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

FINANCIAL HIGHLIGHTS

1. Revenue for the six months ended June 30, 2024 was approximately RMB487.3 million, representing an increase of 9.5% as compared to the corresponding period in 2023.
2. Revenue by business lines for the Reporting Period was as follows: (i) revenue from property management services was approximately RMB335.0 million, accounting for 68.7% of the total revenue, representing an increase of 18.5% as compared to the corresponding period in 2023; (ii) revenue from value-added services to non-property owners was approximately RMB56.9 million, accounting for 11.7% of the total revenue, representing a decrease of 4.5% as compared to the corresponding period in 2023; (iii) revenue from community value-added services was approximately RMB57.9 million, accounting for 11.9% of the total revenue, representing a decrease of 22.1% as compared to the corresponding period in 2023; and (iv) revenue from city services was approximately RMB37.5 million, accounting for 7.7% of the total revenue, representing an increase of 32.0% as compared to the corresponding period in 2023.
3. Gross profit for the Reporting Period was approximately RMB105.5 million, representing a decrease of 5.7% as compared to the corresponding period in 2023. Gross profit margin was 21.7%, representing a decrease of 3.5% as compared to the corresponding period in 2023.
4. Profit for the Reporting Period was approximately RMB53.3 million, representing a decrease of 10.4% as compared to the corresponding period in 2023. Profit for the Reporting Period attributable to owners of the Company was approximately RMB42.8 million, representing a decrease of 15.8% as compared to the corresponding period in 2023.

5. The contracted GFA in respect of property management services during the Reporting Period was approximately 71.1 million sq.m., representing an increase of 8.5% as compared to approximately 65.5 million sq.m. for 2023, among which, approximately 58.4 million sq.m. or 82.2% were from third party property developers. The GFA under management was approximately 43.2 million sq.m., representing an increase of 17.1% as compared to approximately 36.9 million sq.m. for 2023, among which, approximately 34.5 million sq.m. or 79.8% were from third party property developers. The GFA under management of non-residential properties was approximately 7.5 million sq.m., representing an increase of 22.4% as compared to approximately 6.1 million sq.m. for 2023, among which, approximately 99.2% of non-residential properties were from third party property developers.
6. The Board resolved not to declare any interim dividend for the six months ended June 30, 2024.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Kangqiao Service Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**” or “**Kangqiao Service**”) for the six months ended June 30, 2024 (the “**Reporting Period**”) with comparative figures for the corresponding period in 2023 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts expressed in RMB thousand unless otherwise stated)

	Notes	Six months ended June 30,	
		2024 (Unaudited)	2023 (Unaudited)
Revenue	5	487,273	444,939
Cost of sales	6	(381,726)	(332,969)
Gross profit		105,547	111,970
Administrative expenses	6	(23,938)	(29,108)
Selling and marketing expenses	6	(4,271)	(5,275)
Net impairment losses on financial assets		(15,130)	(9,702)
Other income		3,622	7,480
Other gains/(losses) - net		1,933	(2,746)
Operating profit		67,763	72,619
Finance income		1,858	2,052
Finance costs		(1,077)	(402)
Finance income - net		781	1,650
Share of profit of investments accounted for using the equity method		667	585
Profit before income tax		69,211	74,854
Income tax expenses	7	(15,924)	(15,392)
Profit for the period		53,287	59,462
Profit attributable to:			
– Owners of the Company		42,811	50,858
– Non-controlling interests		10,476	8,604
		53,287	59,462
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
– Exchange difference on translation of foreign operations		765	3,418
Total comprehensive income for the period		54,052	62,880
Total comprehensive income attributable to:			
– Owners of the Company		43,576	54,276
– Non-controlling interests		10,476	8,604
		54,052	62,880
Earnings per share			
– Basic and diluted (expressed in RMB per share)	8	0.061	0.073

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts expressed in RMB thousand unless otherwise stated)

