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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS AND OPERATIONAL HIGHLIGHTS

Financial Highlights

- The revenue for the six months ended 30 June 2022 was RMB283.3 million, representing an increase of 11.1% compared with the same period in 2021.
- The gross profit for the six months ended 30 June 2022 was RMB85.0 million, representing an increase of 6.8% compared with the same period in 2021.
- The net profit for the six months ended 30 June 2022 was RMB49.2 million, representing an increase of 28.3% compared with the same period in 2021.
- As at 30 June 2022, the Group had 250 contracted projects, contracted GFA of 38.0 million sq.m., 202 projects under management and GFA under management of 22.0 million sq.m..

The board (the “**Board**”) of directors (the “**Directors**”) of Ling Yue Services Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results (the “**Interim Results**”) of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	5	283,348	255,021
Cost of sales		<u>(198,390)</u>	<u>(175,448)</u>
Gross profit		84,958	79,573
Other income and gains		2,637	1,098
Administrative expenses		(28,260)	(33,665)
Impairment losses on financial assets, net		(2,899)	(2,243)
Other expenses		(146)	(99)
Finance costs		(7)	(17)
Share of profit of:			
A joint venture		<u>649</u>	<u>65</u>
PROFIT BEFORE TAX	6	56,932	44,712
Income tax expense	7	<u>(7,763)</u>	<u>(6,377)</u>
PROFIT FOR THE PERIOD		<u>49,169</u>	<u>38,335</u>
Attributable to:			
Owners of the parent		46,065	35,733
Non-controlling interests		<u>3,104</u>	<u>2,602</u>
		<u>49,169</u>	<u>38,335</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
— For profit for the period		<u>RMB0.16</u>	<u>RMB0.17</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
PROFIT FOR THE PERIOD	<u>49,169</u>	<u>38,335</u>
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)	(574)
Income tax effect	—*	86
	<u>(1)</u>	<u>(488)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(1)</u>	<u>(488)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(1)</u>	<u>(488)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>49,168</u>	<u>37,847</u>
Attributable to:		
Owners of the parent	46,064	35,245
Non-controlling interests	<u>3,104</u>	<u>2,602</u>
	<u>49,168</u>	<u>37,847</u>

* Less than RMB1,000

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,179	1,217
Right-of-use assets		367	733
Goodwill		22,772	22,772
Other intangible assets		15,386	16,566
Investment in a joint venture		922	273
Equity investments designated at fair value through other comprehensive income		5,081	5,082
Deferred tax assets		4,575	4,503
		<hr/>	<hr/>
Total non-current assets		51,282	51,146
CURRENT ASSETS			
Inventories		1,394	1,519
Trade receivables	<i>10</i>	108,611	77,049
Due from related companies		169,145	148,824
Prepayments and other receivables		35,999	34,016
Cash and bank balances		307,085	275,395
		<hr/>	<hr/>
Total current assets		622,234	536,803
CURRENT LIABILITIES			
Trade payables	<i>11</i>	37,024	30,670
Other payables and accruals		93,766	94,343
Contract liabilities		109,437	77,432
Due to related companies		438	425
Lease liabilities		380	754
Tax payable		5,242	6,171
		<hr/>	<hr/>
Total current liabilities		246,287	209,795
NET CURRENT ASSETS		375,947	327,008
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		427,229	378,154
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>2,238</u>	<u>2,405</u>
Total non-current liabilities	<u>2,238</u>	<u>2,405</u>
Net assets	<u>424,991</u>	<u>375,749</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	2,382	2,382
Reserves	<u>400,278</u>	<u>354,214</u>
	402,660	356,596
Non-controlling interests	<u>22,331</u>	<u>19,153</u>
Total equity	<u>424,991</u>	<u>375,749</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. CORPORATE AND GROUP INFORMATION

Ling Yue Services Group Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the period, the Company and its subsidiaries (together, 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. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

4. 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

For the six months ended 30 June 2022, revenue from Leading Holdings Group Limited and its subsidiaries ("**Leading Holdings Group**") contributed 25.2% (30 June 2021: 24.6%) of the Group's revenue. 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 during the period.

