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Ling Yue Services Group Limited

領悅服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2165)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

ANNUAL RESULTS AND OPERATIONAL HIGHLIGHTS

Financial Highlights

- The Group's revenue for the year ended 31 December 2023 was RMB609.1 million, representing an increase of 5.4% compared with the corresponding period of 2022.
- The Group's gross profit for the year ended 31 December 2023 was RMB194.7 million, representing an increase of 16.5% compared with the corresponding period of 2022.
- The net profit for the year ended 31 December 2023 was RMB104.6 million, representing an increase of 30.4% compared with the corresponding period in 2022.
- As at 31 December 2023, the Group had 253 contracted projects, contracted GFA of 36.4 million sq.m., 249 projects under management and GFA under management of 30.1 million sq.m..
- The Board did not recommend the payment of final dividend for the year ended 31 December 2023 (2022: nil).

STATEMENTS AND NOTES

The board (the “**Board**”) of directors (the “**Directors**”) of Ling Yue Services Group Limited (the “**Company**”) is pleased to announce the consolidated annual results (the “**Annual Results**”) of the Company and its subsidiaries (together, the “**Group**” and “**we**”) for the year ended 31 December 2023 (the “**Year**”), together with the comparative figures for the corresponding period of 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
REVENUE	4	609,097	577,702
Cost of sales		(414,381)	(410,596)
Gross profit		194,716	167,106
Other income and gains	4	10,622	9,028
Administrative expenses		(56,602)	(56,418)
Impairment losses on financial assets, net		(10,679)	(24,260)
Other expenses		(11,511)	(625)
Finance costs		—	(4)
Share of profits of:			
Joint ventures		1,030	1,108
PROFIT BEFORE TAX	5	127,576	95,935
Income tax expense	6	(22,955)	(15,678)
PROFIT FOR THE YEAR		104,621	80,257
Attributable to:			
Owners of the parent		101,863	77,004
Non-controlling interests		2,758	3,253
		104,621	80,257
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted — For profit for the year		RMB0.36	RMB0.27

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

Year ended 31 December 2023

	2023	2022
	RMB'000	RMB'000
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	(569)	(431)
Income tax effect	<u>85</u>	<u>65</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(484)</u>	<u>(366)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(484)</u>	<u>(366)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>104,137</u>	<u>79,891</u>
Attributable to:		
Owners of the parent	101,379	76,638
Non-controlling interests	<u>2,758</u>	<u>3,253</u>
	<u>104,137</u>	<u>79,891</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		5,655	3,287
Goodwill		18,470	22,772
Other intangible assets		8,767	14,981
Investments in joint ventures		2,606	1,125
Equity investments designated at fair value through other comprehensive income		4,082	4,651
Deferred tax assets		5,698	6,274
		<hr/>	<hr/>
Total non-current assets		45,278	53,090
CURRENT ASSETS			
Inventories		1,040	1,394
Trade receivables	9	121,032	115,365
Due from related companies		18,710	144,669
Prepayments and other receivables	10	48,632	27,084
Cash and bank balances		602,924	360,987
		<hr/>	<hr/>
Total current assets		792,338	649,499
CURRENT LIABILITIES			
Trade payables	11	31,404	48,322
Other payables and accruals	12	120,283	90,360
Contract liabilities		132,563	101,037
Due to related companies		225	436
Tax payable		2,314	7,516
		<hr/>	<hr/>
Total current liabilities		286,789	247,671

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*31 December 2023*

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
NET CURRENT ASSETS		<u>505,549</u>	<u>401,828</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>550,827</u>	<u>454,918</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		<u>1,140</u>	<u>2,071</u>
Total non-current liabilities		<u>1,140</u>	<u>2,071</u>
Net assets		<u>549,687</u>	<u>452,847</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	<u>2,382</u>	<u>2,382</u>
Reserves		<u>532,244</u>	<u>430,865</u>
		534,626	433,247
Non-controlling interests		<u>15,061</u>	<u>19,600</u>
Total equity		<u>549,687</u>	<u>452,847</u>