		As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
ASSETS			
Non-current assets			
Property and equipment		13,039	12,314
Intangible assets		52,869	54,783
Investment properties		18,893	5,020
Right-of-use assets		4,822	1,598
Investments accounted for using the equity method		4,648	3,197
Deferred income tax assets		44,561	39,346
Prepayments	9	65,629	65,629
Restricted cash		1,299	1,302
		205,760	183,189
Current assets			
Inventory		19,847	13,911
Prepayments	9	7,893	5,280
Trade and other receivables	9	778,355	690,518
Financial assets at fair value through profit or loss		8,000	-
Cash and cash equivalents		337,060	355,684
Restricted cash		3,602	3,794
		1,154,757	1,069,187
Total assets		1,360,517	1,252,376
EQUITY			
Equity attributable to owners of the Company			
Share capital		5,831	5,831
Other reserves		496,365	520,686
Retained earnings		213,630	184,978
		715,826	711,495
Non-controlling interests		50,727	52,330
Total equity		766,553	763,825

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)*(All amounts expressed in RMB thousand unless otherwise stated)*

		<u>As at</u> June 30,	<u>As at</u> December 31,
	Notes	2024	2023
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		3,798	2,247
Deferred income tax liabilities		6,811	6,701
Trade and other payables	10	-	165
Contract liabilities		<u>8,965</u>	<u>4,147</u>
		<u>19,574</u>	<u>13,260</u>
Current liabilities			
Contract liabilities		191,053	146,193
Trade and other payables	10	360,894	313,960
Current income tax liabilities		14,039	7,959
Lease liabilities		<u>8,404</u>	<u>7,179</u>
		<u>574,390</u>	<u>475,291</u>
Total liabilities		<u>593,964</u>	<u>488,551</u>
Total equity and liabilities		<u>1,360,517</u>	<u>1,252,376</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts expressed in RMB thousand unless otherwise stated)

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 Act, Cap. 22 (Revised) 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 is an investment holding company. The Group is principally engaged in provision of property management services, related value-added services and city 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, 2024, 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 on August 28, 2024.

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

The Interim Financial Information has not been audited.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended June 30, 2024 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The Interim Financial Information for the six months ended June 30, 2024 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2023 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), and any public announcements made by the Group during the Reporting Period.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts expressed in RMB thousand unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the previous financial year and corresponding interim reporting period, 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, 2024. The adoption of these amendments does not have significant impact on the Interim Financial Information of the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
	Non-current liabilities with covenants
Amendments to HKFRS 16	Lease liability in sale and leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT INFORMATION

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

During the six months ended June 30, 2024 and 2023, the Group is principally engaged in provision of property management services, related value-added services and city services in the PRC. Management of the Company 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 are the same in different regions.

During the six months ended June 30, 2024 and 2023, all the revenue of the Group was derived in the PRC. As at June 30, 2024, substantially all assets of the Group were located in the PRC.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts expressed in RMB thousand unless otherwise stated)

5 REVENUE

Revenue of the Group mainly comprises of proceeds from the provision of property management services, related value-added services and city services. An analysis of the Group's revenue by categories for the six months ended June 30, 2024 and 2023 is as follows:

	Six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Property management services	335,036	282,719
Value-added services to non-property owners	56,864	59,554
Community value-added services	57,887	74,264
City services	37,486	28,402
	<u>487,273</u>	<u>444,939</u>
Timing of revenue recognition:		
- Over time	437,386	381,775
- At a point in time	49,887	63,164
	<u>487,273</u>	<u>444,939</u>

For the six months ended June 30, 2024, revenue from entities controlled by Mr. Song contributed 1.6% (six months ended June 30, 2023: 9.3%) of the Group's revenue. None of the Group's customers contributed 10% or more of the Group's revenue during the six months ended June 30, 2024 (six months ended June 30, 2023: same).

