



泓盈城市運營服務集團股份有限公司
HOLLWIN URBAN OPERATION SERVICE GROUP CO., LTD

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

Stock Code: 2529

2024 INTERIM REPORT



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Xie Yi (謝毅) (*Chairman*)
Mr. Yan Yongxiang (顏永翔)
Mr. Duan Wenming (段文明)
Mr. Wong Kwok Fu (王國賦)

Non-Executive Director

Mr. Yu Xiao (余效)

Independent Non-Executive Directors

Ms. Chan Ka Lai Vanessa (陳嘉麗)
Dr. Dai Xiaofeng (戴曉鳳)
Mr. Tse Chi Wai (謝志偉)

SUPERVISORS

Mr. Huang Guohui (黃國輝)
Ms. Peng Juanjuan (彭娟鵬)
Ms. Xiao Mingxi (肖名希)

AUDIT COMMITTEE

Ms. Chan Ka Lai Vanessa (陳嘉麗) (*Chairlady*)
Mr. Yu Xiao (余效)
Mr. Tse Chi Wai (謝志偉)

REMUNERATION AND EVALUATION COMMITTEE

Dr. Dai Xiaofeng (戴曉鳳) (*Chairlady*)
Mr. Yan Yongxiang (顏永翔)
Ms. Chan Ka Lai Vanessa (陳嘉麗)

NOMINATION COMMITTEE

Mr. Xie Yi (謝毅) (*Chairman*)
Dr. Dai Xiaofeng (戴曉鳳)
Mr. Tse Chi Wai (謝志偉)

AUTHORISED REPRESENTATIVES

Mr. Wong Kwok Fu (王國賦)
Mr. Lam Kang Chi (林庚揮)

JOINT COMPANY SECRETARIES

Mr. Wong Kwok Fu (王國賦)
Mr. Lam Kang Chi (林庚揮)

AUDITOR

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FINANCIAL SUMMARY

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	
Revenue	311,609	314,742
Gross profit	86,675	78,272
Profit and total comprehensive income	38,050	37,709
Profit and total comprehensive income attributable to equity shareholders of the Company	38,177	37,709
Basic and diluted earnings per shares (RMB)	0.29	0.31

Revenue of the Group remained relatively stable at RMB311.6 million for the six months ended June 30, 2024 (the “Reporting Period”) (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, the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a state-owned urban service and operation provider with headquarters in Changsha, Hunan Province, the Group provides a wide spectrum of services for its customers, forming a cohesive business layout rooted in urban area. With business operations primarily based in Changsha, the Group has established a solid market presence and built a reputation in local market.

During the six months ended June 30, 2024, the Group derived revenue primarily from three business lines: (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 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 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 a "Leading Enterprise of Characteristic Property Service in China 2024" (2024中國特色物業服務領先企業) by CIA.

Project portfolio

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

	For the period or as of June 30,					
	2024			2023		
	Project number	GFA under management (million sq.m.)	Revenue (RMB'000)	Project number	GFA under management (million sq.m.)	Revenue (RMB'000)
Property management services	73	10.9	134,432	64	10.1	103,940
Urban services	200 ⁽¹⁾	N/A ⁽²⁾	146,831	188	N/A	180,510
Commercial operation services	57	0.8	30,346	50	0.8	30,292
Total	330	11.7	311,609	302	10.9	314,742

Notes:

(1) Landscaping and engineering projects are one-off in nature, and the number listed refers to the number of completed projects.

(2) Urban service projects are not measured by GFA.

MANAGEMENT DISCUSSION AND ANALYSIS

Property management services – accounting for approximately 43.1% of total revenue

The Group provides public property management services, commercial property management services and residential property management services. Public properties mainly include civic squares, parks and scenic spots, urban exhibition halls, government office buildings, and schools. Commercial properties mainly include commercial office buildings, commercial complexes, and sales centres. Residential properties mainly include residences and apartments. In addition, the Group also provides a wide range of value-added services, such as air conditioner cleaning services and decoration management services, for property owners, property developers, residents, and tenants.