NOTES TO FINANCIAL STATEMENTS

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 (the “**Stock Exchange**”) since 12 July 2021. The registered address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, 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. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	<i>Insurance Contracts</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>

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

In 2023, revenue from Leading Holdings Group Limited and its subsidiaries ("**Leading Holdings Group**") contributed 11.3% (2022: 19.3%) of the Group's revenue, respectively. Other than the revenue from Leading Holdings Group, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Property management services	519,833	473,389
Value-added services to non-property owners	43,285	70,002
Community value-added services	45,979	34,311
	<u>609,097</u>	<u>577,702</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Property management services <i>RMB'000</i>	Value-added services to non-property owners <i>RMB'000</i>	Community value-added services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of services				
Rendering of services	519,833	43,285	45,979	609,097
Total revenue from contracts with customers	<u>519,833</u>	<u>43,285</u>	<u>45,979</u>	<u>609,097</u>
Timing of revenue recognition				
Revenue recognised over time	519,833	40,447	8,989	569,269
Revenue recognised at a point in time	—	2,838	36,990	39,828
Total revenue from contracts with customers	<u>519,833</u>	<u>43,285</u>	<u>45,979</u>	<u>609,097</u>

For the year ended 31 December 2022

Segments	Property development <i>RMB'000</i>	Value-added services to non-property owners <i>RMB'000</i>	Community value-added services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of services				
Rendering of services	473,389	70,002	34,311	577,702
Total revenue from contracts with customers	<u>473,389</u>	<u>70,002</u>	<u>34,311</u>	<u>577,702</u>
Timing of revenue recognition				
Revenue recognised over time	473,389	64,964	11,973	550,326
Revenue recognised at a point in time	—	5,038	22,338	27,376
Total revenue from contracts with customers	<u>473,389</u>	<u>70,002</u>	<u>34,311</u>	<u>577,702</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property management services	<u>96,435</u>	<u>75,332</u>

(b) *Performance obligations*

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

Property management services

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

Value-added services to non-property owners

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

Community value-added services

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other income		
Government grants	2,238	4,525
Dividend income from equity investments at fair value through other comprehensive income	—	310
Bank interest income	7,392	4,062
Management consulting service fees received from a joint venture	—	73
Others	992	41
	<u>10,622</u>	<u>9,011</u>
Gains		
Gain on disposal of items of property, plant and equipment	—	17
	<u>10,622</u>	<u>9,028</u>

5. PROFIT BEFORE TAX

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

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of services provided		413,881	410,596
Depreciation of property, plant and equipment		1,509	858
Depreciation of right-of-use assets		—	183
Amortisation of other intangible assets		2,368	2,513
Auditor's remuneration		1,200	1,200
Impairment of trade receivables, net	9	16,107	7,388
Impairment of amounts due from related companies, net		(8,274)	13,544
Impairment of financial assets included in prepayments and other receivables		2,952	3,328
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries and other allowances		229,633	216,034
Pension scheme contributions and social welfare		38,700	40,178
		268,333	256,212

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profit arising in Hong Kong for the year ended 31 December 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 for small and low-profit enterprises. For the year ended 31 December 2023, Lingyue Property Service and its western branches were subject to the 15% income tax rate, certain subsidiaries were entitled to the preferential tax rate for small and low-profit enterprises, and the remaining subsidiaries and branches were subject to income tax at a rate of 25%.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current — Mainland China:		
Charge for the year	22,564	17,718
Deferred tax	391	(2,040)
	<u>22,955</u>	<u>(2,040)</u>
Total tax charge for the year	<u>22,955</u>	<u>15,678</u>

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	127,576	95,935
Tax at the statutory tax rate	31,894	23,984
Lower tax rates for specific provinces or enacted by local authority	(11,320)	(8,821)
Expenses not deductible for tax	347	139
Tax losses and deductible temporary differences not recognised	927	725
Income not subject to tax	—	(50)
Tax losses utilised from previous years	(13)	(22)
Tax losses expired	1,378	—
Profits and losses attributable to joint ventures	(258)	(277)
	<u>22,955</u>	<u>15,678</u>
Tax charge at the Group's effective rate	<u>22,955</u>	<u>15,678</u>

The share of tax charge attributable to joint ventures amounted to RMB258,000 for the year. It is included in “Share of profits of joint ventures” in the consolidated statement of profit or loss and other comprehensive income.