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts expressed in RMB thousand unless otherwise stated)

6 EXPENSES BY NATURE

	Six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Employee benefit expenses and labour costs	106,195	95,883
Greening and cleaning expenses	88,201	78,167
Security service costs	64,056	61,157
Maintenance and customer service costs	39,048	31,104
Utilities	25,563	19,188
Sales agency service costs	21,373	16,685
Cost of goods sold	10,723	17,134
Office expenses	6,491	9,096
Decoration business cost	5,281	9,660
Travelling and entertainment expenses	3,761	2,069
Depreciation of property and equipment	2,282	1,828
Amortisation of intangible assets	1,914	1,681
Depreciation of right-of-use assets	943	602
Auditors' remuneration	784	943
Depreciation of investment properties	740	813
Legal and professional expenses	345	3,217
Rental expenses related to short term leases	296	685
Others	31,939	17,440
	<u>409,935</u>	<u>367,352</u>

7 INCOME TAX EXPENSES

	Six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Current income tax		
- PRC corporate income tax	21,838	17,013
Deferred income tax		
- PRC corporate income tax	(5,914)	(1,621)
	<u>15,924</u>	<u>15,392</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts expressed in RMB thousand unless otherwise stated)

7 INCOME TAX EXPENSES (CONTINUED)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (Revised) of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands ("BVI") were incorporated under the International Business Companies Act of the BVI and accordingly, are exempted from BVI income 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, 2024 (six months ended June 30, 2023: 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 qualifying 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 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 Mainland China are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between Mainland China and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its subsidiaries in Mainland China during the six months ended June 30, 2024 as the Group is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits out of Mainland China 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, 2024 and 2023.

The Company did not have any potential ordinary shares outstanding during the six months ended June 30, 2024 and 2023. Diluted earnings per share was equal to basic earnings per share.

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	42,811	50,858
Weighted average number of ordinary shares in issue (in thousands)	700,000	700,000
Basic and diluted earnings per share attributable to the owners of the Company during the period (expressed in RMB per share)	0.061	0.073

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts expressed in RMB thousand unless otherwise stated)

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2024	As at December 31, 2023
	(Unaudited)	(Audited)
Trade receivables (Notes (a) and (b))		
- Related parties	336,282	321,400
- Third parties	434,569	355,751
	<u>770,851</u>	<u>677,151</u>
Less: allowance for impairment of trade receivables	(147,715)	(132,940)
	<u>623,136</u>	<u>544,211</u>
Other receivables		
- Amounts due from related parties	92,537	92,073
- Cash advances to non-controlling interests	230	230
- Deposits	50,509	52,058
- Others	32,211	21,463
	<u>175,487</u>	<u>165,824</u>
Less: allowance for impairment of other receivables	(20,268)	(19,517)
	<u>155,219</u>	<u>146,307</u>
Prepayments		
- Prepayments to third-party suppliers	73,522	70,909
Less: non-current portion of prepayment (Note (c))	(65,629)	(65,629)
	<u>7,893</u>	<u>5,280</u>
Current portion of trade and other receivables and prepayments	<u>786,248</u>	<u>695,798</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts expressed in RMB thousand unless otherwise stated)

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

- (a) Trade receivables mainly arise from property management services income and related value-added services income and city services income.

Property management services income is received in accordance with the terms of the relevant services agreements. Income from property management services is due for payment by the residents upon the issuance of demand note.

Value-added services income is usually with a credit term ranges from 0 to 180 days.

- (b) As at June 30, 2024 and December 31, 2023, the ageing analysis of the trade receivables based on recognition date was as follows:

	As at June 30, 2024	As at December 31, 2023
	(Unaudited)	(Audited)
Up to 1 year	394,979	324,937
1 to 2 years	186,887	207,501
2 to 3 years	138,326	121,632
Over 3 years	50,659	23,081
	770,851	677,151

- (c) As at June 30, 2024 and December 31, 2023, the non-current portion of prepayments mainly represented a prepayment of RMB65,629,000 for the acquisition of 80% equity interest in a property management service company.
- (d) As at June 30, 2024 and December 31, 2023, trade and other receivables were denominated in RMB and the carrying amounts of trade and other receivables approximated their fair values.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts expressed in RMB thousand unless otherwise stated)

