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Ling Yue Services Group Limited

領悅服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2165)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS AND OPERATIONAL HIGHLIGHTS

Financial Highlights

- The Group's revenue for the year ended 31 December 2021 was RMB541.2 million, representing an increase of 26.4% compared with the corresponding period of 2020.
- The Group's profit for the year ended 31 December 2021 was RMB75.2 million, representing an increase of 7.0% compared with the corresponding period of 2020.
- As of 31 December 2021, the Group had 235 contracted projects, contracted GFA of 37.1 million sq.m., 183 projects under management and GFA under management of 20.8 million sq.m..

STATEMENTS AND NOTES

The board (the “**Board**”) of directors (the “**Directors**”) of Ling Yue Services Group Limited (the “**Company**”) is pleased to announce the audited consolidated annual results (the “**Annual Results**”) of the Company and its subsidiaries (together, the “**Group**” and “**we**”) for the year ended 31 December 2021 (the “**Year**”), together with the comparative figures for the corresponding period of 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
REVENUE	4	541,174	428,162
Cost of sales		(386,100)	(283,373)
Gross profit		155,074	144,789
Other income and gains	4	4,143	3,981
Administrative expenses		(67,207)	(61,563)
Impairment losses on financial assets, net		(4,264)	(2,177)
Other expenses		(304)	(783)
Finance costs		(28)	(49)
Share of profits and losses of:			
A joint venture		205	4
PROFIT BEFORE TAX	5	87,619	84,202
Income tax expense	6	(12,450)	(13,941)
PROFIT FOR THE YEAR		75,169	70,261
Attributable to:			
Owners of the parent		70,613	65,216
Non-controlling interests		4,556	5,045
		75,169	70,261
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year		RMB0.29	RMB0.31

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(1,241)	(450)
Income tax effect	<u>186</u>	<u>68</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(1,055)</u>	<u>(382)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		
	<u>(1,055)</u>	<u>(382)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		
	<u><u>74,114</u></u>	<u><u>69,879</u></u>
Attributable to:		
Owners of the parent	69,558	64,834
Non-controlling interests	<u>4,556</u>	<u>5,045</u>
	<u><u>74,114</u></u>	<u><u>69,879</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,217	926
Right-of-use assets		733	1,467
Goodwill		22,772	22,772
Other intangible assets		16,566	18,335
Investment in a joint venture		273	68
Equity investments designated at fair value through other comprehensive income		5,082	6,323
Deferred tax assets		4,503	3,703
Total non-current assets		51,146	53,594
CURRENT ASSETS			
Inventories		1,519	2,155
Trade receivables	9	77,049	52,449
Due from related companies		148,824	84,307
Prepayments, other receivables and other assets	10	34,016	30,426
Cash and bank balances		275,395	68,274
Total current assets		536,803	237,611
CURRENT LIABILITIES			
Trade payables	11	30,670	18,620
Other payables and accruals	12	94,343	86,162
Contract liabilities		77,432	62,361
Due to related companies		425	510
Lease liabilities		754	713
Tax payable		6,171	6,857
Total current liabilities		209,795	175,223

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NET CURRENT ASSETS	<u>327,008</u>	<u>62,388</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>378,154</u>	<u>115,982</u>
NON-CURRENT LIABILITIES		
Lease liabilities	—	775
Deferred tax liabilities	<u>2,405</u>	<u>2,739</u>
Total non-current liabilities	<u>2,405</u>	<u>3,514</u>
Net assets	<u><u>375,749</u></u>	<u><u>112,468</u></u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	2,382	—
Reserves	<u>354,214</u>	<u>96,788</u>
	356,596	96,788
Non-controlling interests	<u>19,153</u>	<u>15,680</u>
Total equity	<u><u>375,749</u></u>	<u><u>112,468</u></u>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands. The Company and its subsidiaries now comprising the Group underwent the reorganisation which was completed on 21 January 2021. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 July 2021. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was mainly involved in the provision of property management services, value-added services to non-property owners and community value-added services.

The ultimate controlling shareholders of the Company are Mr. Liu Yuhui, Mr. Liu Ce, Mr. Liu Haowei, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli (the “**Controlling Shareholders**”).

In the opinion of the directors, the investment holding companies of the Company are Yuelai Holding Limited, Linghui Holding Limited, Tianyue Holding Limited, Tianyue Capital Limited, Fusheng Capital Holding Limited and Linghui Capital Limited, which are incorporated in the British Virgin Islands with limited liability, and controlled by the Controlling Shareholders.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The Group has early adopted the amendments on 1 January 2021. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property management services income and value-added services income by project locations for the purpose of making decisions about resource allocation and performance assessment. As all the locations have similar economic characteristics and are similar in the nature of property management services, the nature of the aforementioned business processes, the type or class of the customer for the aforementioned business and the methods used to distribute the property management services and value-added services, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

In 2021, revenue from Leading Holdings Group Limited and its subsidiaries ("**Leading Holdings Group**") contributed 23.5% (2020: 22.3%) of the Group's revenue, respectively. Other than the revenue from Leading Holdings Group, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Property management services	369,642	298,900
Value-added services to non-property owners	140,574	113,022
Community value-added services	30,958	16,240
	<u>541,174</u>	<u>428,162</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

