HEVOL SERVICES GROUP CO. LIMITED
和泓服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6093)

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

FINANCIAL HIGHLIGHTS

- Total revenue of the Group for the six months ended 30 June 2024 increased by approximately 3.9% to approximately RMB672.0 million from approximately RMB646.8 million for the six months ended 30 June 2023.

- Gross profit of the Group for the six months ended 30 June 2024 decreased by approximately 5.4% to approximately RMB188.4 million from approximately RMB199.1 million for the six months ended 30 June 2023.

- Profit after income tax of the Group decreased by approximately 26.2% from approximately RMB73.3 million for the six months ended 30 June 2023 to approximately RMB54.1 million for the six months ended 30 June 2024.

- The Group's total GFA under management increased by approximately 9.9% from approximately 55.6 million sq.m. for the six months ended 30 June 2023 to approximately 61.1 million sq.m. for the six months ended 30 June 2024; the total contracted GFA increased by approximately 7.8% from approximately 63.7 million sq.m. for the six months ended 30 June 2023 to approximately 68.7 million sq.m. for the six months ended 30 June 2024.

The board of directors (the "**Board**" and "**Directors**" respectively) of Hevol Services Group Co. Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2024 (the "**Reporting Period**"), together with the comparative figures for the corresponding period of 2023, as follows, the results have not been audited:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	**Six months ended 30 June 2024 *RMB'000* (Unaudited)**	2023 *RMB'000* (Unaudited)
Revenue	*4*	**672,038**	646,848
Cost of sales		**(483,671)**	(447,781)
Gross profit		**188,367**	199,067
Other income and gains and losses	*5*	**3,311**	3,446
Expected credit loss ("**ECL**") allowance on trade and other receivables, net		**(23,071)**	(23,559)
Administrative expenses		**(99,678)**	(92,921)
Finance costs	*6(a)*	**(1,810)**	(229)
Share of loss of associates		**(3)**	–
Profit before income tax	*6(b)*	**67,116**	85,804
Income tax expense	*7*	**(13,007)**	(12,530)
Profit for the period		**54,109**	73,274
Other comprehensive income for the period, net of nil tax			
Items that will not be reclassified subsequently to profit or loss:			
– Exchange differences on translation of the Company's financial statements into its presentation currency		**(31)**	(290)
Total comprehensive income for the period		**54,078**	72,984
Profit for the period attributable to:			
Equity shareholders of the Company		**39,539**	54,211
Non-controlling interests		**14,570**	19,063
		54,109	73,274
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**39,508**	53,921
Non-controlling interests		**14,570**	19,063
		54,078	72,984
Earnings per share attributable to equity shareholders of the Company *(expressed in RMB cents)*			
Basic and diluted	*9*	**7.06**	9.68

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	**As at 30 June 2024** **RMB'000** **(Unaudited)**	As at 31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**21,661**	23,581
Intangible assets		**99,413**	107,146
Investment properties		**76,676**	55,005
Goodwill		**461,296**	461,296
Investments in associates		**409**	412
Other deposits		**25,329**	25,329
Deferred tax assets		**36,016**	31,572
		720,800	704,341
Current assets			
Inventories		**1,624**	1,381
Trade and other receivables	*11*	**766,175**	565,332
Financial assets at fair value through profit or loss		**2,160**	3,180
Restricted bank deposits		**–**	34
Bank balances and cash		**166,702**	378,205
		936,661	948,132
Current liabilities			
Bank borrowings		**15,500**	16,500
Contract liabilities		**314,316**	334,877
Trade and other payables	*12*	**431,756**	435,602
Lease liabilities		**11,627**	9,477
Income tax liabilities		**10,039**	9,079
		783,238	805,535
Net current assets		**153,423**	142,597
Total assets less current liabilities		**874,223**	846,938

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

	Note	**As at 30 June 2024** *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Non-current liabilities			
Bank borrowings		**35,000**	38,500
Lease liabilities		**7,053**	5,510
Deferred tax liabilities		**25,716**	25,622
		67,769	69,632
Net assets		**806,454**	777,306
EQUITY			
Share capital	*13*	**38**	38
Reserves		**736,424**	696,916
Equity attributable to equity shareholders of the Company		**736,462**	696,954
Non-controlling interests		**69,992**	80,352
Total equity		**806,454**	777,306

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

Hevol Services Group Co. Limited (the "**Company**") was incorporated in the Cayman Islands on 28 May 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively, the "**Group**") are principally engaged in the provision of property management services and related value-added services in the People's Republic of China (the "**PRC**").

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the directors, the immediate and ultimate holding company of the Company is Brilliant Brother Group Limited, a company incorporated in the British Virgin Islands ("**BVI**"). The controlling shareholder of the Group is Mr. Liu Jiang ("**Mr. Liu**" or the "**Controlling Shareholder**").

The functional currency of the Company is Hong Kong Dollars, while the interim condensed consolidated financial statements (the "**Interim Financial Statements**") are represented in Renminbi ("**RMB**"), as in the opinion of the directors of the Company, it presents more relevant information to the management who monitors the performance and financial position of the Group based on RMB. All values are rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated.

The Interim Financial statements for the six months ended 30 June 2024 were approved for issue by the board of directors on 28 August 2024 and have not been audited.

2. BASIS OF PREPARATION

These Interim Financial Statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**") and applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). These Interim Financial Statements do not include all the information and disclosures required in a complete set of financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

The Interim Financial Statements have been prepared on the historical cost basis.

The Group has not early adopted any IFRS Accounting Standards that has been issued but is not yet effective for the current accounting period. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2023 except for the adoption of the new or amended IFRS Accounting Standards as set out below:

Amended IFRS Accounting Standards adopted by the Group as at 1 January 2024

In the current period, the Group has applied for the first time the following amended IFRS Accounting Standards, which are relevant to the Group's operations and effective for the Group's Interim Financial Statements for the annual period beginning on 1 January 2024.

- Supplier Finance Arrangements (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures)*
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 *Leases*)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1 *Presentation of Financial Statements*)
- Non-current Liabilities with Covenants (Amendments to IAS 1 *Presentation of Financial Statements*)

The adoption of these amended IFRS Accounting Standards has no material impact on these Interim Financial Statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses on a year to date basis. Actual results may differ from these estimates under different assumptions and conditions. There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods.