10 TRADE AND OTHER PAYABLES

	As at <u>June 30, 2024</u>	As at <u>December 31, 2023</u>
	(Unaudited)	(Audited)
Trade payables (Note (a))		
- Related parties	1,975	1,400
- Third parties	<u>91,056</u>	<u>82,985</u>
	<u>93,031</u>	<u>84,385</u>
Other payables		
- Amounts due to related parties	7,541	13,848
- Payables for acquisition of a subsidiary	5,025	5,025
- Deposits	73,903	71,986
- Accrued payroll	45,752	43,745
- Dividend payables	37,101	-
- Other tax payables	7,516	6,903
- Others	<u>91,025</u>	<u>88,233</u>
	<u>267,863</u>	<u>229,740</u>
	<u>360,894</u>	<u>314,125</u>
Less: non-current portion of other payables	<u>-</u>	<u>(165)</u>
Current portion of trade and other payables	<u><u>360,894</u></u>	<u><u>313,960</u></u>

(a) As at June 30, 2024 and December 31, 2023, the ageing analysis of the trade payables based on the invoice date was as follows:

	As at <u>June 30, 2024</u>	As at <u>December 31, 2023</u>
	(Unaudited)	(Audited)
Up to 1 year	89,285	80,687
1 to 2 years	2,241	1,944
2 to 3 years	535	974
Over 3 years	<u>970</u>	<u>780</u>
	<u><u>93,031</u></u>	<u><u>84,385</u></u>

(b) As at June 30, 2024 and December 31, 2023, trade and other payables were mainly denominated in RMB and the carrying amounts of trade and other payables approximated their fair values.

11 DIVIDENDS

The Board does not recommend any payment of an interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: same).

A final dividend of RMB0.053 per share of the Company for the year ended December 31, 2023, totaling RMB37,101,000, was approved by the shareholders of the Company at the annual general meeting of the Company held on June 18, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

(1) Business Overview

In the first half of 2024, the national economic performance maintained stable with steady progress made in the transformation and upgrading. However, the external environment is intertwined and complex, the domestic effective demand remains insufficient and the foundation for sound economic recovery and growth still needs to be strengthened, especially property development and sales remained sluggish, with various data indicating varying degrees of declines, and it will take some time for the market to recover. In the face of numerous external challenges, Kangqiao Service adhered to pursuing progress while ensuring stability, promoting stability through progress, and undertaking social responsibilities, and continues to (i) provide high-quality services of “satisfaction + refinement” for property owners; (ii) fulfill its commitment to shareholders of the Company (the “Shareholders”) with stable business performance; and (iii) be responsible for the employees, so that the employees, with a sense of belonging and security, can devote themselves to work, and provide continuous and satisfactory services to the property owners.

At present, the Group’s business covers a variety of property types, including residential property, non-residential property (such as commercial, office buildings, industrial parks, hospitals and other public infrastructure), and provision of city services (such as rail transit sanitation, city environmental sanitation and other services). The Group’s business involves property management services, value-added services to non-property owners, community value-added services and city services. All business areas are interconnected and market-oriented for balanced development. During the Reporting Period, the Group’s revenue was approximately RMB487.3 million, representing an increase of 9.5% as compared to approximately RMB444.9 million for the corresponding period in 2023.

As at June 30, 2024, the Group provided property management services and value-added services in 35 cities in the PRC, with a number of 303 projects under management and a contracted gross floor area (the “GFA”) of approximately 71.1 million sq.m., representing an increase of 8.5% as compared to the corresponding period in 2023, among which, approximately 58.4 million sq.m. or 82.2% were from third party property developers. The GFA under management was approximately 43.2 million sq.m., representing an increase of 17.1% as compared to approximately 36.9 million sq.m. for the corresponding period in 2023, among which, approximately 34.5 million sq.m. or 79.8% were from third party property developers. The GFA under management of non-residential properties was approximately 7.5 million sq.m., representing an increase of 22.4% as compared to approximately 6.1 million sq.m. for the corresponding period in 2023, among which, approximately 99.2% of non-residential properties were from third party property developers.