	Property management services <i>RMB'000</i>	Value-added services to non-property owners <i>RMB'000</i>	Community value-added services <i>RMB'000</i>	Total <i>RMB'000</i>
Type of services				
Rendering of services	369,642	140,574	30,958	541,174
Total revenue from contracts with customers	<u>369,642</u>	<u>140,574</u>	<u>30,958</u>	<u>541,174</u>
Timing of revenue recognition				
Revenue recognised over time	369,642	138,112	6,941	514,695
Revenue recognised at a point in time	—	2,462	24,017	26,479
Total revenue from contracts with customers	<u>369,642</u>	<u>140,574</u>	<u>30,958</u>	<u>541,174</u>

For the year ended 31 December 2020

	Property management services <i>RMB'000</i>	Value-added services to non-property owners <i>RMB'000</i>	Community value-added services <i>RMB'000</i>	Total <i>RMB'000</i>
Type of services				
Rendering of services	<u>298,900</u>	<u>113,022</u>	<u>16,240</u>	<u>428,162</u>
Total revenue from contracts with customers	<u><u>298,900</u></u>	<u><u>113,022</u></u>	<u><u>16,240</u></u>	<u><u>428,162</u></u>
Timing of revenue recognition				
Revenue recognised over time	298,900	111,184	4,078	414,162
Revenue recognised at a point in time	<u>—</u>	<u>1,838</u>	<u>12,162</u>	<u>14,000</u>
Total revenue from contracts with customers	<u><u>298,900</u></u>	<u><u>113,022</u></u>	<u><u>16,240</u></u>	<u><u>428,162</u></u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property management services	<u><u>58,362</u></u>	<u><u>48,935</u></u>

(b) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Property management services

The Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date. The Group has elected the practical expedient not to disclose the remaining performance obligations for these types of contracts. The majority of the property management services contracts do not have a fixed term.

Value-added services to non-property owners

Value-added services to non-property owners mainly include preliminary planning and design consultancy services, sales office management services, cleaning, security, greening, repair and maintenance services, security support services, sales assistance services, additional tailored services, housing repair services and pre-delivery inspection services. The term of the contracts for sales assistance is generally set to expire when the counterparties notify the Group that the services are no longer required. Pre-delivery and consulting services are rendered in a short period of time and there were no unsatisfied performance obligations at the end of the respective periods.

Community value-added services

Community value-added services mainly include temporary parking service, additional tailored services customised, housing repair services, preliminary planning and design consultancy services. These services are rendered in a short period of time and there were no unsatisfied performance obligations at the end of the respective periods.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income		
Government grants	2,481	3,661
Dividend income from equity investments at fair value through other comprehensive income	334	—
Bank interest income	233	114
Interest income from a third party	—	5
Management consulting service fees received from a joint venture	85	170
Others	246	31
	<u>3,379</u>	<u>3,981</u>
Gains		
Gain on bargain purchase	764	—
	<u>764</u>	<u>—</u>
	<u>4,143</u>	<u>3,981</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of services provided	386,100	283,373
Depreciation of property, plant and equipment	525	409
Depreciation of right-of-use assets	734	774
Amortisation of other intangible assets	2,286	2,230
Auditor's remuneration	1,810	1,190
Impairment of financial assets, net		
Impairment of trade receivables, net	4,388	1,917
(Reversal)/impairment of other receivables, net	(123)	259
Employee benefit expense (excluding directors' and chief executive's Remuneration):		
Wages, salaries and other allowances	209,489	194,093
Pension scheme contributions and social welfare	39,731	15,638
	249,220	209,731

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profit currently arising in Hong Kong for the year ended 31 December 2021.

All subsidiaries of the Group operating in Mainland China are taxed in accordance with the Chinese Corporate Income Tax Law. There were three types of tax rates during the reporting period, including the 25% tax rate, the 15% tax rate under the western preferential tax rate policy, and the preferential tax rate policy for small and low-profit enterprises. For the year ended 31 December 2021, Lingyue Property Service Group Co., Ltd. and its western branches were subject to the 15% income tax rate, and the remaining branches were subject to the 25% income tax rate, the subsidiaries are subject to the preferential tax rate policy for small and low-profit enterprises.

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current — Mainland China:		
Charge for the year	13,399	15,224
Deferred tax	(949)	(1,283)
	<u>12,450</u>	<u>13,941</u>
Total tax charge for the year	<u>12,450</u>	<u>13,941</u>

A reconciliation of income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate is follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	87,619	84,202
Tax at the statutory tax rate	21,905	21,051
Lower tax rates for specific provinces or enacted by local authority	(9,292)	(7,242)
Expenses not deductible for tax	55	133
Tax losses and deductible temporary differences not recognised	119	16
Income not subject to tax	(165)	—
Tax losses utilised from previous years	(167)	(16)
Profits and losses attributable to a joint venture	(5)	(1)
	<u>12,450</u>	<u>13,941</u>
Tax charge at the Group's effective rate	<u>12,450</u>	<u>13,941</u>

The share of tax charge attributable to a joint venture amounted to RMB68,000 for the year (2020: RMB1,000). It is included in “Share of profits and losses of a joint venture” in the consolidated statements of profit or loss and other comprehensive income.

7. DIVIDENDS

The Board proposed no final dividend for the year ended 31 December 2021 (2020: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the reorganisation and the capitalisation issue as described in note 13 as if the reorganisation and capitalisation issue had been completed on 1 January 2020.

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 245,436,507 (2020: 210,000,000) shares in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years of 2021 and 2020 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years.