The following table sets forth the number of projects under management, GFA under management, and revenue from the Group's property management services by property type for the periods or as of the dates indicated:

	For the period or as of June 30,					
	2024			2023		
	Project number	GFA under management (sq.m.'000)	Revenue (RMB'000)	Project number	GFA under management (sq.m.'000)	Revenue (RMB'000)
Public properties	21	6,922	41,257	23	7,116	35,304
Commercial properties	36	2,254	64,454	30	1,944	52,261
Residential properties	16	1,731	11,990	11	1,044	2,428
Value-added services	N/A	N/A	16,731	N/A	N/A	13,947
Total	73	10,907	134,432	64	10,104	103,940

In the first half of 2024, the Group achieved continuous improvement in market expansion. As of June 30, 2024, the Group had 73 property management service projects under management in total, with an increase of nine projects compared to June 30, 2023. The GFA under management of the Group's property management services was approximately 10.9 million sq.m. as of June 30, 2024, representing a year-on-year increase of 7.9%. During the Reporting Period, the Group's revenue from property management services amounted to approximately RMB134.4 million, representing an increase of 29.3% as compared to the same period in 2023, mainly due to the increase in project number and GFA under management.

CSUD Group has developed a diversified portfolio of high-quality properties, including but not limited to, public infrastructure and facilities, such as office buildings, cultural parks, and exhibition centers. The Group's long-standing relationship with CSUD Group has driven its development since its inception and laid the foundation for its continuous growth.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the number of projects under management, GFA under management, and revenue from the Group's property management services by project source for the periods or as of the dates indicated:

	For the period or as of June 30,					
	2024			2023		
	Project number	GFA under management (sq.m.'000)	Revenue (RMB'000)	Project number	GFA under management (sq.m.'000)	Revenue (RMB'000)
CSUD Group and its associates	50	4,216	95,907	45	3,620	74,049
Independent Third Parties	23	6,691	38,525	19	6,484	29,891
Total	73	10,907	134,432	64	10,104	103,940

During the Reporting Period, a majority of property management service projects under management were sourced from CSUD Group and its associates. As of June 30, 2024, the number of projects sourced from CSUD Group and its associates was 50, while the number of projects sourced from Independent Third Parties was 23, representing an increase of five and four projects compared to June 30, 2023, respectively. The GFA under management of projects sourced from CSUD Group and its associates was approximately 4.2 million sq.m., while the GFA under management of projects sourced from Independent Third Parties was approximately 6.7 million sq.m., representing a year-on-year increase of 16.5% and 3.2%, respectively. During the Reporting Period, the revenue from projects sourced from CSUD Group and its associates amounted to approximately RMB95.9 million, while the revenue from projects sourced from Independent Third Parties amounted to approximately RMB38.5 million, representing a year-on-year increase of 29.5% and 28.9%, respectively. The increases were primarily due to the fact that the Group enhanced its efforts in market expansion by utilizing the business resources of CSUD Group and actively exploring business opportunities with Independent Third-Party customers.

Since its inception, the Group has been deeply rooted in Changsha, Hunan Province. Its long-term intensive cultivation in Hunan Province has enabled the establishment of a robust regional service network in certain areas, and it has become one of the most prominent property management service providers in the local market.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the number of projects under management, GFA under management, and revenue from the Group's property management services by region for the periods or as of the dates indicated:

	For the period or as of June 30,					
	2024			2023		
	Project number	GFA under management (sq.m.'000)	Revenue (RMB'000)	Project number	GFA under management (sq.m.'000)	Revenue (RMB'000)
Hunan Province (Changsha)	70	10,357	131,850	63	9,588	101,252
Jiangxi Province (Pingxiang)	1	– ⁽¹⁾	165	1	516	2,688
Guizhou Province (Guiyang)	2	550	2,417	0	0	0
Total	73	10,907	134,432	64	10,104	103,940

Note:

(1) For this specific commercial property management service project located in Jiangxi Province, GFA was not specified in its contract.

As of June 30, 2024, the Group managed 70 properties with an aggregate GFA under management of approximately 10.4 million sq.m. in Hunan Province. During the Reporting Period, the revenue generated from Hunan Province amounted to approximately RMB131.9 million, representing 98.1% of its total revenue from property management services. Meanwhile, in the first half of 2024, the Group expanded into the property management service market in Guizhou Province, managing two projects with a total revenue of approximately RMB2.4 million.