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Property management services	223,952	175,582
Value-added services to non-property owners	42,786	66,701
Community value-added services	16,610	12,738
	<u>283,348</u>	<u>255,021</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

	Property management services <i>RMB'000</i> (Unaudited)	Value-added services to non-property owners <i>RMB'000</i> (Unaudited)	Community value-added services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of services				
Rendering of services	<u>223,952</u>	<u>42,786</u>	<u>16,610</u>	<u>283,348</u>
Total revenue from contracts with customers	<u><u>223,952</u></u>	<u><u>42,786</u></u>	<u><u>16,610</u></u>	<u><u>283,348</u></u>
Timing of revenue recognition				
Revenue recognised over time	<u>223,952</u>	<u>40,988</u>	<u>4,604</u>	<u>269,544</u>
Revenue recognised at a point in time	<u>—</u>	<u>1,798</u>	<u>12,006</u>	<u>13,804</u>
Total revenue from contracts with customers	<u><u>223,952</u></u>	<u><u>42,786</u></u>	<u><u>16,610</u></u>	<u><u>283,348</u></u>

For the six months ended 30 June 2021

	Property management services <i>RMB'000</i> (Unaudited)	Value-added services to non-property owners <i>RMB'000</i> (Unaudited)	Community value-added services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of services				
Rendering of services	<u>175,582</u>	<u>66,701</u>	<u>12,738</u>	<u>255,021</u>
Total revenue from contracts with customers	<u><u>175,582</u></u>	<u><u>66,701</u></u>	<u><u>12,738</u></u>	<u><u>255,021</u></u>
Timing of revenue recognition				
Revenue recognised over time	<u>175,582</u>	<u>66,336</u>	<u>2,022</u>	<u>243,940</u>
Revenue recognised at a point in time	<u>—</u>	<u>365</u>	<u>10,716</u>	<u>11,081</u>
Total revenue from contracts with customers	<u><u>175,582</u></u>	<u><u>66,701</u></u>	<u><u>12,738</u></u>	<u><u>255,021</u></u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of services provided	198,390	175,448
Depreciation of property, plant and equipment	273	305
Depreciation of right-of-use assets	367	367
Amortisation of other intangible assets	1,253	1,143
Impairment of financial assets, net:		
Impairment of trade receivables, net	2,871	2,427
Impairment of prepayments, and other receivables, net	27	—
	<u>27</u>	<u>—</u>

7. 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 six months ended 30 June 2022.

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 for the Group, 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 six months ended 30 June 2022, 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.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China:		
Charge for the period	8,002	6,451
Deferred tax	(239)	(74)
	<u> </u>	<u> </u>
Total tax charge for the period	<u>7,763</u>	<u>6,377</u>

8. DIVIDENDS

The board of directors has resolved not to pay an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 285,685,000 (six months ended 30 June 2021: 210,000,000) shares in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic earnings per share amounts presented during the six months ended 30 June 2022 and 2021 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the periods.

The calculations of basic earnings per share are based on:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	<u><u>46,065</u></u>	<u><u>35,733</u></u>
	Number of shares	
	For the six months ended 30 June	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation		
	<u><u>285,685,000</u></u>	<u><u>210,000,000</u></u>

10. TRADE RECEIVABLES

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

	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 year	79,130	55,761
1 to 2 years	20,679	13,967
2 to 3 years	5,613	4,897
Over 3 years	3,189	2,424
	<u><u>108,611</u></u>	<u><u>77,049</u></u>

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:

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Within 1 year	36,714	30,434
Over 1 year	310	236
	<u>37,024</u>	<u>30,670</u>

BUSINESS REVIEW

In 2022, the property management industry experienced, and was impacted by, periodic fluctuations along with challenges. The Chinese government issued relevant policies to support property management enterprises in offering more convenient and diversified life services to residents so as to substantially improve the service quality, intelligence level and standardization of property management. The Group proactively responded to market changes, focused on its core businesses and kept expanding its service scenarios. It also took an initiative in establishing presence throughout the industrial chain, speeded up exploration and innovation of value-added service ecology, kept optimizing its revenue and profit structure, and raised its management scale and brand strength to a new level.

The Group continued to uphold the development strategy of “Deep Exploration in Sichuan, Main Focus on Western China and Nationwide Expansion”, to facilitate the establishment of growth poles of Sichuan and Xinjiang, and has achieved steady growth of management scale. As at 30 June 2022, the Group has provided property management services and value-added services in 35 cities in China with 250 contracted projects (of which 202 projects have been taken over). The contracted gross floor area (“GFA”) reached approximately 38 million square metres (“sq.m.”), increased by around 0.8% as compared to that as at 30 June 2021, among which the GFA under management was approximately 22 million sq.m., increased by around 5.7% as compared to that as at 30 June 2021.