The calculations of basic earnings per share are based on:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	<u><u>70,613</u></u>	<u><u>65,216</u></u>
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u><u>245,436,507</u></u>	<u><u>210,000,000</u></u>

9. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivable	88,108	59,120
Impairment	(11,059)	(6,671)
	<u>77,049</u>	<u>52,449</u>

Trade receivables mainly arise from property management services income. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a month. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the date of revenue recognition, net of provision for the loss allowance for impairment, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	55,761	39,298
1 to 2 years	13,967	8,776
2 to 3 years	4,897	2,994
Over 3 years	2,424	1,381
	<u>77,049</u>	<u>52,449</u>

The movements in provision for the loss allowance for impairment of trade receivables are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At the beginning of the year	6,671	4,754
Impairment losses, net	4,388	1,917
At end of year	<u>11,059</u>	<u>6,671</u>

An impairment analysis was performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates were based on the ageing of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables were written off if they aged more than three years and were not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Past due				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate (%)	5.49	17.14	31.94	52.06	12.55%
Gross carrying amount (<i>RMB'000</i>)	59,001	16,856	7,195	5,056	88,108
Expected credit losses (<i>RMB'000</i>)	3,240	2,889	2,298	2,632	11,059

As at 31 December 2020

	Past due				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate (%)	5.38	15.88	29.14	52.87	11.28%
Gross carrying amount (RMB'000)	41,532	10,433	4,225	2,930	59,120
Expected credit losses (RMB'000)	2,234	1,657	1,231	1,549	6,671

10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Due from third parties	8,780	9,360
Prepayments on behalf of customers to utility suppliers	4,115	3,327
Due from a non-controlling shareholders of a subsidiary	—	1,511
Other prepayments	6,634	8,319
Advances to employees	2,546	1,690
Deposits	2,504	2,542
Other tax recoverable	3,445	—
Other receivables	6,461	4,269
	<u>34,485</u>	<u>31,018</u>
Impairment allowance	(469)	(592)
	<u><u>34,016</u></u>	<u><u>30,426</u></u>

Other receivables are unsecured and have no fixed terms of repayment.

The movements in the loss allowance for impairment of other receivables are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	592	333
(Reversal)/impairment losses, net	<u>(123)</u>	<u>259</u>
At the end of the year	<u>469</u>	<u>592</u>

For other receivables included in amounts due from third parties, advances to employees and deposits, the Group made periodic individual assessment on the recoverability based on historical settlement records and past experience. The Group has assessed that the credit risk of these other receivables has not increased significantly since initial recognition and the loss allowance is measured at an amount equal to 12-month ECLs, and has assessed that the expected credit losses are immaterial.

For other receivables included in prepayments on behalf of customers to utility suppliers and other receivables, the Group determined the expected credit loss rate by considering the nature and historical default rates. The Group applied a 5% (2020: 5%) expected credit loss rate to these other receivables during the year.

11. TRADE PAYABLES

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	30,434	18,429
Over 1 year	<u>236</u>	<u>191</u>
	<u>30,670</u>	<u>18,620</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

As at 31 December 2021, the carrying amounts of trade payables approximated to their fair values.

12. OTHER PAYABLES AND ACCRUALS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Pending output value added tax	4,646	3,742
Payroll and welfare payables	28,160	24,166
Deposits received	19,256	14,465
Receipts on behalf of customers for utilities	15,779	11,640
Consideration payables for acquisition of a subsidiary	2,026	—
Business tax and surcharges	1,796	2,410
Due to non-controlling shareholders of subsidiaries	11,296	9,988
Dividends payable to non-controlling shareholders of subsidiaries	2,195	2,195
Listing expenses	4,251	12,918
Others	4,938	4,638
	<u>94,343</u>	<u>86,162</u>

Other payables are unsecured and repayable on demand. The fair values of other payables at each reporting date approximated to their corresponding carrying amounts.

13. SHARE CAPITAL

Shares

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Authorised: 600,000,000 (2020: 38,000,000) ordinary shares of HK\$0.01 each	<u>6,000,000</u>	<u>380,000</u>
Issued and fully paid: 285,685,000 (2020: 10,000) ordinary shares of HK\$0.01 each	<u>2,382</u>	<u>—</u> *

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
As at 1 January 2020	—	—
Issue of ordinary shares	10,000	—*
As at 31 December 2020 and 1 January 2021	10,000	—*
Issue of ordinary shares	50,000	—
Issue of ordinary shares upon listing	70,000,000	584
Issue of ordinary shares upon capitalisation	209,940,000	1,751
Issue of ordinary shares upon over-allotment option	5,685,000	47
As at 31 December 2021	<u>285,685,000</u>	<u>2,382</u>

* *Less than RMB1,000*

On 28 August 2020, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon its incorporation, one share was allotted and issued. On 28 August 2020, an additional 9,999 shares were allotted and issued.

On 21 January 2021, an additional 50,000 shares were allotted and issued.

Pursuant to the written resolutions of the controlling shareholders passed on 22 June 2021, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$6,000,000 divided into 600,000,000 shares by the creation of 562,000,000 additional shares.

In connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), 70,000,000 new ordinary shares with a nominal value of HK\$0.01 each were issued at a price of HK\$4.19 per ordinary share for a total cash consideration of HK\$293,300,000, before deducting underwriting fees, commissions and related expenses. In addition, 209,940,000 shares were issued by way of capitalisation. Dealings in the shares of the Company on the Stock Exchange commenced on 12 July 2021.

On 9 August 2021, the over-allotment option has been fully exercised and the Company allotted and issued 5,685,000 additional shares at HK\$4.19 per share.