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services and related valued-added services in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-maker (the "**CODM**"), being the executive directors of the Company. The CODM reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions.

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from external customers and recognised over time		
Property management services	**536,596**	492,628
Community value-added services	**107,676**	109,696
Value-added services to non-property owners	**19,817**	40,136
	664,089	642,460
Leasing income (not within the scope of IFRS 15)	**7,949**	4,388
	672,038	646,848

Geographical information

The major operating entities of the Group are domiciled in the PRC. As at 30 June 2024 and 31 December 2023, substantially all of the non-current assets (other than deferred tax assets) of the Group and the location of the operation to which intangible assets and goodwill allocated were located in the PRC.

Information about major customers

For the six months ended 30 June 2024, revenue from companies controlled by the Controlling Shareholder contributed 2.6% (six months ended 30 June 2023: 3.3%) of the Group's revenue. The Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the period ended 30 June 2024 and 2023.

5. OTHER INCOME AND GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Recovery of bad debts	**463**	–
Bank interest income	**241**	229
Investment income	**8**	3
Government subsidy income	**1,387**	2,043
Sundry income	**1,200**	1,130
Fair value gain on financial assets at FVTPL	**10**	–
Gain on disposal of property, plant and equipment	**–**	41
Gain on disposal of intangible assets	**25**	–
Loss on termination of leases	**(23)**	–
	3,311	3,446

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

		Six months ended 30 June	
		2024	2023
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
(a)	**Finance costs**		
	Interest expenses on lease liabilities	**472**	55
	Finance costs on interest-bearing bank borrowings	**1,338**	174
		1,810	229
(b)	**Other items**		
	Amortisation of intangible assets	**7,635**	8,406
	Depreciation of property, plant and equipment		
	– Owned assets	**2,856**	2,532
	– Right-of-use assets	**1,369**	2,494
	Depreciation of investment properties		
	– Owned properties	**926**	769
	– Sub-leased properties	**3,602**	–
	Legal and professional fees	**6,841**	6,182
	Short-term leases	**472**	507
	Write off of property, plant and equipment	**20**	–

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – PRC enterprise income tax		
Current period	**17,378**	17,022
Deferred tax		
Origination and reversal of temporary differences	**(4,371)**	(4,492)
Total income tax expense	**13,007**	12,530

Notes:

(A) CAYMAN ISLANDS INCOME TAX

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and accordingly, is exempted from Cayman Islands income tax.

(B) BVI INCOME TAX

Pursuant to the relevant rules and regulations of BVI, the Group is not subject to any income tax in BVI for the six months ended 30 June 2024 and 2023.

(C) HONG KONG PROFITS TAX

No provision for Hong Kong profits tax has been made as the Company has no assessable profits arising in Hong Kong in the current and prior periods.

(D) PRC ENTERPRISE INCOME TAX

The income tax provision of certain PRC entities of the Group has been calculated at the statutory tax rate of 25% on the estimated assessable profits for the six months ended 30 June 2024 and 2023, based on the existing legislation, interpretations and practices in respect thereof.

The preferential income tax rate applicable to certain of the Group's PRC entities within the scope of the China's Western Development Program and Hainan Free Trade Port Program was 15% for the six months ended 30 June 2024 and 2023.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group's PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the six months ended 30 June 2024 and 2023. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises are entitled to a tax concession for 75% and 50% of its taxable income for the annual taxable income of less than RMB1,000,000 and the portion that exceeds RMB1,000,000 but does not exceed RMB3,000,000 (inclusive) for the six months ended 30 June 2024 and 2023, respectively.

(E) PRC WITHHOLDING INCOME TAX

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. No dividend has been distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008 in the current and prior periods.

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to equity shareholders of the Company *(RMB'000)*	**39,539**	54,211
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**560,000**	560,000
Basic earnings per share *(expressed in RMB cents)*	**7.06**	9.68

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2024 and 2023 equals the basic earnings per share as there were no dilutive potential ordinary shares in existence during the periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group had additions to property, plant and equipment with a cost of RMB2,325,000 (six months ended 30 June 2023: RMB2,096,000). No items of property, plant and equipment were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: total carrying amount of RMB25,000 were disposed of). Items of property, plant and equipment with net book value of RMB20,000 have been written off during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Carrying amount		Depreciation	
	As at 30 June 2024	As at 31 December 2023	**For the period ended 30 June 2024**	For the year ended 31 December 2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Office premises	**1,311**	2,299	**988**	2,760
Heating facility	**189**	377	**188**	377
Staff quarters	**193**	386	**193**	404
	1,693	3,062	**1,369**	3,541

During the six months ended 30 June 2024, no additions to right-of-use assets included in property, plant and equipment (six months ended 30 June 2023: RMB703,000).

11. TRADE AND OTHER RECEIVABLES

	Note	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables	*(i)*		
– Third parties	*(ii)*	**484,432**	397,572
– Related parties		**98,457**	77,094
		582,889	474,666
Less: ECL allowance on trade receivables		**(104,973)**	(86,364)
		477,916	388,302
Other receivables			
Deposits and other receivables		**87,661**	72,685
Other deposits		**211,528**	117,301
Payment on behalf of property owners		**5,220**	5,551
Advances to employees		**3,272**	3,788
		307,681	199,325
Less: ECL allowance on other receivables		**(12,555)**	(7,235)
		295,126	192,090
Prepayments		**18,462**	10,269
		313,588	202,359
Less: Other deposits classified as non-current assets (net of ECL allowance of RMB3,709,000 (31 December 2023: RMB3,709,000))		**(25,329)**	(25,329)
		288,259	177,030
		766,175	565,332

(i) Trade receivables

Trade receivables mainly arise from property management services and value-added services.

Property management services income are received in accordance with the term of the relevant property service agreements. Service income is due for payment upon rendering of services.

As at 30 June 2024, certain of the Group's trade receivables amounted to RMB70,000,000 (31 December 2023: RMB70,000,000) were pledged as securities of the Group's bank borrowings of RMB38,000,000 (31 December 2023: RMB40,000,000).