OUTLOOK

The Group firmly believes that service quality is the cornerstone of development. The Group, always with the service concept of “Friendship, Companionship and Warmheartedness”, puts customers first, enhances customer service capabilities, and earns customers’ trust through sincere services, striving to meet and exceed customers’ expectations. In addition, it keeps improving the standardisation, intelligence level and precision of services in pursuit of finer service quality. During the Reporting Period, we launched the Orange Storm quality enhancement program, based on which we established a long-term quality management mechanism. By reinforcing the quality control system, we continued to enhance our strengths in basic services, dig deeper and wider into current market, and maintain industry-leading service quality. Despite scattered recurrence of the pandemic nationwide, the Group stood firm in the front line, and took actions to protect the lives and properties of property owners.

The Group will speed up exploration and innovation of value-added service ecology. Based on “property services and life services”, we will fully enhance our business positioning, product strategy and innovative marketing for new community retail. In line with users’ needs and community characteristics, we focus on strategic products in the FMCG category. We organise the “Shopping Spree Day” on occasion of anniversaries, and plan online and offline themed marketing activities so as to effectively monetize traffic and improve sales performance. While expanding into the industry chain of life services to bring in high-quality suppliers, we will enrich our service and product portfolios, and keep promoting businesses including interior decoration, turnkey furnishing services, housekeeping, and asset agency to develop a high-quality community life service brand that covers the full lifecycle and multiple scenarios of residents’ life, and create more values for property owners and the society.

The Group will accelerate intelligent services and technology upgrading. During the Reporting Period, we have carried out intelligent upgrading and transformation of multiple scenarios at projects under management to enhance operational efficiency and management standards. We have fully improved customer information management, quality operation control, financial management and internal control process optimisation.

The Group has announced new brand concept and business philosophy. We are always concerned about people’s happy life. With the corporate vision “To Create Happy and Harmonious Life for the Society”, the Group launched new brand concept of “Leading and Joy” and business philosophy.

The Group attaches great importance to the training and development of employees to facilitate its rapid growth. We have kept in-depth optimisation and reform of organisational structure to support deeper regional development and revitalize the organisation. We continue to build an efficient, collaborative, flexible and innovative organisational atmosphere driven by a culture of “like-minded mates”, and provide strong support for the rapid development of new businesses; we have adopted appealing incentives to motivate teams to constantly achieve and create excellent performance; professional training sessions, such as “Leading Talent Program”, “Joyful Talent Program”, “Leading and Joyful Trainee Program”, “Excellent Joy Program” and “Front Line Skillset Training” and “Service Manners”, are provided to support the long-term development of the Company’s talent pipeline and recruitment, and offer a wide range of career development opportunities that enable talents to grow with the Group; we abide by the core value of “Services and People First” to serve our shareholders and customers.

The Group actively undertakes its social responsibility. With active response to the national advocacy and industry call, we are concerned about and care for the city builders and city protectors who are struggling in the front line, by carrying out public welfare actions, the “City Care”, for four consecutive years; we carried out the second editions of the “Nature’s Defence — Guarding the Bears” public welfare action to care for nature.

Prospect

Given the opportunities and challenges in the fast development stage of the industry, the Group will uphold the brand concept of “Leading and Joy” and corporate vision “To Create Happy and Harmonious Life for the Society”, and continue to focus on the quality-based foundation. The Group will innovate in service quality, management scale and operational efficiency, and will undertake its responsibilities, care for property owners, repay society, and create values. In addition, we will forge ahead with the mission of “Happy Lingyue and Healthy Life”.

Property Management Services

The Group has been providing property management services since its establishment in 2002. As at 30 June 2022, the Group’s aggregate contracted GFA amounted to approximately 38.0 million sq.m., representing an increase of 0.8% as compared with same period of the last year. As at the same date, the Group managed 202 properties with an aggregate GFA under management of approximately 22.0 million sq.m., representing an increase of 5.7% as compared with same period of the 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 of the dates indicated.