(2) Four Major Business Lines

The Group is a reputable comprehensive property management services provider in the PRC, with a leading position in Henan. In April 2024, the Group was awarded the title of “2024 China Top 100 Property Management Companies” by China Index

Academy, with its overall industry strength ranking increased by two places to 25th compared with the year of 2023. The Group generates its revenue mainly from four business lines: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) city 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, hospitals and other public infrastructure, and city services such as railway cleaning and sanitation services. The Group's business has been effectively improved in 2024, especially in terms of increase in the GFA under management of non-residential properties of the Group by approximately 22.4% as compared to the corresponding period in 2023. Revenue from property management services was approximately RMB335.0 million, accounting for 68.8% of the total revenue, representing an increase of 18.5% as compared to the corresponding period in 2023.

Value-added services to non-property owners — the Group provides value-added services to non-property owners, primarily property developers, mainly consisting of (i) office management services to property developers' sales offices and show flats, such as visitor reception, cleaning and security maintenance 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, the services of 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 maintenance 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 approximately RMB56.9 million, representing a decrease of 4.5% as compared to that of approximately RMB59.6 million for the corresponding period in 2023. The decrease of the revenue from value-added services to non-property owners was due to the shrinking of real estate business under the influence of policies.

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 assisting 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 shops. Revenue from community value-added services provided by the Group was approximately RMB57.9 million, representing a decrease of 22.1% as compared to that of approximately RMB74.3 million for the corresponding period in 2023. The decrease of the revenue from community value-added services was mainly due to factors such as the domestic economy downturn, which led to a downward trend in overall business demand for community value-added services. As a result, the revenue from the Group's home-living services and asset operation services was decreased.

City services — the Group provides a wide range of city services, which mainly include (i) rail transit sanitation services; (ii) city environmental sanitation; (iii) waste sorting and treatment; (iv) installation of road facilities; (v) landscaping project; (vi) old communities renovation; and (vii) setting up smart block construction, etc. During the Reporting Period, the Group's revenue from the city services was approximately RMB37.5 million, representing an increase of 32.0% as compared to that of approximately RMB28.4 million for the corresponding period in 2023.

II. OUTLOOK AND STRATEGY

The Group is committed to becoming a better life and smart city service provider, and has always adhered to the original intention of providing customers with “satisfaction + surprise” and worked hard to move forward. In the second half of 2024, the Group shall continue to improve its product strength, organizational strength, operational strength, digital science strength and brand strength to ensure service standardization, product standardization, product branding and brand value. The Group shall adhere to the bottom line of safety in projects, the property owner and the employees, the bottom line of providing services with quality corresponding to price and of providing the best price, the bottom line of standardization of service products, the bottom line of the performance of employees and the bottom line of business performance. Efforts will be made to expand the non-residential property and city services business lines horizontally, in order to gradually realize the balanced development trend of the three pillars of “Joyful Living” (悦生活) (for residential properties), “Joyful Commercial Property Management” (悦商管) (for non-residential properties) and “Joyful City Service” (悦城服) (for city service). The vertical industry sector will be deeply cultivated and incubated, in order to realize the service ecology with the characteristics of the Group with people as the core.

Under the clear strategic layout of the Group, it will be able to continue to increase its market capitalization by rapidly expanding its scale, securing contracted GFA as well as expanding the portion of the GFA from third party property developers, the portion of non-residential properties and the scale of city services, and thereby calmly responding to the intensive competition in the capital market and generating returns to the Shareholders, customers and employees of the Company.

III. FINANCIAL REVIEW

Revenue

The Group's revenue was mainly generated from four major businesses: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) city services. During the Reporting Period, the Group's revenue was approximately RMB487.3million, representing an increase of 9.5% as compared to approximately RMB444.9 million for the corresponding period in 2023.

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

	Six months ended June 30,			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	335,036	68.7	282,719	63.5
Value-added services to non-property owners	56,864	11.7	59,554	13.4
Community value-added services	57,887	11.9	74,264	16.7
City services	37,486	7.7	28,402	6.4
Total	487,273	100.0	444,939	100.0

Property management services

During the Reporting Period, the Group's revenue from the provision of property management services amounted to approximately RMB335.0 million, representing an increase of 18.5% as compared to approximately RMB282.7 million for the corresponding period in 2023, 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 RMB56.9 million, representing a decrease of 4.5% as compared to approximately RMB59.6 million for the corresponding period in 2023. The decrease in revenue from value-added services to non-property owners was due to the shrinking of real estate business under the influence of policies.