BUSINESS REVIEW

The Group was awarded the “Top 100 Property Service Companies in China in 2021” by China Index Research Institute and improved its ranking by 19 places from last year to No. 40 in 2021. Meanwhile, we were also awarded the “Top 10 Chinese Property Service Enterprises with Capital Focus in 2021”, “Top 40 Chinese Property Service Enterprises with Comprehensive Strength in 2021”, “Top 50 Chinese Property Service Enterprises with Exemplary Customer Satisfaction in 2021”, and “Top 100 Chinese Property Service Enterprises with Brand Value in 2021” and “Leading Commercial Property Service Enterprises in 2021” by E-House Real Estate R&D Institute and China Real Estate Measurement Centre.

By deep exploring in greater Sichuan and focusing on western China, the management scale has been stably improved. As of 31 December 2021, the Group has provided property management services and value-added services in 37 cities, across 9 provinces, 1 autonomous region and 1 municipality in China, with 235 contracted projects (of which 183 projects were taken over) and contracted gross floor area (the “GFA”) of approximately 37.1 million square meters, representing an increase of approximately 2.4% as compared to 31 December 2020, of which approximately 20.8 million square meters of the GFA was under management, representing an increase of approximately 2.9% as compared to 31 December 2020.

We insist on high-quality services to achieve a happy and beautiful life with quality. High quality service is one of the Group’s long-standing core strategies. We uphold the service concept of “Friendship, Companionship and Warmheartedness”, further refine the graded management of services based on offline service capability and quality, and release a series of service system standards such as Three-Tier Service Standards, Case Service White Paper 2.0 and Case Refinement Manual, etc. Through a comprehensive quality management system and standardized and technological management initiatives, the Group’s service quality and reputation always remain the industry leading level. We also create happy and healthy communities for our owners through rich cultural activities.

We take community life service as the core to build diversified service ecology. With the upgrade of business model and the deepening of platform operation, we deeply penetrate in value-added community services, tap the value of community life services, and focus on building a brand of community life service covering the whole cycle of community residents’ lives, with multiple scenes and high quality. We focus on the multi-dimensional needs of owners, such as housekeeping services, decoration and fully furnished services, community retail services, asset agents, community convenient services, and other areas of comprehensive services, to provide owners with more accurate, more segmented, more professional, more convenient, and more intimate comprehensive services to achieve a better life for owners with services, and create more value for both owners and society.

We promote the upgrading of technology to build the Smart+ Future Life Service Platform. In the Internet era, digitalization and intelligence are not only the endogenous needs of the development of property enterprises, but also the positive response to the owners' demand experience. By building a smart community from multiple aspects of healthy access, thorough guarding, perfect service, whole-house intelligence, and smart core management, we provide owners with convenient and safe community life. We insist on the strategy of both internal and external refinement and dual-core drive in digital construction, and actively explore and build the intelligent property management platform of Lingyue Service. (領悅服務) The platform has integrated business operation platform, community service platform, intelligent IOT platform, infrastructure support platform, big data platform, "Lingyue Shi Xiang" owner APP and "Lingyue Jia" mobile service APP, which further optimize operation cost and improve management efficiency while enhancing user experience.

We improve the staff training system to facilitate the rapid development of the enterprise. We continuously deepen the optimization and reform of our organizational structure to support further deepening in the region and to stimulate organizational vitality. We continue to build an efficient, collaborative, flexible and innovative organizational climate driven by the "fellow traveller" culture to provide strong support for the rapid development of new businesses; we implemented attractive incentives to drive sustained team release and excellent performance; we carried out "Yuejiang Plan", "Yuechen Plan", "Dengyue Plan", "Qiangbing Plan" and other professional training programs to support the echelon cultivation and talent introduction of the company's long-term development, and to provide broad occupational development space for the talents so that they can grow with the enterprise; we insist on the core value of "service first, people oriented" to accomplish shareholders and customers.

We practice social responsibilities to connect the good. We actively respond to the national advocacy and industry call by carrying out the "City Care" series of public welfare actions, paying attention to the city builders, and caring for the city guardians struggling in the front line; we carried out "Nature Defence, Guarding Giant Panda" public welfare action to care for nature; we also create more employment and development opportunities for migrant workers and locally employed people, and also actively fulfil our tax obligations to contribute to the harmony and stability of society.

Outlook

Looking ahead, in the new development stage of the industry, the Group will continue to uphold the brand concept of "Leading and Joy" to forge ahead with its continuously enhanced scale growth capability, property service capability, life service capability, technology application capability and organizational competition capability, and untiringly struggle with the mission of "Happy Lingyue and Healthy Life" in mind.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Model of the Group

The Group has three business lines, namely, (i) property management services, (ii) value-added services to non-property owners and (iii) community value-added services, forming an integrated service offering to its customers that cover the entire value chain of property management.

- **Property management services.** The Group offers a wide range of property management services to property owners, residents and property developers, as well as tenants in non-residential properties under our management. The Group's services typically include security services, cleaning and greening services, and repair and maintenance services. The Group manages a diverse portfolio of properties, including residential properties, commercial properties and public and other properties.
- **Value-added services to non-property owners.** The Group offers value-added services to non-property owners, including (i) preliminary planning and design consultancy services; (ii) sales office management services; (iii) pre-delivery services; (iv) repair and maintenance services; (v) property transaction assistance services; and (vi) security support services.
- **Community value-added services.** The Group offers community value-added services primarily to property owners and residents to make their lives more convenient, such as (i) community space management services; (ii) decoration and turnkey furnishing services; (iii) convenient living services; and (iv) community retail services.

