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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 2023

INTERIM RESULTS AND OPERATIONAL HIGHLIGHTS

Financial Highlights

- The revenue for the six months ended 30 June 2023 was RMB294.7 million, representing an increase of 4.0% compared with the same period in 2022.
- The gross profit for the six months ended 30 June 2023 was RMB100.4 million, representing an increase of 18.1% compared with the same period in 2022.
- The net profit for the six months ended 30 June 2023 was RMB58.7 million, representing an increase of 19.3% compared with the same period in 2022.
- As at 30 June 2023, the Group had 257 contracted projects, contracted GFA of 38.7 million sq.m., 228 projects under management and GFA under management of 26.0 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 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	<i>Notes</i>	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	5	294,658	283,348
Cost of sales		<u>(194,289)</u>	<u>(198,390)</u>
Gross profit		100,369	84,958
Other income and gains		4,204	2,637
Administrative expenses		(24,511)	(28,260)
Impairment losses on financial assets and goodwill, net		(8,878)	(2,899)
Other expenses		(96)	(146)
Finance costs		(3)	(7)
Share of profit of:			
A joint venture		<u>774</u>	<u>649</u>
PROFIT BEFORE TAX	6	71,859	56,932
Income tax expense	7	<u>(13,203)</u>	<u>(7,763)</u>
PROFIT FOR THE PERIOD		<u>58,656</u>	<u>49,169</u>
Attributable to:			
Owners of the parent		53,802	46,065
Non-controlling interests		<u>4,854</u>	<u>3,104</u>
		<u>58,656</u>	<u>49,169</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
— For profit for the period		<u>RMB0.19</u>	<u>RMB0.16</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
PROFIT FOR THE PERIOD	<u><u>58,656</u></u>	<u><u>49,169</u></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	139	(1)
Income tax effect	<u>(21)</u>	<u>—*</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>118</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>118</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>58,774</u></u>	<u><u>49,168</u></u>
Attributable to:		
Owners of the parent	53,920	46,064
Non-controlling interests	<u>4,854</u>	<u>3,104</u>
	<u><u>58,774</u></u>	<u><u>49,168</u></u>

* Less than RMB1,000

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	30 June 2023	31 December 2022
<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	3,303	3,287
Goodwill	18,470	22,772
Other intangible assets	13,947	14,981
Investment in a joint venture	1,449	1,125
Equity investments designated at fair value through other comprehensive income	4,790	4,651
Deferred tax assets	6,889	6,274
	<hr/>	<hr/>
Total non-current assets	48,848	53,090
CURRENT ASSETS		
Inventories	1,269	1,394
Trade receivables	133,189	115,365
Due from related companies	167,741	144,669
Prepayments and other receivables	35,588	27,084
Cash and bank balances	386,370	360,987
	<hr/>	<hr/>
Total current assets	724,157	649,499
CURRENT LIABILITIES		
Trade payables	39,222	48,322
Other payables and accruals	97,757	90,360
Contract liabilities	117,019	101,037
Due to related companies	362	436
Tax payable	6,292	7,516
	<hr/>	<hr/>
Total current liabilities	260,652	247,671
	<hr/>	<hr/>
NET CURRENT ASSETS	463,505	401,828
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	512,353	454,918
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>1,903</u>	<u>2,071</u>
Total non-current liabilities	<u>1,903</u>	<u>2,071</u>
Net assets	<u>510,450</u>	<u>452,847</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	2,382	2,382
Reserves	<u>484,785</u>	<u>430,865</u>
	487,167	433,247
Non-controlling interests	<u>23,283</u>	<u>19,600</u>
Total equity	<u>510,450</u>	<u>452,847</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2023

1. CORPORATE AND GROUP INFORMATION

Ling Yue Services Group Limited (the “**Company**”) is 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 since 12 July 2021. The registered 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**”) were 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, Linghui Capital Limited and Jin Sha Jiang Holding 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 2023 has been prepared in accordance with International Accounting Standards (“**IASs**”) 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 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022.