	As at 30 June	
	2022	2021
Number of properties under management ⁽¹⁾	202	175
Number of properties we were contracted to manage ⁽²⁾	250	231
GFA under management (sq.m. in thousands)	22,022	20,834
Contracted GFA (sq.m. in thousands)	37,969	37,649
Undelivered GFA (sq.m. in thousands) ⁽³⁾	15,947	16,815

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 of the dates indicated. The estimated time of delivery and revenue generation of the undelivered projects as at 30 June 2022 ranges from July 2022 to September 2024.

Geographic Presence of the Group

As at 30 June 2022, the Group has expanded its geographic presence to 35 cities, across 8 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 six months ended 30 June							
	2022				2021			
	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⁾	169	17,843	176,446	78.8	150	17,601	138,994	79.2
Xinjiang Uygur Autonomous Region ⁽²⁾	15	2,061	18,605	8.3	11	1,574	14,350	8.2
Jilin Province ⁽³⁾	3	598	10,747	4.8	3	598	11,143	6.3
Guangdong Province ⁽⁴⁾	8	912	10,601	4.7	8	845	8,460	4.8
Guizhou Province ⁽⁵⁾	1	35	—	—	1	76	713	0.4
Hebei Province ⁽⁶⁾	2	148	1,478	0.7	2	140	1,922	1.1
Henan Province ⁽⁷⁾	1	12	704	0.3	—	—	—	—
Chongqing	1	86	1,385	0.6	—	—	—	—
Hubei Province ⁽⁸⁾	1	286	3,034	1.4	—	—	—	—
Jiangsu Province ⁽⁹⁾	1	41	952	0.4	—	—	—	—
Total	202	22,022	223,952	100	175	20,834	175,582	100

Notes:

- (1) The Group provided property management services to properties located in Chengdu, Leshan, Meishan, Mianyang, Xichang, Ya'an, Nanchong, Ziyang, Panzhihua and Emeishan.
- (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 Changchun.
- (4) The Group provided property management services to properties located in Foshan, Huizhou, Haifeng.
- (5) The Group provided property management services to properties located in Kaili.
- (6) The Group provided property management services to properties located in Chengde.
- (7) The Group provided property management services to properties located in Zhumadian.
- (8) The Group provided property management services to properties located in Jingzhou.
- (9) The Group provided property management services to properties located in Xuzhou.

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 30 June					
	2022			2021		
	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⁾	203	27,910	10,067	187	28,713	11,112
Xinjiang Uygur Autonomous Region ⁽²⁾	24	5,439	3,378	21	4,059	2,485
Jilin Province ⁽³⁾	3	598	—	3	598	—
Guangdong Province ⁽⁴⁾	9	1,314	402	8	1,182	337
Guizhou Province ⁽⁵⁾	2	1,073	1,038	3	1,471	1,395
Hebei Province ⁽⁶⁾	3	211	63	3	202	62
Henan Province ⁽⁷⁾	3	829	817	3	829	829
Chongqing Municipality	1	86	—	1	86	86
Hubei Province ⁽⁸⁾	1	396	110	1	396	396
Jiangsu Province ⁽⁹⁾	1	113	72	1	113	113
Total	250	37,969	15,947	231	37,649	16,815

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 and Dujiangyan.
- (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 Changchun.
- (4) The Group was contracted to provide property management services to properties located in Foshan, Shanwei, Shenzhen and Huizhou.
- (5) The Group was contracted to provide property management services to properties located in Kaili and Zunyi.

- (6) The Group was contracted to provide property management services to properties located in Chengde.
- (7) The Group was contracted to provide property management services to properties located in Luohe, Zhumadian and Xingyang.
- (8) The Group was contracted to provide property management services to properties located in Jingzhou.
- (9) 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 of the dates indicated or the periods indicated of our (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 six months ended 30 June							
	2022				2021			
	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⁾	72	11,664	150,285	67.1	57	9,347	125,059	71.2
Joint ventures of Leading Holdings Group ⁽²⁾	6	661	7,451	3.3	2	213	1,930	1.1
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	124	9,697	66,216	29.6	116	11,274	48,593	27.7
Total	202	22,022	223,952	100	175	20,834	175,582	100

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

	As at 30 June					
	2022			2021		
	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	7,658	87	18,627	9,280
Joint ventures of Leading Holdings Group ⁽²⁾	16	3,286	2,625	11	2,686	2,473
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	138	15,361	5,664	133	16,336	5,062
Total	250	37,969	15,947	231	37,649	16,815