Community value-added services

During the Reporting Period, the Group's revenue from the provision of community value-added services amounted to approximately RMB57.9 million, representing a decrease of 22.1% as compared to approximately RMB74.3 million for the corresponding period in 2023. The decrease in the revenue from community value-added services was mainly due to factors such as the domestic economy downturn, which led to a downward trend in overall business demand for community value-added services. As a result, the revenue from the Group's

home-living services and asset operation services was decreased.

City services

During the Reporting Period, the Group's revenue from the city services amounted to approximately RMB37.5million, representing an increase of 32.0% as compared to approximately RMB28.4 million for the corresponding period in 2023, which was mainly due to the increase in business volume of the city services.

Cost of sales

The Group's cost of sales primarily consists of employee benefit expenses, 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 RMB381.7 million, representing an increase of approximately 14.6% as compared to approximately RMB333.0 million for the corresponding period in 2023. The increase in cost of sales was mainly in line with the increase in revenue from the provision of property management services.

Gross profit and gross profit margin

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

	Six months ended June 30,			
	2024		2023	
	Gross profit	Gross profit	Gross profit	Gross profit
	RMB'000	margin	RMB'000	margin
		%		%
Property management services	71,580	21.4	66,881	23.7
Value-added services to non-property owners	11,624	20.4	17,649	29.6
Community value-added services	17,648	30.5	24,517	33.0
City services	4,695	12.5	2,923	10.3
Total	105,547	21.7	111,970	25.2

During the Reporting Period, the Group's gross profit margin was 21.7%, representing a decrease of 3.5% as compared to 25.2% for the corresponding period in 2023, which was mainly due to the decrease in business volume of the provision of value-added services to non-property owners and a significant decline in gross profit margin.

During the Reporting Period, the gross profit margin of property management services was 21.4%, representing a slightly decrease from 23.7% for the corresponding period in 2023, which was mainly because the Company has increased the salaries of some grassroots employees in certain business lines to improve employee satisfaction.

During the Reporting Period, the gross profit margin of value-added services to non-property owners was 20.4%, representing a decrease of 9.2% as compared to 29.6% for the corresponding period in 2023, which was mainly due to the decrease in business volume of the provision of value-added services to non-property owners because of the reduction of newly opened marketing centers and new development projects.

During the Reporting Period, the gross profit margin of community value-added services was 30.5%, representing a slightly decrease from 33.0% for the corresponding period in 2023, which was mainly due to the decline in the real estate market and the decrease in profits from the sales of asset business.

During the Reporting Period, the gross profit margin of city services was 12.5%, representing a slightly increase from 10.3% for the corresponding period in 2023, which was mainly due to the improvement in management performance brought about by the increase in business volume of the city services.

Other income

During the Reporting Period, the Group's other income amounted to approximately RMB3.6 million, representing a decrease of 51.6% as compared to approximately RMB7.5 million for the corresponding period in 2023. The decrease was mainly due to a reduction in government subsidies received during the Reporting Period.

Selling and marketing expenses

During the Reporting Period, the Group's selling and marketing expenses amounted to approximately RMB4.3 million, representing a decrease of 19.0% as compared to approximately RMB5.3 million for the corresponding period in 2023. The decrease was mainly due to the implementation of effective cost control measures by the Group.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB23.9 million, representing a decrease of 17.8% as compared to approximately RMB29.1 million for the corresponding period in 2023, mainly due to a reduction in legal and professional fees during the Reporting Period.

Income tax expenses

During the Reporting Period, the Group's income tax expenses amounted to approximately RMB15.9 million, representing an increase of 3.5% as compared to approximately RMB15.4 million for the corresponding period in 2023.