The Group offers comprehensive portfolio of property management services in order to diversify the Group's sources of revenue and achieve rapid growth. In recent years, the Group has been strengthening its community value-added service offerings. Leveraging its in-depth understanding of the needs of residents, the Group endeavor to further diversify its community value-added services. Community value-added services have been enhancing the Group's financial performance, as they typically generate higher profit margins, as compared to other types of property management services. The Group will continue to gain greater market shares and expand business presence in China.

Property Management Services

The Group has been providing property management services since its establishment in 2002. As at 31 December 2021, the Group's aggregate contracted GFA amounted to approximately 37.1 million sq.m., representing an increase of 2.4% as compared with the same time last year. As at 31 December 2021, the Group managed 183 properties with an aggregate GFA under management of approximately 20.8 million sq.m., representing an increase of 2.9% as compared with same time last year.

The following table sets forth the number of properties and GFA under the Group's management, as well as the number of properties the Group were contracted to manage and corresponding contracted GFA as at the dates indicated.

	As at 31 December	
	2021	2020
Number of properties under management ⁽¹⁾	183	174
Number of properties the Group were contracted to manage ⁽²⁾	235	234
GFA under management (<i>sq.m. in thousands</i>)	20,804	20,223
Contracted GFA (<i>sq.m. in thousands</i>)	37,101	36,237
Undelivered GFA (<i>sq.m. in thousands</i>) ⁽³⁾	16,297	16,014

Notes:

- (1) Refers to properties that have been delivered to the Group for property management purposes.
- (2) Refers to all properties for which the Group has entered into the relevant property management service agreements, which may include properties that have not been delivered to the Group for property management purposes in addition to properties under management.
- (3) Undelivered GFA is calculated as the difference between contracted GFA and GFA under management as at the dates indicated. The estimated time of delivery and revenue generation of the undelivered projects as at 31 December 2021 ranges from January 2022 to December 2023.

Geographic Presence of the Group

As at 31 December 2021, the Group has expanded its geographic presence to 37 cities, across 9 provinces, 1 autonomous region and 1 municipality. The following table sets forth a breakdown of total number of projects under management and GFA under management by geographic region as at the dates indicated, and revenue from property management services by geographic region for the periods indicated below.

	As at/For the year ended 31 December							
	2021				2020			
	Number of projects under management	GFA under management (sq.m.'000)	Revenue RMB'000	%	Number of projects under management	GFA under management (sq.m.'000)	Revenue RMB'000	%
Sichuan Province ⁽¹⁾	152	16,686	298,141	80.7	151	17,090	238,917	80.0
Xinjiang Uygur Autonomous Region ⁽²⁾	14	1,968	26,293	7.1	10	1,518	23,149	7.7
Guangdong Province ⁽³⁾	8	912	18,051	4.9	7	801	15,059	5.0
Jilin Province ⁽⁴⁾	3	598	22,262	6.0	3	598	21,486	7.2
Hebei Province ⁽⁵⁾	2	140	3,513	1.0	2	140	289	0.1
Henan Province ⁽⁶⁾	1	12	132	—	—	—	—	—
Hubei Province ⁽⁷⁾	1	286	500	0.1	—	—	—	—
Jiangsu Province ⁽⁸⁾	1	41	—	—	—	—	—	—
Yunnan Province ⁽⁹⁾	1	161	—	—	—	—	—	—
Guizhou Province ⁽¹⁰⁾	—	—	750	0.2	1	76	—	—
Total	183	20,804	369,642	100.0	174	20,223	298,900	100.0

Notes:

- (1) The Group provided property management services to properties located in Chengdu, Leshan, Meishan, Mianyang, Xichang, Ya'an, Nanchong, Ziyang and Panzhihua.
- (2) The Group provided property management services to properties located in Changji, Urumqi and Korla.
- (3) The Group provided property management services to properties located in Foshan, Huizhou, Haifeng.
- (4) The Group provided property management services to properties located in Changchun.
- (5) The Group provided property management services to properties located in Chengde.
- (6) The Group provided property management services to properties located in Zhumadian.

- (7) The Group provided property management services to properties located in Jingzhou.
- (8) The Group provided property management services to properties located in Xuzhou.
- (9) The Group provided property management services to properties located in Shaotong.
- (10) The Group provided property management services to properties located in Nayong.

The following table sets forth a breakdown of the Group's total number of contracted projects, contracted GFA and undelivered GFA by geographic region as at the dates indicated.

	As at 31 December					
	2021			2020		
	Number of contracted projects	Contracted GFA (sq.m.'000)	Undelivered GFA (sq.m.'000)	Number of contracted projects	Contracted GFA (sq.m.'000)	Undelivered GFA (sq.m.'000)
Sichuan Province ⁽¹⁾	187	27,227	10,541	191	27,784	10,693
Xinjiang Uygur Autonomous Region ⁽²⁾	23	4,572	2,604	20	3,293	1,775
Guangdong Province ⁽³⁾	9	1,314	402	8	1,182	381
Hebei Province ⁽⁴⁾	4	265	125	3	202	63
Henan Province ⁽⁵⁾	3	829	817	2	485	485
Jilin Province ⁽⁶⁾	3	598	—	3	598	—
Guizhou Province ⁽⁷⁾	2	1,073	1,073	3	1,471	1,395
Yunnan Province ⁽⁸⁾	1	628	467	1	628	628
Hubei Province ⁽⁹⁾	1	396	110	1	396	396
Jiangsu Province ⁽¹⁰⁾	1	113	72	1	113	113
Chongqing Municipality	1	86	86	1	86	86
Total	235	37,101	16,297	234	36,237	16,014