7. DIVIDENDS

The Board proposed no final dividend for the year ended 31 December 2023 (2022: Nil).

8. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 285,685,000 (2022: 285,685,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years of 2023 and 2022 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years.

The calculations of basic and diluted earnings per share are based on:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation:		
From continuing operations	<u>101,863</u>	<u>77,004</u>
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u>285,685,000</u>	<u>285,685,000</u>

9. TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	155,586	133,812
Impairment	(34,554)	(18,447)
	<u>121,032</u>	<u>115,365</u>

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	97,070	92,902
1 to 2 years	14,196	14,704
2 to 3 years	7,219	5,152
Over 3 years	2,547	2,607
	<u>121,032</u>	<u>115,365</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At the beginning of the year	18,447	11,059
Impairment losses, net (<i>note 5</i>)	16,107	7,388
	<hr/>	<hr/>
At the end of the year	34,554	18,447
	<hr/> <hr/>	<hr/> <hr/>

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

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

As at 31 December 2023

	Past due				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	8.48%	31.59%	52.96%	81.03%	22.21%
Gross carrying amount (<i>RMB'000</i>)	106,064	20,752	15,346	13,424	155,586
Expected credit losses (<i>RMB'000</i>)	8,994	6,556	8,127	10,877	34,554

As at 31 December 2022

	Past due				Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	6.01%	20.71%	39.71%	66.91%	13.79%
Gross carrying amount (RMB'000)	98,843	18,546	8,546	7,877	133,812
Expected credit losses (RMB'000)	5,941	3,842	3,394	5,270	18,447

10. PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Due from third parties	5,822	6,380
Prepayments on behalf of customers to utility suppliers	11,641	2,869
Other prepayments	8,389	4,869
Advances to employees	3,981	942
Deposits	3,286	2,671
Other tax recoverable	574	1,159
Other receivables	21,688	11,991
	<u>55,381</u>	<u>30,881</u>
Impairment allowance	(6,749)	(3,797)
	<u><u>48,632</u></u>	<u><u>27,084</u></u>

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At the beginning of the year	3,797	469
Impairment losses recognised, net (<i>note 5</i>)	2,952	3,328
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At the end of the year	<u>6,749</u>	<u>3,797</u>

For other receivables included in amounts due from third parties, advances to employees and deposits, the Group made periodic individual assessment on the recoverability based on historical settlement records and past experience.

The Group has assessed that the credit risk of these other receivables included in advances to employees and deposits has not increased significantly since initial recognition and the loss allowance is measured at an amount equal to 12-month ECLs, and has assessed that the expected credit losses are immaterial.

For other receivables included in prepayments on behalf of customers to utility suppliers and other receivables, the Group determined the expected credit loss rate by considering the nature and historical default rates. The Group applied a 5% (2022: 5%) expected credit loss rate to these other receivables during the year.

11. TRADE PAYABLES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	28,922	44,837
Over 1 year	2,482	3,485
	<hr/>	<hr/>
	<u>31,404</u>	<u>48,322</u>

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

As at 31 December 2023, the carrying amounts of trade payables approximated to their fair values.

12. OTHER PAYABLES AND ACCRUALS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Pending output value added tax	7,954	6,062
Payroll and welfare payables	28,833	24,665
Deposits received	32,251	25,781
Receipts on behalf of customers for utilities	28,975	16,955
Business tax and surcharges	4,629	2,843
Due to non-controlling shareholders of subsidiaries	9,562	10,297
Dividends payable to non-controlling shareholders of subsidiaries	926	—
Listing expenses	2,365	2,365
Others	4,788	1,392
	<u>120,283</u>	<u>90,360</u>

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

13. SHARE CAPITAL

Shares

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Issued and fully paid: 285,685,000 (2022: 285,685,000) ordinary shares of HK\$0.01 each	<u>2,382</u>	<u>2,382</u>

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

	Number of shares in issue	Share capital <i>RMB'000</i>
At 1 January 2022	285,685,000	2,382
Changes in share capital for the year	<u>—</u>	<u>—</u>
At 31 December 2022 and 1 January 2023	285,685,000	2,382
Changes in share capital for the year	<u>—</u>	<u>—</u>
At 31 December 2023	<u><u>285,685,000</u></u>	<u><u>2,382</u></u>

None of the Group's shares was allotted or issued during the year (2022: Nil).