Profit for the period

During the Reporting Period, the Group's profit amounted to approximately RMB53.3 million, representing a decrease of 10.4% as compared to that of approximately RMB59.5 million for the corresponding period in 2023. Net profit margin was 10.9%, representing a decrease of 2.5% from 13.4% for the corresponding period in 2023. Profit for the Reporting Period attributable to owners of the Company was approximately RMB42.8 million, representing a decrease of 15.8% as compared to that of approximately RMB50.9 million for the corresponding period in 2023.

Liquidity, reserves and capital structure

The Group maintained a stable financial position and the Group has sufficient capital during the Reporting Period. As at June 30, 2024, the current assets amounted to approximately RMB1,154.8 million, representing an increase of approximately 8.0% as compared to that of approximately RMB1,069.2 million for 2023. The Group's cash and cash equivalents were mostly denominated in RMB and amounted to RMB337.1 million, representing a slightly decrease from RMB355.7 million as at December 31, 2023. The Group's current ratio (current assets divided by current liabilities) as at June 30, 2024 was 2.0, representing a slightly decrease from approximately 2.2 as at December 31, 2023. The asset-liability ratio (total liabilities divided by total assets) as at June 30, 2024 was 43.7%, representing a slightly increase from 39.0% as at December 31, 2023.

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 of June 30, 2024, the Group did not have any bank loans and other loans and the gearing ratio was nil (December 31, 2023: nil).

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

Trade and other receivables

As at June 30, 2024, the Group's trade and other receivables amounted to approximately RMB778.4 million, representing an increase of 12.7% from approximately RMB690.5 million as at December 31, 2023, which was mainly attributable to the increase in revenue from property management services.

Trade and other payables

As at June 30, 2024, the Group's trade and other payables amounted to approximately RMB360.9 million, representing an increase of 14.9% from approximately RMB314.0 million as of December 31, 2023, which was due to the increase in dividend 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, 2024.

PLEDGE OF ASSETS

In May 2020, Henan Dingfeng Property Service Co., Ltd. (河南鼎峰物業服務有限公司) (“**Dingfeng Property**”), whose 51% equity interests were acquired by the Group in October 2021, i.e. the “**Dingfeng Acquisition**”) has provided a guarantee (the “**Dingfeng-Pingdingshan Guarantee**”) for the loan repayment obligation of Pingdingshan Yufu Trading Co., Ltd. (平頂山市裕富商貿有限公司) (“**Yufu Trading**”), in favour of Henan Wugang Rural Commercial Bank Co., Ltd. (河南舞鋼農村商業銀行股份有限公司). The loan amount was RMB30,000,000. The loan was also secured by third parties’ pledging of assets valued at around RMB18,000,000. Further, prior to the Dingfeng Acquisition, Henan Jiatian Industrial Group Co., Ltd. (河南佳田實業集團有限公司) (“**Jiatian**”), an independent third party, also executed a counter-guarantee (the “**Dingfeng-Pingdingshan Counter-guarantee**”) to indemnify Dingfeng Property against any loss as a result of the Dingfeng-Pingdingshan Guarantee. As a measure to shield the Group against any loss as a result of the Dingfeng-Pingdingshan Guarantee, under the agreement for the Dingfeng Acquisition, the Group would be entitled to acquire at no additional cost the remaining 49% equity interest in Dingfeng Property to cover any losses as a result of the Dingfeng-Pingdingshan Guarantee.

Due to the default of Yufu Trading, the bank accounts of Dingfeng Property were frozen by the court on February 9, 2023. In July 2023 and August 2023, an aggregate of approximately RMB12.5 million in the frozen bank account has been enforced. In fulfilling its obligations under the Dingfeng-Pingdingshan Counter-guarantee and compensate the Group for its loss of the bank deposits of approximately RMB12.5 million, Jiatian transferred certain car parking spaces to the Group. Avista Business Consulting Co., Ltd., an independent professional valuer engaged by the Group, confirmed that the fair value of the said car parking spaces is RMB15.5 million as of December 31, 2023.

Save as disclosed above, as at June 30, 2024, the Group has not provided other guarantees.

CONTINGENT LIABILITIES

As of June 30, 2024, the Group did not have any material contingent liabilities and capital commitments.