Notes:

- (1) The Group was contracted to provide property management services to properties located in Chengdu, Emeishan, Guangyuan, Leshan, Luzhou, Meishan, Mianyang, Nanchong, Panzhihua, Xichang, Ya'an, Huili, Dazhou, Yibin and Ziyang.
- (2) The Group was contracted to provide property management services to properties located in Changji, Kashgar, Korla, Tacheng and Urumchi.
- (3) The Group was contracted to provide property management services to properties located in Foshan, Shanwei, Shenzhen and Huizhou.
- (4) The Group was contracted to provide property management services to properties located in Chengde.

- (5) The Group was contracted to provide property management services to properties located in Luohe, Zhumadian and Xingyang.
- (6) The Group was contracted to provide property management services to properties located in Changchun.
- (7) The Group was contracted to provide property management services to properties located in Qiannan, Kaili, Bijie and Zunyi.
- (8) The Group was contracted to provide property management services to properties located in Chengde.
- (9) The Group was contracted to provide property management services to properties located in Jingzhou.
- (10) The Group was contracted to provide property management services to properties located in Xuzhou.

Source of Properties under Management

The Group primarily offers property management services to properties developed by Leading Holdings Group Limited and its subsidiaries (the “**Leading Holdings**”, together with its subsidiaries “**Leading Holdings Group**”). The following tables set forth a breakdown by developer type as at the dates indicated or the periods indicated of the Group’s (i) total number of projects under management and GFA under management, as well as revenue from property management services; and (ii) total number of contracted projects, contracted GFA and undelivered GFA.

Breakdown of the Group’s Total Number of Projects under Management, GFA under Management and Revenue from Property Management Services by Developer Type

	As at/For the year ended 31 December							
	2021				2020			
	Number of projects under management	GFA under management (sq.m.'000)	Revenue RMB'000	%	Number of projects under management	GFA under management (sq.m.'000)	Revenue RMB'000	%
Leading Holdings Group ⁽¹⁾	65	10,982	251,631	68.1	51	8,941	209,002	69.9
Joint ventures of Leading Holdings Group ⁽²⁾	5	579	7,446	2.0	2	246	640	0.2
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	113	9,243	110,565	29.9	121	11,036	89,258	29.9
Total	183	20,804	369,642	100.0	174	20,223	298,900	100.0

Breakdown of the Group's Total Number of Contracted Projects, Contracted GFA and Undelivered GFA by Developer Type

	As at 31 December					
	2021			2020		
	Number of contracted projects	Contracted GFA (sq.m.'000)	Undelivered GFA (sq.m.'000)	Number of contracted projects	Contracted GFA (sq.m.'000)	Undelivered GFA (sq.m.'000)
Leading Holdings Group ⁽¹⁾	96	19,322	8,340	85	18,434	9,493
Joint ventures of Leading Holdings Group ⁽²⁾	14	3,135	2,556	11	2,405	4,362
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	125	14,644	5,401	138	15,398	2,159
Total	<u>235</u>	<u>37,101</u>	<u>16,297</u>	<u>234</u>	<u>36,237</u>	<u>16,014</u>

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and property developers in which Leading Holdings Group held a controlling interest.
- (2) Refer to properties jointly developed by the Leading Holdings Group and third-party property developers in which the Leading Holdings Group did not hold a controlling interest.
- (3) Refer to properties developed solely by third-party property developers independent from Leading Holdings Group.

Type of Properties under Management

The Group primarily managed residential properties. The Group also managed other types of properties such as commercial properties and public and other properties. The following table sets forth a breakdown of the Group's total GFA under management by property type as at the dates indicated, and revenue from property management services by property type and stage of projects for the periods indicated:

	As at/For the year ended 31 December							
	2021				2020			
	Number of projects under management	GFA under management (sq.m.'000)	Revenue RMB'000	%	Number of projects under management	GFA under management (sq.m.'000)	Revenue RMB'000	%
Residential properties	107	16,095	209,603	56.7	85	13,059	161,567	54.1
— Preliminary stage ⁽¹⁾	87	12,587	163,406	44.2	64	9,253	108,028	36.2
— Property owners' association stage ⁽²⁾	20	3,508	46,197	12.5	21	3,806	53,539	17.9
Commercial properties	3	182	102,507	27.7	5	645	85,915	28.7
Public and other properties	73	4,527	57,532	15.6	84	6,519	51,418	17.2
Total	183	20,804	369,642	100.0	174	20,223	298,900	100.0

Notes:

- (1) Refers to residential property projects for which property owners' associations were not established as at the dates indicated.
- (2) Refers to residential property projects for which property owners' associations were established as at the dates indicated.

Value-added Services to Non-property Owners

The Group's value-added services to non-property owners include (i) preliminary planning and design consultancy services; (ii) sales office management services; (iii) pre-delivery services; (iv) repair and maintenance services; (v) property transaction assistance services; and (vi) security support services.

During the Year, revenue from value-added services to non-property owners increased significantly by 24.4% to approximately RMB140.6 million compared to approximately RMB113.0 million in the corresponding period of 2020, mainly due to an increase in income from sales office management services and security support services. During the Year, the revenue from value-added services to non-property owners accounted for 26.0% of the total revenue. The following table sets forth a breakdown of the Group's revenue from value-added services to non-property owners for the periods indicated.