Urban services – accounting for approximately 47.2% of 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the number of projects under management and revenue from the Group's urban services by service type for the periods or as of the dates indicated:

	For the period or as of June 30,			
	2024		2023	
	Project number	Revenue (RMB'000)	Project number	Revenue (RMB'000)
Landscaping and engineering	53 ⁽¹⁾	65,394	39	99,069
Lighting system operation	4	30,953	4	34,672
Parking lot operation	140	21,895	142	22,915
Municipal sanitation services	3	28,589	3	23,854
Total	200	146,831	188	180,510

Note:

(1) Landscaping and engineering projects are one-off in nature, and the number listed refers to the number of completed projects.

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.

Landscaping and engineering

Taking modern city landscaping and engineering as one of its foci in urban services, the Group is a landscaping construction provider integrating (i) landscaping, mainly including landscape greening, scenery, garden water application, garden electricity application, garden road engineering, landscape structures, and rooftop greening; and (ii) engineering, mainly including garbage disposal, heat pipe engineering and hard paving of surface parking lots. As of June 30, 2024, the Group completed 53 landscaping and engineering projects, an increase of 14 projects compared to June 30, 2023.

Lighting system operation

The Group's lighting system operation is divided into two categories, landscape lighting operation and functional lighting operation. Landscape lighting mainly refers to the lighting of scenic spots, high-rise buildings, and other places within the urban planning area, with the primary purpose to enhance the cultural and artistic atmosphere of the city. Functional urban lighting mainly refers to the lighting of public areas such as roads, tunnels, bridges, and squares within the urban planning area, with the primary purpose to improve the safety and convenience of the city. As of June 30, 2024, the Group had been providing services for four lighting system operation projects, remaining stable as compared to June 30, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Parking lot operation

The Group is mainly engaged in the operation and management of stand-alone public parking lots on the ground, underground, and under bridge. According to its business operation, the Group divides the parking lot operation into two models: self-operation and leasing to other entities or individuals. By utilizing abundant site resources, including geographical advantages and economies of scale, the Group can meet the needs of different users and bring stable business opportunities. As of June 30, 2024, the Group had been providing services for 140 parking lot operation projects, remaining stable as compared to June 30, 2023.

Municipal sanitation services

Leveraging its advantages built on providing traditional property management services, the Group has been exploring, investigating and developing in the fields of municipal sanitation and environmental sanitation, forming a competitive urban operation service pattern. The municipal sanitation services the Group provides mainly include road cleaning, sweeping and upkeep, and cleaning of bus stops and signage. The Group also provides services of cleaning, collection and transportation of urban domestic waste. As of June 30, 2024, the Group had been providing services for three municipal sanitation projects, remaining stable as compared to June 30, 2023.

Commercial operation services – accounting for approximately 9.7% of 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.

As of 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 because the Group deepened the cooperation relationships with its existing customers and increased market expansion efforts.

As of 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.

During the Reporting Period, the Group's revenue from commercial operation services remained stable at RMB30.3 million as compared to the same period in 2023, primarily due to the fact that the new projects undertaken by the Group in the first half of 2024 were delivered in April and May 2024 and only a small amount of revenue was recognized from such new projects for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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 labor-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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group generated revenue from the provision of three business segments, namely (i) property management services; (ii) urban services; and (iii) commercial operation services. The following table sets forth is a breakdown of revenue by types of services during the periods indicated:

	For the six months ended June 30,			
	2024		2023	
	RMB'000	%	RMB'000	%
	(Unaudited)			
Property management services	134,432	43.1	103,940	33.0
Urban services	146,831	47.2	180,510	57.4
Commercial operation services	30,346	9.7	30,292	9.6
Total	311,609	100.0	314,742	100.0

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 million 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the fact that the Group recovered long-aged trade receivables and contract assets that were provided for impairment on an individual basis, leading to a reduction in expected loss rates.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

As at June 30, 2024, the gearing ratio of the Group was 114.4% (December 31, 2023: 154.1%), which represents the total liabilities of the Group divided by total equity of the Group as of the respective date and multiplied by 100%.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000 (Unaudited)	2023 RMB'000
Additions to purchase of property, plant and equipment	1,836	3,771
Capital contribution to a joint venture	–	510
Total	1,836	4,281

Contingent liabilities

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

Charges on group assets

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

Significant investments, material acquisitions and disposal and future plans

During the Reporting Period, the Group did not have any significant investments, material acquisitions and disposals.

Except for the expansion plans disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Company's Prospectus dated May 8, 2024, there were no significant investments or acquisition of capital assets authorized by the Board as of the date of this report, and the Group will continue to identify new opportunities for business development.