The ageing analysis of trade receivables based on invoice date, net of ECL allowance, is as follows:

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
0 – 90 days	**118,997**	89,610
91 – 180 days	**88,074**	61,467
181 – 365 days	**104,227**	99,659
1 to 2 years	**106,774**	87,585
2 to 3 years	**37,775**	26,603
Over 3 years	**22,069**	23,378
	477,916	388,302

(ii) During the period ended 30 June 2024, certain trade debtors agreed to transfer the legal title of their owned properties to the Group in settlement of their trade receivables owed to the Group totalling RMB17,300,000 (31 December 2023: RMB6,200,000). The fair value of these properties at the dates of transfer approximates the carrying amount of these trade receivables.

12. TRADE AND OTHER PAYABLES

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables			
– Third parties	*(iii)*	**143,470**	128,400
Other payables			
Accrued charges and other payables		**115,317**	104,463
Consideration payables	*(ii)*	**6,089**	6,089
Financial guarantees issued	*(i)*	**–**	5,721
Renovation deposits collected from property owners		**57,509**	68,055
Amounts collected on behalf of property owners		**35,413**	31,008
Other tax liabilities		**32,855**	31,939
Staff costs and welfare accruals		**41,103**	59,927
		288,286	307,202
		431,756	435,602

Notes:

(i) In prior years, Guizhou Huaxin Financing Guarantee Co., Ltd ("**Guizhou Huaxin**"), an independent third party, which was engaged in provision of financial services, had entered into certain financial guarantee contracts to provide financial guarantees to independent third parties borrowers ("**Independent Borrower**") in relation to the bank borrowings obtained by the Independent Borrowers from certain PRC banks. A subsidiary of the Company, Guiyang Xinglong Property Management Co., Ltd. ("**Guiyang Xinglong**"), had also entered into financial guarantee contracts with Guizhou Huaxin and banks in PRC to provide financial guarantees to Guizhou Huaxin. Pursuant to the terms of the above guarantees, upon default of bank borrowings by the Independent Borrowers, Guizhou Huaxin and Guiyang Xinglong are jointly and severally liable for the repayment of the outstanding principal together with accrued interest and penalties (the "**Default Payment**") owed by the Independent Borrowers to banks in PRC. The guarantees periods start from the date of grant of the bank borrowings to expiry of the financial guarantee contracts. Pursuant to the sale and purchase agreement of the Group's acquisition of Guiyang Xinlong, the vendor of Guiyang Xinlong (the "**Vendor**") had undertaken to indemnify the Group against any losses arising from the litigations and claims against Guiyang Xinlong which had been incurred before the acquisition date. As at 31 December 2023, there was one financial guarantee contract outstanding with maximum exposure amounted to RMB5,721,000 and the financial liability relating to this financial guarantee contract was RMB5,721,000. According to the final court order issued in respect of this financial guarantee contract during the period, the Group had to undertake the repayment of total amount of RMB5,462,000 to banks in PRC in respect of the financial guarantee contract. The Vendor had indemnified the Group for the total loss of RMB5,462,000 undertook by the Group by cash settlement of RMB5,000,000 to the Group and the remaining balance of RMB462,000 due from the Vendor was recognised as other receivables in the consolidated statement of financial position. The over-provision of financial guarantee contract for the period ended 30 June 2024 amounted to RMB259,000 was recognised as other income in the consolidated statement of profit or loss and other comprehensive income. Accordingly, all financial guarantee contract was settled during the period and the balance became Nil as at 30 June 2024.

(ii) As at 30 June 2024 and 31 December 2023, the remaining consideration payable in respect of the acquisition of Chongqing Xinlongxin Property Management Co., Ltd. for the year ended 31 December 2022 amounted to RMB6,089,000.

(iii) Trade payables

The Group was granted by its suppliers credit periods ranging from 30 to 90 days. The ageing analysis of trade payables based on invoice date is as follows:

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
0 – 30 days	**50,203**	59,310
31 – 180 days	**65,206**	48,670
181 – 365 days	**12,089**	12,462
Over 1 year	**15,972**	7,958
	143,470	128,400

13. SHARE CAPITAL

	Number of shares	**Nominal value of shares** *United States dollars ("US$")*
Authorised:		
Ordinary shares of the Company:		
As at 1 January 2023 (audited), 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	5,000,000,000	50,000

	Number of shares	**Nominal value of shares** *US$*	**Equivalent nominal value of shares** *RMB'000*
Issued and fully paid:			
Ordinary shares of the Company:			
As at 1 January 2023 (audited), 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	**560,000,000**	**5,600**	**38**

14. SHARE OPTION SCHEME

On 14 June 2019 (the "**Adoption Date**"), the Company adopted a share option scheme (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage the selected participants to work towards enhancing the value of the Company and the shareholders as a whole.

The Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless terminated earlier by the shareholders in general meeting.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue.

No option of the Company was granted to the Company's employees and other eligible participants since the Adoption Date and up to the date of these Interim Financial Statements.

15. COMMITMENTS

(a) Lease commitments

As lessor

At the reporting date, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	As at 30 June 2024 ***RMB'000*** **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Within one year	**2,182**	1,479
After one year but within two years	**686**	686
After two years but within three years	**–**	343
	2,868	2,508

(b) Capital commitments

Capital commitments outstanding at the end of the reporting period not provided for were as follows:

	As at 30 June 2024 ***RMB'000*** **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Capital injection into certain subsidiaries	**3,910**	3,510
Capital injection into the associates	**590**	960
	4,500	4,470

16. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Statements during the period, the Group had the following material transactions with related parties:

(a) During the period, the transactions with related parties of the Group carried in the ordinary course of business were as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Companies controlled by Mr. Liu		
Provision of property management and value-added services	**17,323**	21,195

(b) Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	**2,271**	2,117
Retirement benefit scheme contributions	**244**	230
	2,515	2,347

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "**Board**") of Hevol Services Group Co. Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the interim results of the Company for the six months ended 30 June 2024.