BUSINESS REVIEW

In 2023, against the backdrop of the impacts of sluggish economic performance, and fluctuations of the property management industry, the Group proactively responded to the complicated environment through comprehensive and systematic planning of the corporate vision and clearer way forward, and attained steadfast and great progress in various businesses as well as satisfactory results. The Group firmly believes that people still looks forward to a better life, and it is resolutely committed to meeting the demand of hundreds of thousands of property owners for premium services, and shareholders of the Company (the “**Shareholders**”) and investors for high-quality development.

Under the guidance of “pragmatic, professional and long-term” philosophy, the Group has continued to consolidate the fundamental property management business, reshaped its standardised system and formulated the development strategy of Ling Yue Services 3.0. During the Year, the Group achieved a revenue of approximately RMB609.1 million, representing an increase of 5.4% over the previous year of 2022, and a gross profit of approximately RMB194.7 million, representing a year-on-year increase of 16.5%. Net profit of the year amounted to approximately RMB104.6 million, representing an increase of 30.4% compared with the same period in 2022.

Throughout the year, the Group stuck to its development strategy of “deep cultivation in Southwest China, establishing a strong presence in Xinjiang, and pursuing nationwide development”, and focused on two growth poles of “Sichuan and Xinjiang”. As a result, the management scale achieved steady growth. Furthermore, the Group expanded its operations in sectors such as schools, parks, and public buildings, gradually advancing towards a comprehensive and diversified market. As at 31 December 2023, the Group provided property management services and value-added services in 32 cities in China with 253 contracted projects (of which 249 projects have been taken over). The contracted gross floor area (“**GFA**”) as at 31 December 2023 reached approximately 36.4 million square metres, representing a decrease of around 3.9% as compared to that as at 31 December 2022, among which the GFA under management was approximately 30.1 million sq.m., representing an increase of around 27.7% as compared to that as at 31 December 2022.

OUTLOOK

The Group prioritised Party building to facilitate the integrated development of grassroots governance. We have always prioritised party building, proactively enhanced the organisational and institutional competence of social governance at the grassroots level, and continued to explore and address the most pressing difficulties and problems of greatest concern to the people. With special attention to the needs of property owners, we constructed a multi-party grassroots governance model comprised of the residents' committee, Party committee, property management company and property owners' association of the community, and constantly reinforced the "Premium Star" ("星悦") community brand. Many projects have achieved efficient co-governance and sharing of the community, mobilised grassroots activities, and advanced the delivery of the Group's high-quality services through the multi-party mechanism.

The Group remained fully committed to quality services. Upholding the core value of "Friendship, Companionship and Warmheartedness", the Group continued to refine its service standards, and enhanced its customer service capabilities by putting customers first. The Group safeguarded the bottom line of quality, and set an example of urban qualities. By maximising the advantages of community environment, we developed more than a hundred projects into "garden-style apartment complexes", and kept optimising the residential environment and experience of property owners. During the Year, we also launched the "Spring Dawn Campaign" ("春曉行動") and "Orange Storm" ("橙色風暴") programs to enhance quality. In this way, we established a long-term quality management mechanism, and we increased in-depth presence in existing market and maintained industry-leading service quality by further strengthening the implementation of the quality assurance system and upgrading our advantages over basic services.