MANAGEMENT DISCUSSION AND ANALYSIS

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 with a nominal value of RMB1.00 each and an aggregate nominal value of RMB40,000,000 (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, with the net price per share of approximately HK\$2.2. Such proceeds have been and will continue to be applied in the manner consistent with that in the Prospectus:

Usage	% of total net proceeds	Planned allocation of net proceeds HK\$ million (approximately)	Utilized net proceeds up to the date of this report HK\$ million (approximately)	Unutilized net proceeds up to the date of this report HK\$ million (approximately)	Expected timeline for full utilization 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	

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, there has been no material change in the actual use of the net proceeds from the intended use.

Share option scheme

During the period from the Listing Date up June 30, 2024, the Group has no share option scheme.

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.

Events after the Reporting Period

With reference to the interim results announcement of the Company dated August 26, 2024 and 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. The proposed distribution of the special dividend was approved by the Shareholders at the extraordinary general meeting of the Company held on September 27, 2024. Save for the special dividend, no significant event has occurred since the end of the Reporting Period and up to the date of this report.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

The Company has complied with the applicable code provisions of the CG Code as set out in Part 2 of Appendix C1 to the Listing Rules and adopted the code provisions of the CG Code as its corporate governance policy.

During the period from the Listing Date to June 30, 2024, the Company has complied with all the principles and applicable code provisions contained in Part 2 of the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules to regulate all dealings by the Directors, the Supervisors and relevant employees of securities in the Company and other matters covered by the Model Code since the Listing Date. Having made specific enquiry with all the Directors and Supervisors of the Company, all the Directors and Supervisors confirmed that they have strictly complied with the required standards set out in the Model Code during the period from the Listing Date to the date of this report.

CHANGES IN DIRECTORS' INFORMATION

The Directors of the Company are not aware of any change in directors' information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the Listing Date.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, during the Reporting Period and as at the date of this report, the Company maintained sufficient public float in compliance with the Listing Rules.

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period and up to the date of this report, no member of the Group was involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

AUDIT COMMITTEE

The Board has established an Audit Committee, which comprises two independent non-executive Directors and one non-executive Director, namely, Ms. Chan Ka Lai Vanessa (chairlady of the Audit Committee), Mr. Tse Chi Wai and Mr. Yu Xiao. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

OTHER INFORMATION

The Audit Committee has considered and reviewed, with no disagreement, with the management the unaudited interim consolidated results for the six months ended June 30, 2024 and this interim report, and confirmed that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee considers that the interim consolidated results for the six months ended June 30, 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SPECIAL DIVIDEND AND EXTRAORDINARY GENERAL MEETING

With reference to the interim results announcement of the Company dated August 26, 2024 and 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 report, 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 recommendation was approved by the Shareholders at the extraordinary general meeting of the Company held on September 27, 2024 (the "EGM"). For 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, please refer to the circular dated September 11, 2024 of the Company in relation to the EGM.

INTERESTS AND SHORT POSITIONS OF EACH OF OUR DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of June 30, 2024, none of the Directors, Supervisors or the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of June 30, 2024, to the best knowledge of the Directors, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder/ Ultimate Controller	Nature of interest ¹	Type of Shares	Number of Shares held	Approximate percentage of shareholding in the relevant type of Shares ²	Approximate percentage of shareholding in the total issued Shares of the Company ³
CSUDGCL	Beneficial owner	Unlisted Shares	114,000,000	95%	71.25%
	Interest held by a controlled corporation ⁴	Unlisted Shares	6,000,000	5%	3.75%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner ⁵	H Shares	3,613,000	9.03%	2.26%
RAYS Capital Partners Limited	Investment manager ⁵	H Shares	3,613,000	9.03%	2.26%
RUAN David Ching Chi	Interest held by a controlled corporation ⁵	H Shares	3,613,000	9.03%	2.26%

Notes:

- All interests stated are long positions.
- The calculation is based on a total number of 160,000,000 Shares in issue (including 120,000,000 Unlisted Shares and 40,000,000 H Shares) as of June 30, 2024.
- The calculation is based on the total number of 160,000,000 Shares in issue as of June 30, 2024.
- Yuelushan Company is indirectly wholly-owned by CSUDGCL. Accordingly, CSUDGCL is deemed to be interested in such Shares held by Yuelushan Company for the purpose of the SFO.
- Based on publicly available information, RAYS Capital Partners Limited is the investment manager of Asian Equity Special Opportunities Portfolio Master Fund Limited. RUAN David Ching Chi holds 45.6% equity interests in RAYS Capital Partners Limited. Accordingly, RUAN David Ching Chi and RAYS Capital Partners Limited are deemed to be interested in such Shares held by Asian Equity Special Opportunities Portfolio Master Fund Limited for the purpose of the SFO.