For the six months ended 30 June 2024, the Group achieved revenue of approximately RMB672.0 million, representing an increase of approximately 3.9% over the same period in 2023; gross profit was approximately RMB188.4 million, representing a decrease of approximately 5.4% over the same period in 2023. Profit after tax amounted to approximately RMB54.1 million, representing a decrease of approximately 26.2% over the same period in 2023; earnings per share attributable to shareholders amounted to approximately RMB7.06 cents.

For the six months ended 30 June 2024, the Group managed 367 property service projects across 46 cities in 19 provinces and municipalities in China, with a total GFA under management of approximately 61.1 million sq.m., representing an increase of approximately 9.9% as compared to approximately 55.6 million sq.m. over the same period in 2023; the total contracted GFA reached approximately 68.7 million sq.m., representing an increase of approximately 7.8% as compared to approximately 63.7 million sq.m. over the same period in 2023.

In the first half of 2024, facing a turbulent and complex market situation, the Group forged ahead with determination, adhering to its original aspiration amidst market competition, continuously expanding service areas, optimizing service quality, and enhancing brand influence. The Group ranked 24th among the "2024 Top 100 Property Management Enterprises in China". Over the past 22 years, the Group achieved stable and long-term development, always adhering to the service concept of "living a happy life with Hevol", and providing high-quality and satisfactory services to property owners and customers.

IMPROVING QUALITY TO FORGE THE SOUL OF SERVICE

The Group adheres to the concept of "customer-centric" and is committed to strengthening the brand foundation through high-quality services. In the first half of the year, the Group adhered to the strategic policy of "unwavering commitment to service quality", continuously optimizing service processes and standards, and improving customer satisfaction. To this end, the Group formulated the 2024 quality and customer satisfaction improvement plan, issued a number of service standard guideline documents, and was committed to creating benchmark projects for Hevol Services. At the same time, the Group strengthened the leadership of Party building and established a co-construction and co-governance mechanism with the community. Through forms such as Party member pioneer posts and volunteer teams, it provided efficient and warm services, enriched the community's cultural life, and enhanced the residents' sense of happiness and belonging. In addition, the Group promoted the "Warm Services" model as a highlight of service enhancement. By creating the "Hevol Warm Services" brand, the Group conveyed warmth and achieved a leap from "Satisfactory Services" to "Touching Services", building a beautiful community lifestyle.

SCALE EXPANSION TO ACHIEVE WIN-WIN COOPERATION

Under the pressure of the macro environment and real estate risks faced by the property service industry, the Group actively adjusted its operational strategy to address the challenges of the current deep low-profit period in the property service industry. The Group strengthened organizational capabilities of internal expansion through diversified strategies such as market expansion, technology empowerment and digital transformation. While continuously expanding fully entrusted market, the Group adheres to the principle of shared interests and establishes an external partner mechanism, integrating resources with reputable partners, achieving rapid project expansion and continuous growth in management scale to optimize and expand projects, and composing a promising new chapter together with the partner mechanism at its core.

VALUE-ADDED SERVICES FOCUSING ON HOUSE-AND-CAR BUSINESS

The Group explicitly emphasized the importance of community value-added services in its development strategy explicitly, regarding them as a key tool for building the Group's "second growth curve". Based on the core logic of community services, the Group has established a professional value-added service team to conduct thorough research and selectively develop value-added services that align with Hevol's characteristics and meet commercial and policy logic. Strategically, based on insights into market trends and understanding of property owners' needs, the Group regarded housing and car services as core components of providing community value-added services. In areas such as house replacement, leasing, renovation, vehicle maintenance, and car agency services, the Group actively introduced advanced technology and management concepts, enhanced staff training, and refined service details to provide high-quality and convenient services to property owners. This aims to build a more comprehensive and considerate community service ecosystem, allowing property owners to enjoy a high-quality life. In addition, the Group has conducted in-depth research and gradually launched corresponding services in emerging business areas such as new energy and home-based elderly care, providing important supplements for the Group's future diversified value-added services.

Looking forward to the future, the original intention remained unchanged. Under the guidance of the strategic policy of the "four adherences", that is, "adherence to the three-year development plan, adherence of service quality as the foundation, adherence to the fully entrusted development path and adherence to the principle of benefit sharing", the Group has always made unremitting efforts to achieve one goal, namely the three-year development plan, to win the "three major battles of quality, expansion and value-adding", making rapid progress on the established track.

Finally, on behalf of the Board, I would like to take this opportunity to pay the highest respect to all shareholders, business partners, property owners, customers and suppliers who have always supported and trusted the Group! I would also like to express our most sincere gratitude to the management and all employees for their hard work and contribution to the Group.

Liu Jiang
Chairman of the Board of Directors

Hong Kong, 28 August 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is a renowned market player in the property management industry in China and has engaged in property management services for more than 22 years. The Group ranked 24th among the "2024 Top 100 Property Management Enterprises in China" by virtue of its comprehensive strength. Since 2015, the Group has been rated as one of the Top 100 Property Management Enterprises in China for consecutive years, with a comprehensive ranking rising from 85th originally to 24th currently, and the Group is considered as one of the Top 100 Property Management Enterprises in China with rapid development. In addition, the Group has been awarded many honours such as the China Top 100 Leading Property Management Enterprises in terms of Growth Potential in 2024, 2024 China Leading Property Management Enterprises in terms of Technological Capabilities, 2024 China Leading Property Services Enterprises in terms of Quality and TOP5 2024 China Listed Property Enterprises in terms of Growth Speed.

For the six months ended 30 June 2024, the Group recorded revenue of approximately RMB672.0 million, representing an increase of approximately 3.9% compared to approximately RMB646.8 million for the same period in 2023; gross profit of approximately RMB188.4 million, representing a decrease of approximately 5.4% compared to approximately RMB199.1 million for the same period in 2023; and gross profit margin of approximately 28.0%. For the six months ended 30 June 2024, the Group's profit after tax amounted to approximately RMB54.1 million, representing a decrease of approximately 26.2% compared to approximately RMB73.3 million for the corresponding period in 2023.

Property management services

The Group provides a range of property management services to property owners, residents, and property developers, including security, cleaning, greening, gardening as well as repair and maintenance services. The Group's property management portfolio focuses on serving residential communities and also involves other types of properties, such as commercial properties and government offices, schools, hospitals, industrial parks and other professional services projects.