Notes:

- (1) Refers to properties solely developed by Leading Holdings Group or jointly developed by Leading Holdings Group and third-party 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 our total GFA under management by property type as of the dates indicated, and revenue from property management services by property type and stage of projects for the periods indicated:

	As at/For the six months ended 30 June							
	2022				2021			
	Number of projects under management	GFA under management (sq.m.'000)	Revenue		Number of projects under management	GFA under management (sq.m.'000)	Revenue	
		RMB'000	%			RMB'000	%	
Residential properties	114	16,793	139,124	62.1	91	13,632	106,566	60.7
— Preliminary stage ⁽¹⁾	97	13,499	115,987	51.8	77	11,199	90,237	51.4
— Property owners' association stage ⁽²⁾	17	3,294	23,137	10.3	14	2,433	16,329	9.3
Commercial properties	8	736	44,754	20.0	7	888	44,069	25.1
Public and other properties	80	4,493	40,074	17.9	77	6,314	24,947	14.2
Total	202	22,022	223,952	100	175	20,834	175,582	100

Notes:

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

In the first half of 2022, revenue from value-added services to non-property owners decreased by 35.9% to approximately RMB42.8 million compared to approximately RMB66.7 million in the corresponding period of 2021, mainly due to the decrease of sales office management services and security support services. In the first half of 2022, the revenue from value-added services to non-property owners accounted for 15.1% of the total revenue. The following table sets forth a breakdown of our revenue from value-added services to non-property owners for the periods indicated.

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Preliminary planning and design consultancy services	1,992	4.7	3,508	5.3
Sales office management services	30,844	72.1	49,642	74.4
Pre-delivery services	339	0.8	85	0.1
Repair and maintenance services	916	2.1	1,532	2.3
Property transaction assistance services	664	1.5	189	0.3
Security support services	8,031	18.8	11,745	17.6
Total	<u>42,786</u>	<u>100</u>	<u>66,701</u>	<u>100</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.

In the first half of 2022, the revenue from community value-added services increased by 30.4% to approximately RMB16.6 million compared to approximately RMB12.7 million in the corresponding period of 2021, mainly due to the increase of decoration and turnkey furnishing services. In the first half of 2022, revenue from community value-added services accounted for 5.9% 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 six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Community space management services	3,841	23.1	3,434	27.0
Decoration and turnkey furnishing services	9,840	59.2	5,669	44.5
Convenient living services	2,745	16.6	3,456	27.1
Community retail services	184	1.1	179	1.4
Total	<u>16,610</u>	<u>100</u>	<u>12,738</u>	<u>100</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 Reporting Period, the Group's revenue amounted to approximately RMB283.3 million, representing an increase of approximately 11.1% compared with RMB255.0 million in the same period of 2021.

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

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	Percentage of revenue	<i>RMB'000</i>	Percentage of revenue
	Unaudited	%	Unaudited	%
Property management services	223,952	79.0	175,582	68.8
Value-added services to non-property owners	42,786	15.1	66,701	26.2
Community value-added services	16,610	5.9	12,738	5.0
Total	<u>283,348</u>	<u>100</u>	<u>255,021</u>	<u>100</u>

Property management services is still the largest source of revenue for the Group. For the six months ended 30 June 2022, revenue from property management services reached approximately RMB224.0 million, accounting for 79.0% of the total revenue of the Group. Such revenue growth was attributable to an increase in GFA under management. The decrease in revenue from value-added services to non-property owners was mainly due to the decrease of sales office management services and security support services. The increase in revenue from community value-added services was mainly due to the increase of 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 Reporting Period, the cost of sales of the Group was approximately RMB198.4 million, representing an increase of approximately 13.1% compared with approximately RMB175.4 million in the corresponding period of 2021. The growth rate of the Group's cost of sales was basically the same as the growth rate of revenue.

Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit increased by approximately 6.8% from approximately RMB79.6 million for the corresponding period in 2021 to approximately RMB85.0 million.

During the Reporting Period, the gross profit margin of the Group decreased by 1.2 percentage points to 30.0% from 31.2% for the same period in 2021, mainly due to the growth rate of revenue was less than the growth rate of the Group's cost of sales.

