s business and operations are subject to relevant laws and regulations of the Hong Kong Special Administrative Region (“**Hong Kong**”) and the PRC. During the Reporting Period, the Group had complied with all applicable laws and regulations of Hong Kong and the PRC, which would have significant impact on the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. The Company has complied with all the applicable code provisions of the Corporate Governance Code during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as a code of conduct for securities transactions by the Directors and supervisors (the “**Supervisors**”) of the Company. The Company has made specific enquiries to all Directors and Supervisors and they all have confirmed that they had complied with the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares (as defined under the Listing Rules)) during the Reporting Period. As at June 30, 2024, the Company did not hold any treasury shares.

SPECIAL DIVIDEND AND EXTRAORDINARY GENERAL MEETING

With reference to the announcement of the Company dated July 19, 2024, the Board recommended the payment of a special dividend of RMB0.22 (tax inclusive) per share out of the retained profits of the Company as at June 30, 2024 taking into account that (i) the profit and total comprehensive income of the Group amounted to approximately RMB70.2 million for the year ended December 31, 2023; and (ii) as at June 30, 2024, the subsidiaries of the Company had distributed profits for the year ended December 31, 2023 to the Company. As at the date of this announcement, the total share capital of the Company was RMB160,000,000, which was used to calculate the aggregate proposed special dividend of RMB35,200,000 (tax inclusive). Prior to the equity registration date, if there is any change in the total share capital of the Company, the Company will maintain the dividend distribution per share and adjust the total amount of the special dividend accordingly.

The above recommendations are subject to the approval of the Shareholders at the extraordinary general meeting of the Company in 2024 (the “**EGM**”). Details of the special dividend and the specific arrangements for the payment of the special dividend and the relevant timing for the closure of the register of members for the H Shares will be separately disclosed by the Company in the circular of the EGM. Subject to the approval of the EGM, the special dividend is expected to be paid to the eligible shareholders no later than two months after the EGM. The Company will separately announce the exact expected dividend payment date.

AUDIT COMMITTEE

The principal duties of the audit committee of the Company (“**Audit Committee**”) include the review and supervision of the Group’s financial reporting system, the preparation of financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor for determining the scope of the Group audit.

The Audit Committee, together with the management of the Company, have reviewed the unaudited condensed interim results of the Group for the six months ended June 30, 2024 and this announcement.

REVIEW OF INTERIM RESULTS

The condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with 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. KPMG's independent review report to the Board will be included in the 2024 interim report of the Company to be dispatched to the Shareholders.

EVENTS AFTER THE REPORTING PERIOD

No significant event has occurred since the end of the Reporting Period and up to the date of this announcement.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2024 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hollwingroup.com), and the 2024 interim report will be dispatched to the Shareholders in a manner which the Shareholders have selected to receive corporate communications and will be published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Hollwin Urban Operation Service Group Co., Ltd
Mr. Xie Yi
Chairman and Executive Director

Changsha, Hunan Province, the PRC
August 26, 2024

As at the date of this announcement, the Board comprises Mr. Xie Yi, Mr. Yan Yongxiang, Mr. Duan Wenming and Mr. Wong Kwok Fu as executive Directors; Mr. Yu Xiao as non-executive Director; and Ms. Chan Ka Lai Vanessa, Dr. Dai Xiaofeng and Mr. Tse Chi Wai as independent non-executive Directors.