For the six months ended 30 June 2024, the revenue from property management services amounted to approximately RMB536.6 million, representing an increase of approximately RMB44.0 million or approximately 8.9% as compared to approximately RMB492.6 million in the same period in 2023. For the six months ended 30 June 2024, revenue generated from property management services, representing approximately 79.8% of the Group's total revenue for the period.

The quality of service is the lifeline and development foundation of a property enterprise. The Group always adheres to the unwavering foundation of service quality. In the first half of the year, the Group implemented the "Five-Enjoyment Service Benchmark" in 34 property projects with different service standards across 17 cities. It increased investment in areas such as public order, infrastructure, cleaning services and green maintenance. By creating successful service cases and benchmark projects, the Group demonstrated its brand strength with tangible results, gradually achieving the quality management goals of "One Project, One Feature" and "One City, Five Benchmarks". At the same time, in order to enhance the happiness and sense of belonging of property owners, the Group has implemented the "Hevol Warm Services" model. By strengthening employees' service awareness, improving their service skills, and establishing warm service evaluation and incentive mechanisms, employees are encouraged to actively provide warm-hearted services to property owners, convey the warmth of property services, continuously optimize the soft power of Hevol Services and improve market competitiveness.

In terms of expanding fully entrusted market, the Group actively integrated resources, engaged in market competition, and successfully expanded and signed over 40 new projects. In the first half of the year, the Group has established a mechanism for external partners in market expansion, enhancing the Group's expansion capability through the organic combination of internal and external resources. At the same time, the Group strictly implemented the post-evaluation mechanism of the projects, conducted in-depth reviews of newly developed projects from operational and data perspectives, summarized experiences, ensured the quality of expansion projects, and safeguarded the continuous development of the Group.

As at 30 June 2024, the Group's property management services have expanded to 46 cities in 19 provinces and municipalities in China. For the six months ended 30 June 2024, the Group managed 367 property management projects, with a total GFA under management of approximately 61.1 million sq.m., representing an increase of approximately 9.9% as compared to approximately 55.6 million sq.m. in the same period in 2023; the number of contracted projects was 395, with a total contracted GFA of approximately 68.7 million sq.m., representing an increase of approximately 7.8% as compared to approximately 63.7 million sq.m. in the same period in 2023. It mainly covers six regions across China including Northern China, Northeastern China, Eastern China, Central China, Southwestern China and Southern China.

The table below sets out the breakdowns of (i) revenue from property management services and (ii) GFA under management classified by geographic regions which the Group provides property management services for the periods indicated:

	Six months ended 30 June							
	2024				2023			
	Revenue generated from property management services		**GFA under management**		Revenue generated from property management services		GFA under management	
	(RMB'000)	***(%)***	***('000 sq.m.)***	***(%)***	*(RMB'000)*	*(%)*	*('000 sq.m.)*	*(%)*
Northern China (1)	**70,374**	**13.1**	**6,597**	**10.8**	59,954	12.2	5,519	9.9
Northeastern China (2)	**21,992**	**4.1**	**2,395**	**3.9**	21,672	4.4	2,658	4.8
Eastern China (3)	**103,793**	**19.4**	**14,802**	**24.2**	86,618	17.6	11,126	20.0
Central China (4)	**10,344**	**1.9**	**1,492**	**2.4**	7,420	1.5	685	1.2
Southwestern China (5)	**282,195**	**52.6**	**31,187**	**51.1**	273,074	55.4	31,729	57.1
Southern China (6)	**47,898**	**8.9**	**4,616**	**7.6**	43,890	8.9	3,899	7.0
Total	**536,596**	**100.0**	**61,089**	**100.0**	492,628	100.0	55,616	100.0

Notes:

(1) "Northern China" includes Beijing, Tianjin, Tangshan and Hohhot.

(2) "Northeastern China" includes Harbin, Shenyang, Panjin and Dandong.

(3) "Eastern China" includes Shanghai, Hangzhou, Jiaxing, Wenling, Suzhou, Kunshan, Jingjiang, Jiangyin, Taixing, Xinghua, Xuzhou, Xinyi, Huaian, Jinan and Huangshan.

(4) "Central China" includes Changsha, Yiyang, Yueyang, Huaihua, Zhumadian and Zaoyang.

(5) "Southwestern China" includes Chongqing, Chengdu, Neijiang, Meishan, Guiyang, Zunyi, Qiannanzhou and Panzhou.

(6) "Southern China" includes Dongguan, Zhongshan, Foshan, Jiangmen, Huizhou, Sanya, Lingshui, Wenchang and Ledong.

The Group managed a diverse portfolio of properties, comprising primarily residential properties and to a lesser extent, non-residential properties. Non-residential properties include commercial properties and other types of professional services projects. The table below sets out the breakdowns of its: (i) revenue generated from property management services by type of properties; and (ii) total GFA under management by type of properties for the periods indicated:

	Six months ended 30 June							
	2024				2023			
	Revenue generated from property management services		**GFA under management**		Revenue generated from property management services		GFA under management	
	RMB'000	***%***	***'000 sq.m.***	***%***	*RMB'000*	*%*	*'000 sq.m.*	*%*
Residential properties	**471,857**	**87.9**	**55,627**	**91.1**	433,093	87.9	51,541	92.7
Non-residential properties	**64,739**	**12.1**	**5,462**	**8.9**	59,535	12.1	4,075	7.3
Total	**536,596**	**100.0**	**61,089**	**100.0**	492,628	100.0	55,616	100.0

Community value-added services

As an extension of the Group's property management services business, the Group provides community value-added services to property owners and residents according to their needs. The Group's community value-added services help to meet the high-quality life needs of the property owners and residents, enhance their customer experience, as well as to create a healthier and more convenient living community. The community value-added services, mainly includes home-living services, housing asset management, housing decoration and renovation services, community group purchase, online community business platform, leasing of car parking space, and leasing of common facilities.