	For the year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Preliminary planning and design consultancy services	7,481	5.3	5,324	4.7
Sales office management services	101,191	72.0	84,476	74.8
Pre-delivery services	238	0.2	834	0.7
Repair and maintenance services	8,178	5.8	3,697	3.3
Property transaction assistance services	205	0.1	266	0.2
Security support services	23,281	16.6	18,425	16.3
Total	<u>140,574</u>	<u>100.0</u>	<u>113,022</u>	<u>100.0</u>

Community Value-added Services

The Group offers community value-added services to property owners and residents, including (i) community space management services; (ii) decoration and turnkey furnishing services; (iii) convenient living services; and (iv) community retail services.

During the Year, the revenue from community value-added services increased by 90.6% to approximately RMB31.0 million compared to approximately RMB16.2 million in the corresponding period of 2020, mainly due to an increase in income from decoration and turnkey furnishing services. During the Year, revenue from community value-added services accounted for 5.7% of total revenue.

The following table sets forth a breakdown of the Group's revenue from community value-added services during the periods indicated.

	For the year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Community space management services	6,786	21.9	4,498	27.7
Decoration and turnkey furnishing services	12,677	40.9	5,887	36.2
Convenient living services	11,006	35.6	5,206	32.1
Community retail services	489	1.6	649	4
Total	<u>30,958</u>	<u>100.0</u>	<u>16,240</u>	<u>100.0</u>

FINANCIAL REVIEW

REVENUE

The Group's revenue is mainly derived from three major businesses: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services. During the Year, the Group's revenue amounted to approximately RMB541.2 million, representing an increase of approximately 26.4% compared with RMB428.2 million in the same period of 2020.

The following table sets out the revenue contribution of each business segment during the period indicated:

	For the year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	369,642	68.3	298,900	69.8
Value-added services to non-property owners	140,574	26.0	113,022	26.4
Community value-added services	30,958	5.7	16,240	3.8
Total	<u>541,174</u>	<u>100.0</u>	<u>428,162</u>	<u>100.0</u>

Property management services is still the largest source of revenue for the Group. For the year ended 31 December 2021, revenue from property management services reached approximately RMB369.6 million, accounting for 68.3% of the total revenue of the Group. Such revenue growth was attributable to an increase in GFA under management. The increase in revenue from value-added services to non-property owners was mainly due to an increase in revenue generated from sales office management services. The increase in revenue from community value-added services was mainly due to an increase in revenue generated from decoration and turnkey furnishing services.

COST OF SALES

The cost of sales of the Group mainly includes (i) staff costs; (ii) subcontracting costs; (iii) costs of consumables; (iv) utilities costs; (v) office expenses; and (vi) repair and maintenance costs.

During the Year, the cost of sales of the Group was approximately RMB386.1 million, representing an increase of approximately 36.3% compared with approximately RMB283.4 million in the corresponding period of 2020. The growth rate of the Group's cost of sales was due to the growth rate of revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Year, the Group's gross profit increased by approximately 7.1% from approximately RMB144.8 million for the corresponding period in 2020 to approximately RMB155.1 million.

During the Year, the gross profit margin of the Group decreased by 5.1 percentage points to 28.7% from 33.8% for the same period in 2020, mainly due to the cancellation of the policy of exempting employee social insurance payments under the COVID-19 epidemic in the first half of 2021 and the increase of subcontracting costs as a result of the expanding GFA under management, resulting in a slight increase in sales costs.

The gross profit margin of the Group by business line is as follows:

	For the year ended 31 December		
	2021 gross profit margin %	2020 gross profit margin %	Changes in gross profit margin %
Property management services	27.2	32.6	-5.4
Value-added services to non-property owners	29.4	35.0	-5.6
Community value-added services	42.8	47.9	-5.1
Total	<u>28.7</u>	<u>33.8</u>	<u>-5.1</u>

ADMINISTRATIVE EXPENSES

During the Year, the administrative expenses of the Group increased by approximately 9.2% from approximately RMB61.6 million for the same period in 2020 to approximately RMB67.2 million, mainly due to an increase in labor cost.

INCOME TAX EXPENSES

During the Year, the income tax expenses of the Group decreased by approximately 10.7% from RMB13.9 million for the same period in 2020 to approximately RMB12.5 million. The decrease in income tax expenses was mainly due to the halving income tax policy for small and lowprofit enterprise in year 2021.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the Year, the total comprehensive income attributable to owners of the Company for the period was approximately RMB69.6 million, representing an increase of approximately 7.3% compared with RMB64.8 million for the same period in 2020.

TRADE RECEIVABLES

The Group's trade receivables mainly relate to income from property management services, value added services to non-property owners and community value-added services provided to independent third parties. As at 31 December 2021, the Group's trade receivables amounted to approximately RMB77.0 million, representing an increase of approximately RMB24.6 million or 46.9% compared with RMB52.4 million as at 31 December 2020. The increase was due to an increase in GFA under management as a result of the expansion of the Group's business scale.

PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

As at 31 December 2021, the Group's prepayments, other receivables and other assets amounted to approximately RMB34.0 million, representing an increase of approximately 11.8% compared with RMB30.4 million as at 31 December 2020. The increase was due to an increase in value added tax recoverable.