The Group created an innovative value-added service ecosystem. Based on two growth poles of "property management and life services", we continued to explore innovative value-added services, and kept deepening the innovative value-added service ecosystem so as to fully cover the entire lifecycle of community residents. In line with diverse needs of property owners, we developed a new model of asset operation and set up property owners' life service centers to meet their needs for express courier station, interior decoration and turnkey move-ins, housing agency, community retail and housekeeping services. We introduced quality suppliers for community commercial services, offered Lingyue's Premium Choice of products, and made breakthroughs in the sales of product portfolio. We also pay special attention to elderly residents by actively developing elderly-friendly products and various value-added services for the elderly so as to elevate property owners' sense of happiness and security.

The Group promoted technology-enabled and digital management. We continued to promote technology-enabled property management, and utilised digital means for refining management and operation. In recent years, we have been actively exploring and developing the Lingyue Service Smart Property Management Platform, and kept upgrading the platform to improve management efficiency, optimise service processes and further enhance user experience.

The Group refined its talent training system to build a strong talent pool. We continue to deepen the optimisation and reform of our organisational structure to support further deep penetration of the regions, and stimulate organisational vitality. While focusing on major business priorities, we provided support to key positions. We enhanced internal talent incubation through special talent training programs, namely the “Excellent Joy Program”, “Leading Figure Program” (“領軍人才計劃”), “Pioneering Talent Program” (“領辰計劃”), “Leading Management Talent Program” (“領將計劃”), “Leading Talent Program”, “Joyful Talent Program”, and “Leading and Joyful Trainee Program”. We continued to carry out capability building of staff, and innovated in the development of micro-courses and internal training platform in order to provide talents with expansive career development space, refine the talent training system from multiple dimensions, and further empower teams to unleash and create excellent results.

The Group actively undertook its social responsibility through pro bono activities. We have been carrying out “City Care” public welfare activities and building “Happy Courier Stations” (“幸福驛站”) in communities for many years following the philosophy of wholehearted contribution to public welfare activities and caring for front line city builders. We have also created more employment and development opportunities for migrant workers and local employees, and actively fulfilled our tax obligations to contribute to the harmony and stability of society.

Prospect

In the face of the opportunities and challenges brought about by the rapid development of the industry, we will firmly uphold the service philosophy of “Friendship, Companionship, and Warmheartedness”. With quality as our foundation and warm services as our core, we will strengthen our operational fundamentals, prioritise value creation for customers, expand our service coverage, and persistently pursue long-term, high-quality corporate development.

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 endeavors to further diversify its community value-added services. Community value-added services have been enhancing the Group's financial performance, as they typically generate higher profit margins, as compared to other types of property management services. The Group will continue to gain greater market shares and expand business presence in China.

Property Management Services

The Group has been providing property management services since its establishment in 2002. As at 31 December 2023, the Group's aggregate contracted GFA amounted to approximately 36.4 million sq.m., representing a decrease of 3.9% as compared with the same time last year. As at 31 December 2023, the Group managed 249 properties with an aggregate GFA under management of approximately 30.1 million sq.m., representing an increase of 27.7% as compared with same time last year.

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

	As at 31 December	
	2023	2022
Number of properties under management ⁽¹⁾	249	211
Number of properties we were contracted to manage ⁽²⁾	253	249
GFA under management (<i>sq.m. in thousands</i>)	30,124	23,592
Contracted GFA (<i>sq.m. in thousands</i>)	36,372	37,834
Undelivered GFA (<i>sq.m. in thousands</i>) ⁽³⁾	6,248	14,242

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 31 December 2023 ranges from September 2024 to August 2031.

Geographic Presence of the Group

As at 31 December 2023, the Group has expanded its geographic presence to 32 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 years indicated below.