The Group has clearly identified community value-added services as an important part of its strategic development. Through innovative business models and management strategies, it strives to improve the quality and efficiency of community life services. In the first half of the year, the Group focused on maintaining and enhancing the value of property owners' assets in property asset management, and helped property owners select suitable clients through the rental and sales platform to ensure the quality of transactions, provided comprehensive after-sales services and improved the efficiency and responsiveness of asset management. In terms of vehicle management services, under the concept of "one-stop home service", the Group provided property owners with a series of convenient services including new energy vehicle charging, vehicle cleaning, maintenance and repair, insurance agency, vehicle replacement, etc. to meet the daily needs of property owners on vehicles. Facing the challenges in business development, the Group has formulated targeted improvement measures, including strengthening assessments, focusing on products, categorization and grading and systematic operations, to ensure the implementation of business and the fulfillment of services.

As of 30 June 2024, the Group's revenue from community value-added services reached approximately RMB115.6 million, representing an increase of approximately RMB1.5 million, or approximately 1.3% as compared to approximately RMB114.1 million in the same period in 2023. For the six months ended 30 June 2024, revenue generated from community value-added services, representing approximately 17.2% of the Group's total revenue for the period.

Value-added services to non-property owners

Revolving around the needs of property developers, the Group mainly provides site services and diverse auxiliary property management services for property developers, and provides full-cycle and full-process services before property sales and delivery. Based on the professional service standards of the Group in the property management industry, it assists property developers to enhance brand value in an all-rounded way.

For the six months ended 30 June 2024, the Group's revenue from value-added services to non-property owners reached approximately RMB19.8 million, representing a decrease of approximately RMB20.3 million, or approximately 50.6% as compared to approximately RMB40.1 million in the same period in 2023. For the six months ended 30 June 2024, revenue generated from value-added services to non-property owners representing approximately 3.0% of the Group's total revenue for the period.

FUTURE OUTLOOK

The Group always adheres to the service concept of "living a happy life with Hevol", continuously promotes professional and technological development, and creates a more comfortable, beautiful, and convenient community living environment. In the future, under the guidance of the strategic policy of the "four adherences", the Group will continuously optimize service processes, improve service quality, and start from the details to ensure that every service link can achieve excellence, continuously enhance the satisfaction of property owners and customers; actively explore new market opportunities, which not only consolidating advantages in traditional residential community services but also expanding into professional service projects such as commercial, office buildings, government agencies, schools, hospitals and industrial parks, gradually enhancing the Group's comprehensive service capabilities; fully utilize technological means and big data analysis to uncover the potential needs of property owners, providing them with higher quality and more convenient living services.

FINANCIAL REVIEW

Revenue

The Group derived revenue from: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners. Overall revenue increased by approximately RMB25.2 million, or approximately 3.9% from approximately RMB646.8 million for the six months ended 30 June 2023 to approximately RMB672.0 million for the six months ended 30 June 2024. Such growth was primarily attributable to an increase in revenue from property management services by approximately RMB44.0 million, or approximately 8.9% resulting from the Group's intensification of fully entrusted market expansion effort to acquire new property service projects. The Group's total GFA under management increased by approximately 9.9% from approximately 55.6 million sq.m for the six months ended 30 June 2023 to approximately 61.1 million sq.m. in the same period of 2024, and the number of projects under management increased from 329 to 367.

The following table sets out a breakdown of the Group's total revenue by business segment for the periods indicated:

	Six months ended 30 June					
	2024		2023		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**536,596**	**79.8**	492,628	76.2	43,968	8.9
Community value-added services	**115,625**	**17.2**	114,084	17.6	1,541	1.3
Value-added services to non-property owners	**19,817**	**3.0**	40,136	6.2	(20,319)	(50.6)
Total	**672,038**	**100.0**	646,848	100.0	25,190	3.9

Property management services

Property management services primarily include the provision of security, cleaning, greening, gardening as well as repair and maintenance services to residential communities, commercial properties and other professional service projects. Revenue increased by approximately RMB44.0 million, or approximately 8.9% from approximately RMB492.6 million for the six months ended 30 June 2023 to approximately RMB536.6 million for the six months ended 30 June 2024. Such increase was primarily attributable to the increase in the total GFA under management resulting from the Group's intensification of fully entrusted market expansion effort to acquire new property service projects.

Community value-added services

Revenue from community value-added services increased by approximately RMB1.5 million or approximately 1.3% from approximately RMB114.1 million for the six months ended 30 June 2023 to approximately RMB115.6 million for the six months ended 30 June 2024. Such revenue is divided into three segments, including (i) home-living services, (ii) leasing of car parking space and (iii) leasing of common facilities, which amounted to approximately RMB27.7 million, RMB48.9 million and RMB39.0 million, respectively for the six months ended 30 June 2024. Revenue from home-living services, leasing of car parking space and leasing of common facilities amounted to approximately RMB26.6 million, RMB52.8 million and RMB34.7 million, respectively, for the six months ended 30 June 2023. Such increase was due to an increase in the number of projects under management and the Group actively developed and expanded value-added services to existing residential communities.

Value-added services to non-property owners

The Group provides a wide range of value-added services to non-property owners including site services and auxiliary property management services. Revenue from value-added services to non-property owners decreased by approximately RMB20.3 million, or approximately 50.6% from approximately RMB40.1 million for the six months ended 30 June 2023 to approximately RMB19.8 million for the six months ended 30 June 2024. Such decrease was mainly due to a decrease of site services and auxiliary property management services to property developers resulted from impact of domestic real estate market.

Cost of Sales

Cost of sales of the Group primarily comprises staff costs, sub-contracting costs, utility expenses, repairs and maintenance costs, cost of providing ancillary property management services, material costs and sales taxes. Cost of sales increased by approximately RMB35.9 million or approximately 8.0% from approximately RMB447.8 million for the six months ended 30 June 2023 to approximately RMB483.7 million for the six months ended 30 June 2024. Such increase was mainly attributable to: (i) an increase of repairs and maintenance expenses by approximately RMB18.8 million for the six months ended 30 June 2024 as compared to the same period in 2023 due to an increase in the number of projects under management from 329 to 367; (ii) an increase of the Group's sub-contracting costs by approximately RMB3.4 million from approximately RMB47.6 million for the six months ended 30 June 2023 to approximately RMB51.0 million for the six months ended 30 June 2024 due to an increase in costs for the outsourcing of services such as security, cleaning and greening etc.; and (iii) an increase of utilities of approximately RMB4.2 million for the six months ended 30 June 2024 due to the increase in the number of projects under management. The increase of cost of sales was substantially in line with the growth rate of revenue, primarily due to the synchronous increase in costs resulted from the expansion of the Group's business and management scale.