TRADE PAYABLES

As at 31 December 2021, the Group's trade payables amounted to approximately RMB30.7 million, representing an increase of approximately 64.7% from approximately RMB18.6 million as at 31 December 2020. The increase was mainly due to an increase in GFA under management as a result of the expansion of the Group's business scale.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet the funding requirements of the Group in the foreseeable future.

During the Year, the Group's principal use of cash was working capital, which was mainly funded from operations.

CASH POSITION

As at 31 December 2021, the Group had cash and bank balances of approximately RMB275.4 million. (31 December 2020: RMB68.3 million)

CURRENT RATIO AND GEARING RATIO

As at 31 December 2021, the Group's current ratio (current assets to current liabilities) approximately 2.6 (31 December 2020: 1.4). As at 31 December 2021 and 2020, the Group did not record any interest-bearing borrowings and the gearing ratio of the Group was both nil. Gearing ratio is calculated based on the sum of interest-bearing borrowings as of the respective dates divided by total equity as of the same dates and multiplied by 100%.

FOREIGN EXCHANGE RISK

The Group mainly operates its business in China (the "PRC"), and substantial all of its revenue and expenses are denominated in Renminbi, while the net proceeds from the listing (the "Listing") of the issued shares (the "Shares") of the Company is payable in Hong Kong dollars. The Group does not have any policy to hedge against foreign exchange risk. However, the Group will closely monitor its foreign exchange exposure, and strive to maintain the value of the Group's cash.

INTEREST RATE RISK

The Group's exposure to changes in market interest rate relates primarily to the Group's interest-bearing bank and other borrowings. The Group does not use financial derivatives to hedge interest rate risk, and use variable rate bank borrowings and other borrowings to manage its interest cost. As at 31 December 2021 and 2020, the Group did not have any outstanding interest-bearing borrowings.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no contingent liabilities.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year ended 31 December 2021, the Group had undergone acquisitions and disposals of subsidiaries for the purpose of the reorganisation in preparation for the Listing. Please refer to the prospectus of the Company dated 29 June 2021 (the “**Prospectus**”) for further details.

Save as disclosed in the Prospectus, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at 31 December 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 4,121 employees (31 December 2020: 3,205 employees). For the year ended 31 December 2021, the staff cost recognised as expenses of the Group amounted to RMB252.3 million (31 December 2020: RMB209.7 million).

The Group enters into individual employment contracts with its employees to cover matters such as wages, salaries, benefits and terms for termination. The Group generally formulates its employees’ remuneration package to include a salary, bonus and various allowances. In general, the Group determines employee salaries based on each employee’s qualification, position and seniority. The Group has designed a periodic review system to assess the performance of its employees, which forms the basis of its determination on salary raise, bonus and promotion.

As required by PRC regulations, the Group make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds. The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. When there are employees who leave the scheme prior to becoming fully vested in the contribution, the amount of the forfeited contribution will be used to reduce future contribution payable by the Group.

The Directors and members of the senior management receive compensation from the Group in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans. The Board will review and determine the remuneration and compensation packages of the Directors and senior management, and will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

SUBSEQUENT EVENTS AFTER THE YEAR

No material events were undertaken by the Group subsequent to 31 December 2021 and up to the date of this announcement.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Company's initial public offering as described in the Prospectus and the additional 5,685,000 Shares allotted and issued on 9 August 2021 as a result of the partial exercise of an over-allotment option in connection with the Listing, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from 12 July 2021 (i.e. the date of the Listing (the "**Listing Date**")) up to 31 December 2021.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (31 December 2020: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance standards.

The Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

The Company has adopted the principles and code provisions stated in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Board is of the view that since the Listing Date and up to 31 December 2021, the Company has complied with the then applicable code provisions as set out in 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 contained in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions conducted by Directors and relevant employees of the Company. After making specific enquires to all the Directors and relevant employees of the Company, each of them has confirmed that they have complied with the required standards as set out in the Model Code since the Listing Date and up to 31 December 2021.

The Company is not aware of any incident of non-compliance of the Model Code committed by any Directors, or relevant employees since the Listing Date and up to 31 December 2021.

REVIEW OF THE ANNOUNCEMENT BY THE AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit.

The Audit Committee comprises of three members, namely Ms. Luo Ying, Ms. Zhang Qian, and Ms. Zou Dan, all of whom are the independent non-executive Directors of the Company. Ms. Zou Dan has been appointed as the chairlady of the Audit Committee and has the appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee and the Company’s management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting. The Audit Committee has reviewed and agreed with the management of the Company on the annual results of the Group for the year ended 31 December 2021.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the “AGM”) will be convened and held on Wednesday, 22 June 2022. A notice convening the AGM will be published on the websites of the Hong Kong Exchanges and Clearing Limited and the Company and dispatched to the shareholders of the Company (the “Shareholders”) in accordance with the requirements of the Listing Rules in due course.

For the purpose of determination of the eligibility of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022 (both days inclusive), during which period no transfer of the Shares will be registered. In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 16 June 2022.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.lingyue-service.com), respectively. The annual report of the Company for the year ended 31 December 2021 will be despatched to the Shareholders and made available on the above-mentioned websites in due course.

By Order of the Board
Ling Yue Services Group Limited
Liu Yuhui
Chairman

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises Mr. Liu Yuhui (Chairman) and Ms. Luo Hongping as executive Directors; Ms. Wang Tao and Ms. Hou Sanli as non-executive Directors; Ms. Luo Ying, Ms. Zhang Qian and Ms. Zou Dan as independent non-executive Directors.