	As at/For the year ended 31 December							
	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⁾	213	22,809	420,577	81.0	178	18,790	375,030	79.2
Xinjiang Uygur Autonomous Region ⁽²⁾	15	4,066	31,352	6.0	14	1,980	36,745	7.8
Guangdong Province ⁽³⁾	8	1,182	24,142	4.6	8	1,125	24,173	5.1
Jilin Province ⁽⁴⁾	3	598	18,986	3.7	3	598	19,994	4.2
Hebei Province ⁽⁵⁾	3	200	3,029	0.6	2	148	3,366	0.7
Henan Province ⁽⁶⁾	3	435	6,624	1.3	2	224	2,378	0.5
Hubei Province ⁽⁷⁾	1	396	6,993	1.3	1	396	6,350	1.3
Jiangsu Province ⁽⁸⁾	1	113	1,678	0.3	1	113	2,130	0.5
Guizhou Province ⁽⁹⁾	1	240	3,876	0.7	1	132	457	0.1
Chongqing Municipality	1	85	2,576	0.5	1	86	2,766	0.6
Total	249	30,124	519,833	100.0	211	23,592	473,389	100.0

Notes:

- (1) The Group provided property management services to properties located in Chengdu, Emeishan, Guangyuan, Leshan, Luzhou, Meishan, Mianyang, Nanchong, Panzhihua, Xichang, Ya'an, Huili, Dazhou, Ziyang and Dujiangyan.
- (2) The Group provided property management services to properties located in Urumqi and Korla.
- (3) The Group provided property management services to properties located in Foshan, Shanwei and Huizhou.
- (4) The Group provided property management services to properties located in Changchun.
- (5) The Group provided property management services to properties located in Chengde.
- (6) The Group provided property management services to properties located in 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 provided property management services to properties located in Kaili.

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

	As at 31 December					
	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⁾	215	27,272	4,464	204	27,940	9,150
Xinjiang Uygur Autonomous Region ⁽²⁾	15	4,341	274	22	5,274	3,294
Guangdong Province ⁽³⁾	9	1,314	133	9	1,314	189
Jilin Province ⁽⁴⁾	3	598	—	3	211	63
Hebei Province ⁽⁵⁾	3	211	10	3	829	605
Henan Province ⁽⁶⁾	3	821	386	3	598	—
Hubei Province ⁽⁷⁾	1	396	—	2	1,073	941
Jiangsu Province ⁽⁸⁾	1	113	—	1	396	—
Guizhou Province ⁽⁹⁾	1	942	702	1	113	—
Chongqing Municipality	1	85	—	1	86	—
Hunan Province ⁽¹⁰⁾	1	279	279	—	—	—
Total	253	36,372	6,248	249	37,834	14,242

Notes:

- (1) The Group was contracted to provide property management services to properties located in Chengdu, Emeishan, Guangyuan, Leshan, Luzhou, Meishan, Mianyang, Nanchong, Panzihua, Xichang, Ya'an, Huili, Dazhou, Ziyang and Dujiangyan.
- (2) The Group was contracted to provide property management services to properties located in Kashgar, Korla and Urumchi.
- (3) The Group was contracted to provide property management services to properties located in Foshan, Shanwei, Shenzhen and Huizhou.
- (4) The Group was contracted to provide property management services to properties located in Changchun.
- (5) The Group was contracted to provide 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 was contracted to provide property management services to properties located in Jingzhou.
- (8) The Group was contracted to provide property management services to properties located in Xuzhou.
- (9) The Group was contracted to provide property management services to properties located in Kaili.
- (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 at the dates indicated or the periods indicated of the Group's (i) total number of projects under management and GFA under management, as well as revenue from property management services; and (ii) total number of contracted projects, contracted GFA and undelivered GFA.

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

	As at/For the year ended 31 December							
	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⁾	88	15,629	344,435	66.3	77	13,060	307,948	65.0
Joint ventures of Leading Holdings Group ⁽²⁾	12	1,609	26,219	5.0	8	886	25,067	5.3
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	149	12,886	149,179	28.7	126	9,646	140,374	29.7
Total	249	30,124	519,833	100.0	211	23,592	473,389	100.0

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

	As at 31 December					
	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⁾	89	18,442	2,813	97	19,624	6,564
Joint ventures of Leading Holdings Group ⁽²⁾	15	3,199	1,590	16	3,286	2,400
Non-Leading Holdings Group and non-joint ventures of Leading Holdings Group ⁽³⁾	149	14,731	1,845	136	14,924	5,278
Total	253	36,372	6,248	249	37,834	14,242