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

- (d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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 2023, revenue from Leading Holdings Group Limited and its subsidiaries ("**Leading Holdings Group**") contributed 16.7% (30 June 2022: 25.2%) 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Property management services	250,848	223,952
Value-added services to non-property owners	20,603	42,786
Community value-added services	23,207	16,610
	<u>294,658</u>	<u>283,348</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

	Property management services RMB'000 (Unaudited)	Value-added services to non-property owners RMB'000 (Unaudited)	Community value-added services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of services				
Rendering of services	<u>250,848</u>	<u>20,603</u>	<u>23,207</u>	<u>294,658</u>
Total revenue from contracts with customers	<u>250,848</u>	<u>20,603</u>	<u>23,207</u>	<u>294,658</u>
Timing of revenue recognition				
Revenue recognised over time	250,848	18,452	3,039	272,339
Revenue recognised at a point in time	<u>—</u>	<u>2,151</u>	<u>20,168</u>	<u>22,319</u>
Total revenue from contracts with customers	<u>250,848</u>	<u>20,603</u>	<u>23,207</u>	<u>294,658</u>

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	223,952	42,786	16,610	283,348
Total revenue from contracts with customers	<u>223,952</u>	<u>42,786</u>	<u>16,610</u>	<u>283,348</u>
Timing of revenue recognition				
Revenue recognised over time	223,952	40,988	4,604	269,544
Revenue recognised at a point in time	—	1,798	12,006	13,804
Total revenue from contracts with customers	<u>223,952</u>	<u>42,786</u>	<u>16,610</u>	<u>283,348</u>

6. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of services provided	194,289	198,390
Depreciation of property, plant and equipment	659	273
Depreciation of right-of-use assets	—	367
Amortisation of other intangible assets	1,397	1,253
Impairment of goodwill	4,302	—
Impairment of financial assets, net:		
Impairment of trade receivables, net	3,922	2,871
Reversal of impairment of due from related companies, net	(682)	—
Impairment of financial assets included in prepayments and other receivables, net	1,336	27
	<u>1,336</u>	<u>27</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 2023.

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 six months ended 30 June 2023, Lingyue Property Service Group Co., Ltd. and its western branches were subject to the 15% income tax rate, certain subsidiaries were subject to the preferential tax rate for small and low-profit enterprises, and the remaining subsidiaries and branches were subject to the 25% income tax rate.

	For the six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China:		
Charge for the period	14,007	8,002
Deferred tax	(804)	(239)
Total tax charge for the period	<u>13,203</u>	<u>7,763</u>

8. DIVIDENDS

The board of directors has resolved not to pay an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2022: 285,685,000) shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2023 and 2022 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	
	2023	2022
	<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>53,802</u>	<u>46,065</u>
	Number of shares	
	For the six months ended	
	30 June	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>285,685,000</u>	<u>285,685,000</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 provision for the loss allowance for impairment, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	104,249	92,902
1 to 2 years	18,400	14,704
2 to 3 years	7,640	5,152
Over 3 years	2,900	2,607
	<u>133,189</u>	<u>115,365</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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	39,107	44,837
Over 1 year	115	3,485
	<u>39,222</u>	<u>48,322</u>

BUSINESS REVIEW

During the Reporting Period, the Group remains steadfast in its development strategy of “deep cultivation in Southwest China, establishing a strong presence in Xinjiang, and pursuing nationwide development.” As a result, the management scale in respect of the gross floor area (the “GFA”) has achieved steady growth. Furthermore, the Group is expanding its operations in sectors such as schools, parks, and public buildings, gradually advancing towards a comprehensive and diversified market.

OUTLOOK

In the face of opportunities and challenges brought about by the rapid industry growth, we are committed to upholding our service philosophy of “Friendship, Companionship, and Warmheartedness”. With quality as our foundation and warm services as our core, we will strengthen our operational fundamentals, prioritize value creation for customers, expand our service coverage, and persistently pursue long-term, high-quality corporate development in the second half of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2023, the Group's aggregate contracted GFA amounted to approximately 38.7 million sq.m., representing an increase of 1.9% as compared with same period of the last year. As at the same date, the Group managed 228 properties with an aggregate GFA under management of approximately 26.0 million sq.m., representing an increase of 18.2% 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	
	2023	2022
Number of properties under management ⁽¹⁾	228	202
Number of properties we were contracted to manage ⁽²⁾	257	250
GFA under management (sq.m. in thousands)	26,039	22,022
Contracted GFA (sq.m. in thousands)	38,689	37,969
Undelivered GFA (sq.m. in thousands) ⁽³⁾	12,650	15,947

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 2023 ranges from July 2023 to August 2031.