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT



**Review report to the board of directors
of Hollwin Urban Operation Service Group Co., Ltd**
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 43 which comprises the consolidated statement of financial position of Hollwin Urban Operation Service Group Co., Ltd (the “**Company**”) as of 30 June 2024 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 August 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	3	311,609	314,742
Cost of sales		(224,934)	(236,470)
Gross profit		86,675	78,272
Other net income	4(e)	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	4(a)	908	858
Finance costs	4(b)	(11)	(3)
Profit before taxation		50,932	50,142
Income tax	5	(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 share			
Basic and diluted	6	0.29	0.31

The notes on pages 29 to 43 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 13.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

(Expressed in Renminbi)

		At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
	Note		
Non-current assets			
Property, plant and equipment	7	16,822	17,971
Intangible assets		64	83
Interest in joint ventures		13,261	13,080
Interest 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
		53,573	53,834
Current assets			
Inventories	8	4,628	4,152
Contract assets	12	268,596	249,703
Prepayments, trade and other receivables	9	128,015	125,182
Tax recoverable		1,078	2,434
Restricted bank deposits	10	4,063	4,579
Cash and cash equivalents	10	346,085	210,210
		752,465	596,260
Current liabilities			
Trade and other payables	11	398,573	359,698
Contract liabilities	12	19,461	18,475
Lease liabilities		504	30
Current taxation		9,340	13,905
		427,878	392,108
Net current assets		324,587	204,152
Total assets less current liabilities		378,160	257,986

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited
(Expressed in Renminbi)

		At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
	<i>Note</i>		
Non-current liabilities			
Lease liabilities		132	–
Deferred income		1,996	2,132
		2,128	2,132
NET ASSETS		376,032	255,854
CAPITAL AND RESERVES	13		
Share capital		160,000	120,000
Reserves		216,032	135,854
Total equity attributable to equity shareholders of the Company		376,032	255,854
Non-controlling interests		–	–
TOTAL EQUITY		376,032	255,854

The notes on pages 29 to 43 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							Total equity RMB'000
	Note	Share capital	Share premium	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2023		120,000	–	5,605	60,071	185,676	–	185,676
Changes in equity for the six months ended 30 June 2023:								
Profit and total comprehensive income for the period		–	–	–	37,709	37,709	–	37,709
Balance at 30 June 2023 and 1 July 2023		120,000	–	5,605	97,780	223,385	–	223,385
Changes in equity for the six months ended 31 December 2023:								
Profit and total comprehensive income for the period		–	–	–	32,469	32,469	–	32,469
Appropriation for statutory surplus reserve		–	–	333	(333)	–	–	–
Balance at 31 December 2023		120,000	–	5,938	129,916	255,854	–	255,854
Balance at 1 January 2024		120,000	–	5,938	129,916	255,854	–	255,854
Changes in equity for the six months ended 30 June 2024:								
Profit and total comprehensive income for the period		–	–	–	38,177	38,177	(127)	38,050
Issuance of shares by initial public offering	13(b)	40,000	42,001	–	–	82,001	–	82,001
Capital contribution receivable from non-controlling interests		–	–	–	–	–	127	127
Balance at 30 June 2024		160,000	42,001	5,938	168,093	376,032	–	376,032

The notes on pages 29 to 43 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
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 carried forward		28,849	104,056

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Net cash generated from operating activities brought forward		28,849	104,056
Investing activities			
Payment for the 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		(921)	56,274
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 out 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)
Net cash generated from/(used in) financing activities		107,688	(31,774)
Net increase in cash and cash equivalents		135,616	128,556
Cash and cash equivalents at 1 January		210,210	123,822
Effect of foreign exchanges rates changes		259	–
Cash and cash equivalents at 30 June	10	346,085	252,378

The notes on pages 29 to 43 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

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 26 August 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 8 May 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 in 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”).