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 the Group's total GFA under management by property type as at the dates indicated, and revenue from property management services by property type and stage of projects for the years indicated:

	As at/For the year ended 31 December							
	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	141	24,091	374,208	72.0	119	18,416	291,384	61.5
— Preliminary stage ⁽¹⁾	116	19,733	310,598	59.8	102	15,007	225,659	47.6
— Property owners' association stage ⁽²⁾	25	4,358	63,610	12.2	17	3,409	65,725	13.9
Commercial properties	6	871	80,058	15.4	7	729	86,001	18.2
Public and other properties	102	5,162	65,567	12.6	85	4,447	96,004	20.3
Total	249	30,124	519,833	100.0	211	23,592	473,389	100.0

Notes:

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

Value-added Services to Non-property Owners

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

During the Year, revenue from value-added services to non-property owners decreased by 38.2% to approximately RMB43.3 million compared to approximately RMB70.0 million for the corresponding period of 2022, mainly due to a decrease in revenue from sales office management services and security support services. During the Year, the revenue from value-added services to non-property owners accounted for 7.2% of the total revenue. The following table sets forth a breakdown of the Group's revenue from value-added services to non-property owners for the years indicated.

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Preliminary planning and design consultancy services	6,845	15.9	3,745	5.4
Sales office management services	26,624	61.5	50,207	71.7
Pre-delivery services	2,095	4.8	842	1.2
Repair and maintenance services	7,710	17.8	3,601	5.1
Property transaction assistance services	11	—	3,015	4.3
Security support services	—	—	8,592	12.3
Total	<u>43,285</u>	<u>100.0</u>	<u>70,002</u>	<u>100.0</u>

Community Value-added Services

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

During the Year, the revenue from community value-added services increased by 34.0% to approximately RMB46.0 million compared to approximately RMB34.3 million for the corresponding period of 2022, mainly due to an increase in revenue from decoration services. During the Year, revenue from community value-added services accounted for 7.5% of total revenue.

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

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Community space management services	7,424	16.1	8,114	23.7
Decoration and turnkey furnishing services	24,739	53.8	18,540	54.0
Convenient living services	13,594	29.6	7,069	20.6
Community retail services	222	0.5	588	1.7
Total	45,979	100.0	34,311	100.0

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly derived from three major businesses: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services. During the Year, the Group's revenue amounted to approximately RMB609.1 million, representing an increase of approximately 5.4% compared with RMB577.7 million in the same period of 2022.

The following table sets out the revenue contribution of each business segment for the years indicated:

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>Percentage of revenue %</i>	<i>RMB'000</i>	<i>Percentage of revenue %</i>
Property management services	519,833	85.3	473,389	81.9
Value-added services to non-property owners	43,285	7.2	70,002	12.2
Community value-added services	45,979	7.5	34,311	5.9
Total	609,097	100.0	577,702	100.0

Property management services is still the largest source of revenue for the Group. For the year ended 31 December 2023, revenue from property management services reached approximately RMB519.8 million, accounting for 85.3% 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 support 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 Year, the cost of sales of the Group was approximately RMB414.4 million, representing an increase of approximately 0.9% compared with approximately RMB410.6 million for the corresponding period of 2022. 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 Year, the Group's gross profit increased by approximately 16.5% from approximately RMB167.1 million for the corresponding period in 2022 to approximately RMB194.7 million.

During the Year, the gross profit margin of the Group increased by 3.1 percentage points to 32.0% from 28.9% for the same period in 2022, mainly due to the growth rate of revenue being greater than the growth rate of the Group's cost of sales.

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

	For the year ended 31 December		
	2023 gross profit margin %	2022 gross profit margin %	Changes in gross profit margin %
Property management services	30.7	27.8	2.9
Value-added services to non-property owners	32.5	29.7	2.8
Community value-added services	46.1	43.3	2.8
Total	<u>32.0</u>	<u>28.9</u>	<u>3.1</u>

Administrative Expenses

During the Year, the administrative expenses of the Group increased by approximately 0.3% from approximately RMB56.4 million for the same period in 2022 to approximately RMB56.6 million, mainly due to the increase of advertisement expenses.