Gross Profit and Gross Profit Margin

The table below sets forth the Group's gross profit and gross profit margin by business segment for the periods indicated:

	Six months ended 30 June					
	2024		2023			
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	Change	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**131,510**	**24.5**	131,547	26.7	(37)	(0.0)
Community value-added services	**51,286**	**44.4**	54,523	47.8	(3,237)	(5.9)
Value-added services to non-property owners	**5,571**	**28.1**	12,997	32.4	(7,426)	(57.1)
Total	**188,367**	**28.0**	199,067	30.8	(10,700)	(5.4)

Overall gross profit of the Group decreased by approximately RMB10.7 million, or approximately 5.4% from approximately RMB199.1 million for the six months ended 30 June 2023 to approximately RMB188.4 million for the six months ended 30 June 2024. The overall gross profit margin decreased from approximately 30.8% for the six months ended 30 June 2023 to approximately 28.0% for the six months ended 30 June 2024. Such decrease was primarily attributable to the expansion of the Group's management scale and an increase in repairs and maintenance expenses, utilities and sub-contracting costs in the segments of property management services in order to improve the quality of services.

Property management services

Gross profit for the Group's property management services remained stable at approximately RMB131.5 million for the six months ended 30 June 2024. Gross profit margin of the Group's property management services decreased to approximately 24.5% for the six months ended 30 June 2024 from approximately 26.7% for the six months ended 30 June 2023. Such decrease was primarily due to increase in repairs and maintenance expenses, utilities and sub-contracting costs, as well as the increased pre-investment costs for new property service projects to improve the quality of service.

Community value-added services

Gross profit for the Group's community value-added services decreased by approximately RMB3.2 million, or approximately 5.9% from approximately RMB54.5 million for the six months ended 30 June 2023 to approximately RMB51.3 million for the six months ended 30 June 2024. Gross profit margin for the Group's community value-added services decreased from approximately 47.8% for the six months ended 30 June 2023 to approximately 44.4% for the six months ended 30 June 2024, primarily resulted from an increase in costs incurred for repairs and maintenances of parking facilities in the residential communities.

Value-added services to non-property owners

Gross profit for the Group's value-added services to non-property owners decreased by approximately RMB7.4 million, or approximately 57.1% from approximately RMB13.0 million for the six months ended 30 June 2023 to approximately RMB5.6 million for the six months ended 30 June 2024. Gross profit margin for the Group's value-added services to non-property owners decreased from approximately 32.4% for the six months ended 30 June 2023 to approximately 28.1% for the six months ended 30 June 2024, mainly attributable to a decrease of sales site and ancillary property management services provided to property developers resulting from impact of real estate market in the PRC.

Other income and gains and losses

Other income, gains and losses remained stable at approximately RMB3.3 million for the six months ended 30 June 2024.

Administrative Expenses

Administrative expenses of the Group mainly include staff costs, bad debts, hospitality expenses, professional fees, conference fees, training costs for its employees, travelling fees, depreciation and amortisation. Administrative expenses of the Group increased by approximately RMB6.8 million, or approximately 7.3% from approximately RMB92.9 million for the six months ended 30 June 2023 to approximately RMB99.7 million for the six months ended 30 June 2024, primarily due to: (i) an increase in staff costs of approximately RMB10.9 million, or approximately 23.9%, resulting from the expansion in the business and management scale of the Group; (ii) an increase of installation of IT system of approximately RMB1.9 million in order to improve the efficiency of operational management, set off by a decrease of bad debts of approximately RMB7.3 million.

Income Tax Expense

Income tax expenses of the Group increased by approximately RMB0.5 million, or approximately 4.0% from approximately RMB12.5 million for the six months ended 30 June 2023 to approximately RMB13.0 million for the six months ended 30 June 2024, primarily due to the inclusion of tax effect on non-taxable income.

Profit for the Period

Profit for the period of the Group decreased by approximately RMB19.2 million, or approximately 26.2% from approximately RMB73.3 million for the six months ended 30 June 2023 to approximately RMB54.1 million for the six months ended 30 June 2024, mainly attributable an increase in repairs and maintenances costs, sub-contracting costs, utilities expenses and pre-investment costs for new property service projects in order to improve the quality of the Group's services.

Intangible Assets

Intangible assets of the Group mainly consisted of identified property management contracts and customers relationships, which decreased from approximately RMB107.1 million as at 31 December 2023 to approximately RMB99.4 million as at 30 June 2024 arising from amortisation for the period.

Investment Properties

Investment properties of the Group consisted of certain car parking spaces and shop premises, which increased from approximately RMB55.0 million as at 31 December 2023 to approximately RMB76.7 million as at 30 June 2024, mainly due to investment property additions for the period of approximately RMB26.2 million, set off by depreciation of investment properties of approximately RMB4.5 million.

Goodwill

Goodwill maintained at approximately RMB461.3 million as at 30 June 2024 and 31 December 2023.

Trade and Other Receivables

Trade and other receivables mainly include trade receivables, prepayments and other receivables. Trade receivables are mainly related to property management services as well as value-added services. Trade receivables of the Group increased from approximately RMB388.3 million as at 31 December 2023 to approximately RMB477.9 million as at 30 June 2024, primarily due to the organic growth of trade receivables after expansion of scale. Other receivables increased from approximately RMB177.0 million as at 31 December 2023 to approximately RMB288.3 million as at 30 June 2024, mainly due to an increase in deposits paid for four property service projects to several independent third parties. The Group seeks to strengthen strict control over its outstanding receivables, performs ongoing credit evaluation of its customers and makes frequent contact with customers to encourage regular payment of management fees.

Contract Liabilities

The Group's contract liabilities mainly arise from advance payments made by customers while the underlying property management services are yet to be provided. Contract liabilities of the Group remained stable at approximately RMB314.3 million as at 30 June 2024 compared to approximately RMB334.9 million as at 31 December 2023.