Geographic Presence of the Group

As at 30 June 2023, the Group has expanded its geographic presence to 36 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 six months ended 30 June							
	2023				2022			
	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⁾	195	21,062	199,698	79.6	169	17,843	176,446	78.8
Xinjiang Uygur Autonomous Region ⁽²⁾	12	1,873	15,751	6.3	15	2,061	18,605	8.3
Guangdong Province ⁽³⁾	8	1,148	12,313	4.9	8	912	10,601	4.7
Jilin Province ⁽⁴⁾	3	598	10,980	4.4	3	598	10,747	4.8
Hebei Province ⁽⁵⁾	2	148	1,447	0.6	2	148	1,478	0.7
Henan Province ⁽⁶⁾	3	286	2,886	1.2	1	12	704	0.3
Hubei Province ⁽⁷⁾	1	396	3,875	1.5	1	286	3,034	1.4
Jiangsu Province ⁽⁸⁾	1	113	875	0.3	1	41	952	0.4
Guizhou Province ⁽⁹⁾	2	329	1,617	0.6	1	35	—	—
Chongqing Municipality	1	86	1,406	0.6	1	86	1,385	0.6
Total	228	26,039	250,848	100	202	22,022	223,952	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 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 was contracted to provide property management services to properties located in Luohe, Zhumadian and Xingyang.
- (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 was contracted to provide property management services to properties located in Kaili and Zunyi.

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					
	2023			2022		
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⁾	214	28,922	7,860	203	27,910	10,067
Xinjiang Uygur Autonomous Region ⁽²⁾	19	4,868	2,995	24	5,439	3,378
Guangdong Province ⁽³⁾	9	1,314	167	9	1,314	402
Hebei Province ⁽⁴⁾	3	211	63	3	211	63
Henan Province ⁽⁵⁾	3	829	542	3	829	817
Jilin Province ⁽⁶⁾	3	598	—	3	598	—
Guizhou Province ⁽⁷⁾	2	1,073	744	2	1,073	1,038
Hubei Province ⁽⁸⁾	1	396	—	1	396	110
Jiangsu Province ⁽⁹⁾	1	113	—	1	113	72
Chongqing Municipality	1	86	—	1	86	—
Hunan Province ⁽¹⁰⁾	1	279	279	—	—	—
Total	257	38,689	12,650	250	37,969	15,947

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 Urumqi.
- (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 Kaili and Zunyi.
- (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.
- (10) The Group was contracted to provide property management services to properties located in Zhangjiajie.

Source of Properties under Management

The Group primarily offers property management services to properties developed by 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							
	2023				2022			
	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⁾	86	14,458	168,288	67.1	72	11,664	150,285	67.1
Joint ventures of Leading Holdings Group ⁽²⁾	10	1,120	6,289	2.5	6	661	7,451	3.3
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	132	10,461	76,271	30.4	124	9,697	66,216	29.6
Total	228	26,039	250,848	100	202	22,022	223,952	100

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

	As at 30 June					
	2023			2022		
	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⁾	98	20,008	5,550	96	19,322	7,658
Joint ventures of Leading Holdings Group ⁽²⁾	16	3,390	2,270	16	3,286	2,625
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	143	15,291	4,830	138	15,361	5,664
Total	257	38,689	12,650	250	37,969	15,947

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							
	2023				2022			
	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	132	20,467	190,798	76.1	114	16,793	139,124	62.1
— Preliminary stage ⁽¹⁾	116	17,232	165,576	66.0	97	13,499	115,987	51.8
— Property owners' association stage ⁽²⁾	16	3,235	25,222	10.1	17	3,294	23,137	10.3
Commercial properties	6	700	31,706	12.6	8	736	44,754	20.0
Public and other properties	90	4,872	28,344	11.3	80	4,493	40,074	17.9
Total	228	26,039	250,848	100	202	22,022	223,952	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.

During the Reporting Period, revenue from value-added services to non-property owners decreased by 51.8% to approximately RMB20.6 million compared to approximately RMB42.8 million in the corresponding period of 2022, mainly due to a decrease in revenue from sales office management services and security services. During the Reporting Period, the revenue from value-added services to non-property owners accounted for 7.0% of the total revenue of the Group. 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			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Preliminary planning and design consultancy services	113	0.5	1,992	4.7
Sales office management services	15,792	76.7	30,844	72.1
Pre-delivery services	1,032	5.0	339	0.8
Repair and maintenance services	2,130	10.3	916	2.1
Property transaction assistance services	1,536	7.5	664	1.5
Security support services	—	—	8,031	18.8
Total	20,603	100	42,786	100

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 Reporting Period, the revenue from community value-added services increased by 39.7% to approximately RMB23.2 million compared to approximately RMB16.6 million in the corresponding period of 2022, mainly due to an increase in revenue from decoration and turnkey furnishing services. During the Reporting Period, revenue from community value-added services accounted for 7.9% of total revenue of the Group.