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

	Six months ended 30 June		
	2022 gross profit margin %	2021 gross profit margin %	Changes in gross profit margin %
Property management services	28.7	29.8	-1.1
Value-added services to non-property owners	31.1	45.4	-14.3
Community value-added services	44.3	32.1	12.2
Total	30.0	31.2	-1.2

Administrative expenses

During the Reporting Period, the administrative expenses of the Group decreased by approximately 16.1% from approximately RMB33.7 million for the same period in 2021 to approximately RMB28.3 million, mainly due to there was no listing expense during the Reporting Period.

Income tax expenses

During the Reporting Period, the income tax expenses of the Group increased by approximately 21.7% from RMB6.4 million for the same period in 2021 to approximately RMB7.8 million. The increase in income tax expenses was mainly due to the growth of revenue.

Profit attributable to owners of the Company

During the Reporting Period, the profit and total comprehensive income attributable to owners of the Company for the period was approximately RMB46.1 million, representing an increase of approximately 30.7% compared with RMB35.2 million for the same period in 2021.

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 30 June 2022, the Group's trade receivables amounted to approximately RMB108.6 million, representing an increase of approximately RMB31.6 million or 41.0% compared with RMB77.0 million as at 31 December 2021. The increase was due to the growth of revenue.

Prepayments, deposits and other receivables

As at 30 June 2022, the Group's prepayments, deposits and other receivables amounted to approximately RMB36.0 million, representing an increase of approximately 5.8% compared with RMB34.0 million as at 31 December 2021. The increase was due to an increase in GFA under management as a result of the expansion of business scale.

Trade payables

As at 30 June 2022, the Group's trade payables amounted to approximately RMB37.0 million, representing an increase of approximately 20.7% from approximately RMB30.7 million as at 31 December 2021. 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 and financial 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 Reporting Period, the Group's principal use of cash was investment, information construction and working capital, which was mainly funded by proceeds from the Company's listing and operations.

Interest rate risk

As the Group had no significant interest-bearing assets and liabilities, the Group is not exposed to material risk directly relating to changes in market interest rate.

Foreign exchange risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pays to Shareholders outside of the PRC. As at 30 June 2022, the Group had no cash at banks denominated in foreign currencies. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk.

Gearing ratio

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%. Gearing ratios as at 30 June 2022 is not meaningful because our interest-bearing borrowings as at the same dates was nil (as at 31 December 2021: nil).

CONTINGENT LIABILITIES

As of 30 June 2022, the Group had no contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

There was no material acquisition and disposal of subsidiaries, associated companies and joint ventures by the Group during the Reporting Period.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Reporting Period, there were no significant investments held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section “Future Plans and Use of Proceeds” in the prospectus of the Company dated 29 June 2021, the Group had no plan for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 3,909 employees (31 December 2021: 4,121 employees). During the Reporting Period, the total staff costs were approximately RMB131.9 million and the total staff costs were approximately RMB113.3 million for the same period in 2021.

The Group will further enhance its employee training program with internal and external resources. The employee training programs primarily cover key areas in the Group’s business operations, which provide continuous training to its existing employees at different levels to specialize and strengthen their skills sets.

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to its staff is fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessments is paid to employees to reward their contributions. 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 its employees, a monthly social insurance funds covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and the housing provident fund, or to contribute regularly to mandatory provident fund schemes on behalf of its employees. In determining the remuneration and compensation packages of the Directors and senior management, the Group 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 REPORTING PERIOD

There has been no material events affecting the Company since 30 June 2022 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining and strengthening high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness, in order to safeguard and protect the interests of the Shareholders and to enhance corporate value and accountability system.

The Company has adopted the principles and code provisions of the Corporate Governance Code (“**CG Code**”) contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices. So far as the Directors are aware, the Company has complied with all the applicable code provisions set out in the CG Code during the Reporting Period.

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 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. Upon the enquiries made to all Directors, they confirmed that they have complied with the standards for securities transactions by Directors as set out in the Model Code during the Reporting Period.

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

The Company and its subsidiaries did not purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2022.

REVIEW OF UNAUDITED INTERIM RESULTS

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 Interim Results have been reviewed by the Audit Committee. The Interim Results has not been audited but has been reviewed by Ernst & Young, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

This Interim Results announcement will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.lingyue-service.com), respectively. The interim report of the Company for the six months ended 30 June 2022 will be despatched to the Shareholders in due course and will be made available on the above websites, respectively.

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

Hong Kong, 31 August 2022

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