The interim financial report is unaudited, but has 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.

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*

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

- 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 30 June	
	2024	2023
	RMB'000	RMB'000
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
	309,569	312,220
Revenue from other sources		
Disaggregated by major services lines		
– sublease of commercial properties	–	10
– sublease of parking lots	2,040	2,512
	2,040	2,522
	311,609	314,742

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(ii) Information about major customers

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

	Six months ended 30 June	
	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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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				Commercial Operation		Total	
	Services		Urban Services		Services			
	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers								
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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest income from bank deposits	(908)	(858)

(b) Finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest on lease liabilities	11	3

(c) Staff costs

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Salaries, wages and other benefits	43,760	33,338
Contributions to defined contribution retirement plan	4,686	3,534
	48,446	36,872

(d) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Depreciation and amortisation		
– Property, plant and equipment	3,648	3,328
– Intangible assets	19	50
	3,667	3,378
Listing expenses	1,344	43
Cost of inventories (Note 8)	35,498	59,397

Note: Cost of inventories mainly represented raw materials, finished goods and consumables consumed during the provision of lighting system operation services and landscaping and engineering services.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

4 PROFIT BEFORE TAXATION (Continued)

(e) Other net income

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Government grants	(275)	(9)
Exchange gain	(259)	–
Gain on disposal of property, plant and equipment	(1)	(2)
Super deduction of value-added tax (“VAT”)	–	(1,287)
Surcharge for overdue tax payment	2	80
Others	(31)	(7)
	(564)	(1,225)

Note: For the six months ended 30 June 2024 and 2023, the government grants received by the Group mainly related to subsidies for staff retention and acquisition of non-current assets.

5 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	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)
	12,882	12,433

Note:

- (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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

6 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 30 June 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 30 June 2024 and 2023.

7 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals of owned assets

During the six months ended 30 June 2024, the Group acquired items of machineries with a cost of RMB1,836,000 (six months ended 30 June 2023: RMB3,771,000). Items of machineries with a net book value of RMB6,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB2,000), resulting in a gain on disposal of RMB1,000 (six months ended 30 June 2023: gain on disposal of RMB2,000).

(b) Right-of-use assets

During the six months ended 30 June 2024, the Group entered into a number of lease agreements for use of offices space, and therefore recognised the additions to right-of-use assets of RMB670,000 (six months ended 30 June 2023: nil).

8 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Consumables	4,628	4,152

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

8 INVENTORIES (Continued)

- (b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	At 30 June 2024 RMB'000	At 30 June 2023 RMB'000
Carrying amount of inventories sold or consumed	35,498	59,397

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables		
– related parties (Note 16(b))	52,348	54,888
– third parties	72,500	51,849
	124,848	106,737
Less: allowance for trade receivables	(21,040)	(22,016)
	103,808	84,721
Other receivables	12,477	10,439
Less: allowance for other receivables	(2,655)	(1,598)
Subtotal	9,822	8,841
Amounts due from related parties (Note 16(b))	1,141	585
Input VAT to be deducted	3,460	2,355
Prepayments	9,784	9,035
Prepayment for listing expenses	–	19,645
	128,015	125,182

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

9 TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis

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

Trade receivables are due when the receivables are recognised.

10 CASH AND CASH EQUIVALENTS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Cash at banks	350,148	214,789
Less: restricted bank deposits (Note)	(4,063)	(4,579)
	346,085	210,210

Note: The restricted bank deposits are guarantee deposits for future settlement of salary to the migrant workers of the Group or its suppliers as required by relevant laws and regulations, and guarantee deposits for performance letters issued by banks to customers.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

11 TRADE AND OTHER PAYABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade payables		
– related parties (Note 16(b))	24,032	21,021
– third parties	220,042	207,785
	244,074	228,806
Amounts due to related parties (Note 16(b))	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	14,886	3,619
	398,573	359,698

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

12 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

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

(b) Contract liabilities

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
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	Share premium
		RMB'000	RMB'000
Ordinary shares issued and fully paid			
At 1 January 2024	120,000,000	120,000	–
Share issued by initial public offering (Note)	40,000,000	40,000	42,001
At 30 June 2024	160,000,000	160,000	42,001

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.