Income Tax Expense

During the Year, the income tax expenses of the Group increased by approximately 46.4% from RMB15.7 million for the same period in 2022 to approximately RMB23.0 million. The trend was consistent with the increase of profit of the Group during the Year. The increase in income tax expenses was mainly due to the growth rate in revenue is greater than that in cost of sales.

Profit Attributable to Owners of the Company

During the Year, total comprehensive income attributable to owners of the Company for the period was approximately RMB101.4 million, representing an increase of approximately 32.3% as compared with RMB76.6 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 31 December 2023, the Group's trade receivables amounted to approximately RMB121.0 million, representing an increase of approximately RMB5.6 million or 4.9% as compared with RMB115.4 million as at 31 December 2022. The increase was due to an increase in revenue as a result of an increase in GFA under management.

Prepayments and Other Receivables

As at 31 December 2023, the Group's prepayments and other receivables amounted to approximately RMB48.6 million, representing an increase of approximately 79.6% compared with RMB27.1 million as at 31 December 2022. Due to an increase in GFA under management as a result of the expansion of the Group's business scale, prepayments on behalf of property owners was increased.

Trade Payables

As at 31 December 2023, the Group's trade payables amounted to approximately RMB31.4 million, representing a decrease of approximately 35.0% from approximately RMB48.3 million as at 31 December 2022. Such 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 Year, 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.

Cash Position

As at 31 December 2023, the Group had cash and bank balances of approximately RMB602.9 million (31 December 2022: RMB361.0 million).

Current Ratio and Gearing Ratio

As at 31 December 2023, the Group's current ratio (current assets to current liabilities) is approximately 2.8 (31 December 2022: 2.6). Gearing ratio is calculated based on the sum of interest-bearing borrowings as at the respective dates divided by total equity as at the same dates and multiplied by 100%. Gearing ratios as at 31 December 2023 is not meaningful because the Group's interest-bearing borrowings as at the same date was nil (as at 31 December 2022: nil).

Foreign Exchange Risk

The Group primarily operates its business in China. The currency in which the Group denominates and settles of its transactions is mainly RMB. Any depreciation of RMB would adversely affect the value of any dividends the Group pays to Shareholders outside of the PRC. As at 31 December 2023, certain bank balances and cash were denominated in Hong Kong dollar, United States dollar and Australian dollar. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk as it is expected that there will be no material foreign exchange exposure.

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.

Pledge of Assets

As at 31 December 2023, the pledge deposit of the Group was RMB0.1 million (31 December 2022: RMB0.1 million).

Contingent Liabilities

As at 31 December 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 Year.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Year, 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 POLICY

As at 31 December 2023, the Group had 5,644 employees (31 December 2022: 4,405 employees). For the year ended 31 December 2023, the total staff costs were approximately RMB269.5 million and the total staff costs were approximately RMB257.4 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 EVENTS AFTER THE YEAR

No material events were undertaken by the Group subsequent to 31 December 2023 and up to the date of this announcement.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the Year.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (31 December 2022: nil).

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 applicable code provisions stated in Part 2 of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the basis of the Company's corporate governance practices.

For the Year, so far as the Directors are aware, the Company has complied with all the applicable code provisions as set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ securities transactions.

Upon the specific 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 for the Year.

The Company is not aware of any incident of non-compliance of the Model Code committed by any Directors, or relevant employees for the Year.

REVIEW OF ANNUAL RESULTS BY 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 C1 to the Listing Rules. The Audit Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit.

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

The Audit Committee and the Company’s management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting. The Audit Committee has reviewed and agreed with the management of the Company on the annual results of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") is scheduled to be convened and held on Thursday, 30 May 2024. A notice convening the AGM will be published on the websites of the Hong Kong Exchanges and Clearing Limited and the Company in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of the eligibility of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 24 May 2024.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This announcement will be published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.lingyue-service.com), respectively. The annual report of the Company for the year ended 31 December 2023 will be published on the above-mentioned websites in due course.

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

Hong Kong, 28 March 2024

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