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			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Community space management services	3,342	14.4	3,841	23.1
Decoration and turnkey furnishing services	13,149	56.7	9,840	59.2
Convenient living services	6,621	28.5	2,745	16.6
Community retail services	95	0.4	184	1.1
Total	<u>23,207</u>	<u>100</u>	<u>16,610</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 RMB294.7 million, representing an increase of approximately 4.0% compared with RMB283.3 million in the same period of 2022.

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

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	Percentage of revenue <i>%</i>	<i>RMB'000</i>	Percentage of revenue <i>%</i>
	Unaudited		Unaudited	
Property management services	250,848	85.1	223,952	79.0
Value-added services to non-property owners	20,603	7.0	42,786	15.1
Community value-added services	23,207	7.9	16,610	5.9
Total	<u>294,658</u>	<u>100</u>	<u>283,348</u>	<u>100</u>

Property management services is still the largest source of revenue for the Group. For the six months ended 30 June 2023, revenue from property management services amounted to approximately RMB250.8 million, accounting for 85.1% 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 a decrease in revenue from sales office management services and security services. The increase in revenue from community value-added services was mainly due to an increase in revenue 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 Reporting Period, the cost of sales of the Group was approximately RMB194.3 million, representing a decrease of approximately 2.1% compared with approximately RMB198.4 million in the corresponding period of 2022. The decrease in cost of sales of the Group was mainly due to the reduction in outsourcing expenses.

Gross profit and gross profit margin

During the Reporting Period, the Group's gross profit increased by 18.1% from approximately RMB85.0 million for the corresponding period in 2022 to approximately RMB100.4 million.

During the Reporting Period, the gross profit margin of the Group increased by 4.1 percentage points to 34.1% from 30.0% for the same period in 2022, mainly due to the Company's strict control on costs.

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

	Six months ended 30 June		
	2023	2022	Changes in
	gross profit	gross profit	gross profit
	margin	margin	margin
	%	%	%
Property management services	32.7	28.7	4.0
Value-added services to non-property owners	35.0	31.1	3.9
Community value-added services	48.3	44.3	4.0
Total	34.1	30.0	4.1

Administrative expenses

During the Reporting Period, the administrative expenses of the Group decreased by approximately 13.3% from approximately RMB28.3 million for the same period in 2022 to approximately RMB24.5 million, mainly due to the reduction in professional intermediary agency expenses and labour costs.

Income tax expenses

During the Reporting Period, the income tax expenses of the Group increased by approximately 70.1% from RMB7.8 million for the same period in 2022 to approximately RMB13.2 million. The increase in income tax expenses was mainly due to a significant increase in profit before tax.

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 RMB53.9 million, representing an increase of approximately 17.1% compared with RMB46.1 million for the same period in 2022.

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 2023, the Group's trade receivables amounted to approximately RMB133.2 million, representing an increase of approximately RMB17.8 million or 15.5% compared with RMB115.4 million as at 31 December 2022. The increase was due to an increase in GFA under management as a result of the expansion of the Group's business scale.

Prepayments, deposits and other receivables

As at 30 June 2023, the Group's prepayments, deposits and other receivables amounted to approximately RMB35.6 million, representing an increase of approximately 31.4% compared with RMB27.1 million as at 31 December 2022. The increase was due to an increase in GFA under management as a result of the expansion of the Group's business scale.

Trade payables

As at 30 June 2023, the Group's trade payables amounted to approximately RMB39.2 million, representing a decrease of approximately 18.8% from approximately RMB48.3 million as at 31 December 2022. The decrease was mainly due to the reduction in outsourcing expenses.

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 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 2023, 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 2023 is not meaningful because our interest-bearing borrowings as at the same dates was nil (as at 31 December 2022: nil).

CONTINGENT LIABILITIES

As of 30 June 2023, 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 as at 30 June 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 4,731 employees (31 December 2022: 4,405 employees). During the Reporting Period, the total staff costs were approximately RMB135.0 million and the total staff costs were approximately RMB131.9 million for the same period in 2022.

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 IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There has been no important events affecting the Company since 30 June 2023 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 2023.

REVIEW OF UNAUDITED INTERIM RESULTS 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. 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.

As at the date of this announcement, the Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023. 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 agreed with the management of the Company on the interim results of the Group for the six months ended 30 June 2023.

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 2023 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, 30 August 2023

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