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2023 and 30 June 2024.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

15 COMMITMENTS

Commitments outstanding at 30 June 2024 not provided for in the interim financial report:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contracted for investments in associate and joint ventures	6,388	6,650

16 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 30 June	
	2024 RMB'000	2023 RMB'000
Service provided to related parties		
– CSUD Group	117,168	146,997
– Associates of CSUD Group	4,497	206
	121,665	147,203
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
	10,606	8,658
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	–
	8,220	5,825

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

16 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balance with related parties

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade in nature		
Trade receivables (Note 9)		
– CSUD Group	49,457	50,038
– Associates of CSUD Group	2,891	4,850
	52,348	54,888
Contract assets (Note 12)		
– CSUD Group	125,241	122,561
– Associates of CSUD Group	3,008	2,365
	128,249	124,926
Other receivables (Note 9)		
– CSUD Group	1,110	564
– Associates of CSUD Group	31	21
	1,141	585
Prepayment for acquisition of non-current assets		
– CSUD Group	1,400	1,400
Trade in nature		
Trade payables (Note 11)		
– 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
	24,032	21,021

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

16 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balance with related parties (Continued)

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contract liabilities (Note 12)		
– CSUD Group	3,516	2,021
Lease liabilities		
– CSUD Group	421	–
Non-trade in nature (Note)		
Other payables (Note 11)		
– CSUD Group	2,564	10,008
– Associates of CSUD Group	29	–
– Huaihua Hecheng District Chengtou Property Management Co., Ltd.	262	–
	2,855	10,008

Note: For the six months ended 30 June 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.

DEFINITIONS

In this interim report, the following expressions have the meanings set out below unless the context otherwise requires:

“Audit Committee”	the audit committee of the Board
“Auditor”	KPMG, the external auditor of the Company
“Board” or “Board of Directors”	board of directors of the Company
“Board of Supervisors”	board of supervisors of the Company
“CG Code”	the Corporate Governance Code as set out in of Appendix C1 to the Listing Rules
“Changsha Municipal SASAC”	State-owned Assets Supervision and Administration Commission of Changsha Municipal People’s Government (長沙市人民政府國有資產監督管理委員會)
“China” or “the PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
“CIA”	China Index Academy (中指研究院)
“Company” or “our Company” “the Company”	Hollwin Urban Operation Service Group Co., Ltd (泓盈城市運營服務集團股份有限公司) (previously known as Changsha Pilot Property Management Co., Ltd. (長沙先導物業管理有限公司))
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, with respect to the Company, refers to CSUDGCL, CUCID Group and Yuelushan Company, which constitute a group of Controlling Shareholders, and each a “Controlling Shareholder”
“CSUD Group”	CSUDGCL and its subsidiaries, excluding our Group
“CSUDGCL”	Changsha Urban Development Group Co., Ltd. (長沙城市發展集團有限公司), which is one of our Controlling Shareholders, was established in the PRC with limited liability on September 20, 2019 and is wholly owned by Changsha Municipal SASAC as of the date of this report

DEFINITIONS

“CUCID Group”	Changsha Urban Construction Investment and Development Group Co., Ltd. (長沙市城市建設投資開發集團有限公司), one of our Controlling Shareholders, established in the PRC with limited liability on August 18, 1998, and a wholly-owned subsidiary of CSUDGCL as of the Latest Practicable Date
“Director(s)”	director(s) of the Company
“GFA”	gross floor area
“Global Offering”	an offering of 40,000,000 H Shares, comprising a final Hong Kong public offering of 12,000,000 H Shares and a final international public offering of 28,000,000 H Shares
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company and, where appropriate, its subsidiaries or, in respect of the period before the Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors, as the case may be
“H Share(s)”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards
“Independent Third Party”	a person or entity who is not considered as a connected person of our Company under the Listing Rules
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	May 17, 2024, the date on which the Shares of the Company were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Prospectus”	the prospectus of the Company dated May 8, 2024
“Reporting Period”	the six months ended June 30, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising Unlisted Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the board of Supervisors of the Company
“VAT”	Value-added tax
“Yuelushan Company”	Yuelushan Tourism Culture Development Co.,Ltd. (岳麓山旅遊文化開發有限公司), one of our Controlling Shareholders, established in the PRC with limited liability on May 27, 2009, and a wholly-owned subsidiaries of CUCID Group as of the Latest Practicable Date
“%”	per cent