Trade and Other Payables

Trade payables of the Group increased from approximately RMB128.4 million as at 31 December 2023 to approximately RMB143.5 million as at 30 June 2024, primarily due to an increase in purchase of materials and utilities during the period. Other payables consist of accrued charges and other payables, consideration payables, financial guarantees issued, accrued staff costs, other tax liabilities and amounts collected on behalf of property owner committees and property owners. The decrease of other payables of the Group from approximately RMB307.2 million as at 31 December 2023 to approximately RMB288.3 million as at 30 June 2024 was primarily due to a decrease of staff costs and welfare accruals and financial guarantees' issued, totaling approximately RMB35.1 million, net-off by an increase of accrued charges and other payables of approximately RMB10.9 million.

Liquidity, Financial and Capital Resources

The Group's cash and cash equivalents decreased from approximately RMB378.2 million as at 31 December 2023 to approximately RMB166.7 million as at 30 June 2024. As at 30 June 2024, the cash and cash equivalents of the Group were mainly denominated in RMB and HKD. The Group's financial position remained solid. As at 30 June 2024, the Group's net current assets increased from approximately RMB142.6 million as at 31 December 2023 to approximately RMB153.4 million as at 30 June 2024. As at 30 June 2024, the Group's current ratio was approximately 1.20 times compared to approximately 1.18 times as at 31 December 2023. During the six months ended 30 June 2024, the Group did not employ any financial instrument for hedging purpose.

As at 30 June 2024, the Group had outstanding bank borrowings of approximately RMB50.5 million (31 December 2023: approximately RMB55.0 million) which certain of the Group's investment properties of approximately RMB17.3 million were pledged for the Group's bank borrowings of RMB7.5 million, and certain of the Group's trade receivables of RMB70.0 million were pledged for the Group's bank borrowings of RMB38.0 million.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. The Board of the Company closely monitors the Group's liquidity positions, while surplus cash will be invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments.

Foreign Exchange Risk and Related Hedges

The Group is principally focused on its business in China. Except for bank deposits denominated in foreign currencies, the Group was not subject to any other material risk directly relating to foreign exchange fluctuation. During the six months ended 30 June 2024, the directors of the Company ("**Directors**") expected that fluctuations of the RMB exchange rate would not materially and adversely affect the operations of the Group. The Group does not have a foreign currency hedging policy. The management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce foreign exchange risks.

Employees and Remuneration Policies

The Group had 4,864 employees as at 30 June 2024 compared to 5,110 employees as at 30 June 2023. For the six months ended 30 June 2024, the Group's total staff costs were approximately RMB212.1 million. The remuneration package of the Group's employees included salary, bonus and other cash subsidies. Employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of the employees a monthly social insurance fund covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, the housing provident fund, or other mandatory provident fund schemes on behalf of the employees. The Group hosted comprehensive internal staff training programmes for its staff to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards. The Group provided orientation training to new hires and introduce them to the Group's corporate culture to understand its service standards and procedures. The Group also provided training courses and regular seminars on various aspects of its business operations, such as quality control and customer relationship management, to its employees. The Group had also adopted a share option scheme, details of which are disclosed in the paragraph headed "Share Option Scheme" in this announcement.

INTERIM DIVIDEND

The Board resolved that no interim dividend shall be declared for the six months ended 30 June 2024.

CHARGE ON ASSETS

As at 30 June 2024, the Group's certain investment properties of approximately RMB17.3 million (31 December 2023: approximately RMB12.1 million) were pledged for the Group's bank borrowings of RMB7.5 million (31 December 2023: approximately RMB4.0 million), and the Group's certain trade receivables of RMB70.0 million (31 December 2023: RMB70.0 million) were pledged for the Group's bank borrowings of RMB38.0 million (31 December 2023: RMB40.0 million).

GEARING RATIO

The Group's gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest-bearing debt less cash and cash equivalents. As at 30 June 2024 and 31 December 2023, the gearing ratio of the Group maintained at net cash position.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: Nil).

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the Reporting Period, the Group did not hold any single significant investment which accounted for over 5% of the Group's total assets, and the Group has no plan for other material investments or additions of capital assets as at the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

SUBSEQUENT EVENTS

There has been no significant subsequent event from 30 June 2024 to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency independence, responsibility and fairness to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability.

The Company has adopted Corporate Governance Code (the "**CG Code**") set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance. The Company has complied with all applicable code provisions set out in the CG Code during the six months ended 30 June 2024. The Company will continue to review and enhance its corporate governance practices to ensure the compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as a code of conduct for Directors to conduct securities transactions. Having made specific inquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the six months ended 30 June 2024.

AUDIT COMMITTEE

The Audit Committee of the Company assists the Board in providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of the Group, performing other duties and responsibilities as may be assigned by the Board from time to time.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Fan Chi Chiu, Dr. Chen Lei and Mr. Qian Hongji. The Audit Committee had reviewed the unaudited interim results for the six months ended 30 June 2024 and has discussed, among other things, the matters of risk management and internal control with the management.

USE OF NET PROCEEDS FROM LISTING

With the shares of the Company (the "**Shares**") listed on the Stock Exchange on 12 July 2019, the net proceeds from the Global Offering were approximately HK$75.8 million (equivalent to approximately RMB66.6 million), which will be utilised for the purposes as set out in the Company's prospectus dated 27 June 2019 (the "**Prospectus**"). As at 30 June 2024, all of the net proceeds from the listing have been utilised in the manner consistent with that as set out in the Prospectus.

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

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

PUBLICATION OF INTERIM RESULTS AND 2024 INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hevolwy.com.cn), and the interim report of the Group for the six months ended 30 June 2024 containing all information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Hevol Services Group Co. Limited
Wang Wenhao
Executive Director

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Hu Hongfang and Mr. Wang Wenhao, two non-executive Directors, namely Mr. Liu Jiang and Mr. Zhou Wei, and four independent non-executive Directors, namely Dr. Chen Lei, Mr. Fan Chi Chiu, Dr. Li Yongrui and Mr. Qian Hongji.