MATERIAL ACQUISITIONS AND DISPOSALS

The Company does not have major investments, material acquisitions or disposals of subsidiaries, associates and joint ventures held as at June 30, 2024, nor are there any plans for significant investments or additions to capital assets as authorized by the Board.

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 of the Company dated June 29, 2021 (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 of June 30, 2024, the Group had a total of 2,108 employees (June 30, 2023: 1,965). The Group’s employee benefit expenses (including Director’s emoluments) amounted to RMB106.2 million for the six months ended June 30, 2024 (six months ended June 30, 2023: RMB95.9 million).

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 their 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 and the total net proceeds from the global offering, after deduction of the listing expenses, amounted to approximately HK\$628.9 million.

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. The following table sets forth the status of use of net proceeds from the global offering as of June 30, 2024:

Purposes	Percentage of total amount (approximate)	Net proceeds as disclosed in the Prospectus (HK\$ million)	Unutilised amount as of December 31, 2023 (HK\$ million)	Actual use of proceeds for the Reporting Period (HK\$ million)	Unutilised amount as of June 30, 2024 (HK\$ million)	Expected timeline for the use of proceeds
Pursue selective strategic investment and acquisition opportunities to further develop strategic cooperation and expand our business scale	65%	408.8	319.4	0.5	318.9	By December 2025
Invest in our intelligent operational and internal management systems to improve service quality and customer experience	10%	62.9	41.9	2.6	39.3	By December 2025
Enrich and expand our service and type of product offerings to develop our diverse business line	15%	94.3	0.6	0	0.6	By December 2025
Working capital and other general corporate purposes	10%	62.9	2.1	0	2.1	By December 2025
Total	100%	628.9	364.0	3.1	360.9	

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 2025.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

References are made to the announcements of the Company dated July 7, 2024 and August 18, 2024 (the “**Announcements**”). Terms used herein shall have the same meanings as those defined in the Announcements unless otherwise specified.

According to the Announcements, the Intermediate People’s Court of Zhengzhou City, Henan Province* (河南省鄭州市中級人民法院) (the “**Court**”) has accepted the case filed by a bank (the “**Bank**”) in the People’s Republic of China as the plaintiff against Kangqiao Yueshenghuo Service Group Co., Ltd., a wholly-owned subsidiary of the Company (the “**Subsidiary**”), under the Purported Promissory Letter (the “**Case**”). The Case is scheduled to be heard on August 28, 2024, and the Bank has applied to the Court for property preservation. The Company, through its PRC legal advisors, will proactively defend the Case. Mr. Song, being the controlling shareholder of the Company, the non-executive Director and chairman of the Board, has agreed to fully compensate and indemnify any loss that may be suffered or incurred by the Group in relation to the Case. Details of the Purported Promissory Letter and the Case are set out in the Announcements.

As at the date of this announcement, the Case has been postponed and the specific court date has not been determined yet.

Saved as disclosed above, there have been no other material events from June 30, 2024 to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its code of governance. During the Reporting Period, the Company has complied with all applicable principles and code provisions under the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

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 C3 to the Listing Rules (the “**Model Code**”) as the code for dealing in the securities of the Group by the Directors. After specific enquiries made to all Directors, each of the Directors have confirmed their compliance with the required standard set out in the Model Code during the Reporting Period.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Board has established an audit committee of the Company (the “**Audit Committee**”) in accordance with the CG Code which consisted of one non-executive Director, namely Mr. SONG Gewei; and two independent non-executive 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 interim condensed consolidated results of the Group for the six months ended June 30, 2024 together with the Board, and confirmed that the unaudited interim condensed consolidated results of the Group for the six months ended June 30, 2024 have complied with all applicable accounting principles, standards and requirements, and that sufficient disclosures has been made.

PUBLICATION OF INTERIM RESULTS AND 2024 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kqysh.com.cn). The interim report of the Company for the six months ended June 30, 2024 will be dispatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, August 28, 2024

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 the executive Directors; and Dr. LI Haitao, Dr. FAN Yun and Mr. WONG Yun Pun as the independent non-executive Directors.

**For identification purpose only*