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**Lushang Life Services Co., Ltd.**

**魯商生活服務股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2376)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

**FINANCIAL SUMMARY**

	<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>324,361</b>	270,003
Gross profit	<b>75,526</b>	67,509
Gross profit margin	<b>23.3%</b>	25.0%
Profit before taxation	<b>52,223</b>	50,088
Profit and comprehensive income for the period	<b>40,746</b>	38,988
Profit attributable to equity shareholders of the Company	<b>40,066</b>	38,065
Basic earnings per share (RMB)	<b>0.40</b>	0.38

For the Period, the total revenue of the Group was approximately RMB324.4 million, representing an increase of approximately 20.1% as compared with approximately RMB270.0 million for the corresponding period in 2021.

For the Period, the gross profit of the Group was approximately RMB75.5 million, representing an increase of 11.9% as compared with RMB67.5 million for the corresponding period in 2021. The Group's gross profit margin was 23.3%, representing a decrease of 1.7% as compared with the gross profit margin of 25.0% for the corresponding period in 2021.

For the Period, the profit of the Group was approximately RMB40.7 million, representing an increase of 4.5% as compared with RMB39.0 million for the corresponding period in 2021.

As at June 30, 2022, the Group had 23.5 million sq.m. of GFA under its management, representing an increase of 27.7% compared with June 30, 2021.

The Board resolved not to distribute any interim dividend for the Period.

## **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Lushang Life Services Co., Ltd. (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”, “**we**” or “**our**”) for the six months ended June 30, 2022 (the “**Period**”), together with comparative figures for the corresponding period in 2021.

## INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*for the six months ended 30 June 2022 – unaudited*

*(Expressed in Renminbi (“RMB”))*

	<i>note</i>	<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>RMB’000</b>	RMB’000
<b>Revenue</b>	3	<b>324,361</b>	270,003
Cost of sales		<u>(248,835)</u>	<u>(202,494)</u>
<b>Gross profit</b>		<b>75,526</b>	67,509
Other net income	4	<b>1,442</b>	663
Administrative and other expenses		<b>(22,161)</b>	(18,404)
Recognition of expected credit loss on financial assets		<u>(4,447)</u>	<u>(1,229)</u>
<b>Profit from operations</b>		<b>50,360</b>	48,539
Finance income		<b>2,008</b>	4,151
Finance costs		<u>(145)</u>	<u>(2,602)</u>
Finance income, net	5(a)	<b>1,863</b>	1,549
<b>Profit before taxation</b>		<b>52,223</b>	50,088
Income tax	6	<u>(11,477)</u>	<u>(11,100)</u>
<b>Profit and total comprehensive income for the period</b>		<b>40,746</b>	38,988
<b>Profit and total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>40,066</b>	38,065
Non-controlling interests		<u>680</u>	<u>923</u>
<b>Profit and total comprehensive income for the period</b>		<b>40,746</b>	38,988
<b>Earnings per share (RMB)</b>	7		
– Basic and diluted		<b>0.40</b>	0.38

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022 – unaudited

(Expressed in RMB)

	<i>note</i>	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		55,618	57,398
Intangible assets		1,750	1,806
Deferred tax assets		10,286	9,617
		<u>67,654</u>	<u>68,821</u>
<b>Current assets</b>			
Inventories		42,386	42,245
Contract assets		22,636	15,576
Trade and bills receivables	8	229,686	196,887
Prepayments, deposits and other receivables		41,452	33,264
Amounts due from related parties		142	2,117
Cash and cash equivalents		312,080	275,486
		<u>648,382</u>	<u>565,575</u>
<b>Current liabilities</b>			
Trade payable	9	173,638	137,530
Accrued expenses and other payable	10	122,994	125,281
Contract liabilities		66,097	60,846
Lease liabilities		750	731
Current taxation		8,664	6,529
Amounts due to related parties		17	595
		<u>372,160</u>	<u>331,512</u>
<b>Net current assets</b>		<u>276,222</u>	<u>234,063</u>
<b>Total assets less current liabilities</b>		<u>343,876</u>	<u>302,884</u>

	<b>At</b>	<b>At</b>
<i>note</i>	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current liabilities</b>		
Lease liabilities	<b>2,499</b>	2,440
Interest-bearing borrowings	<b>967</b>	–
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>340,410</b>	300,444
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<b>CAPITAL AND RESERVES</b>		
Share capital	<b>100,000</b>	100,000
Reserves	<b>238,163</b>	198,877
	<hr/>	<hr/>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>338,163</b>	298,877
<b>Non-controlling interests</b>	<b>2,247</b>	1,567
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>340,410</b>	300,444
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# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1 CORPORATE INFORMATION

Lushang Life Services Co., Ltd. (the “**Company**”), formerly known as Shandong Lushang Property Services Co., Ltd, was established in the People’s Republic of China (the “**PRC**”) on 24 March 2006 as a limited liability company under the Company Law of the PRC and converted into a joint stock company with limited liability on 12 March 2021. The address of the Company’s registered office is Room 202, Block 2, Lushang Guo’ao City No.9777 Jingshi Road, Lixia District, Jinan, Shandong, PRC.

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. The Company’s immediate parent company is Lushang Health Industry Development Co., Ltd. (“**Lushang Development**”) and the Company’s ultimate parent company is Shandong Commercial Group Co., Ltd.

The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 July 2022.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the following amendments to International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standard Board (“**IASB**”) to this interim financial report for the current accounting period:

- Amendments to International Accounting Standards (“**IAS**”) 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

The principal activities of the Group are property management services, community value-added services and value-added services to non-property owners.

#### *Disaggregation of revenue*

Disaggregation of revenue from contracts with customers by timing of revenue recognition and principal activities lines is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Over time	254,445	208,654
– A point in time	<u>69,916</u>	<u>61,349</u>
Total	<u>324,361</u>	<u>270,003</u>

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Type of services		
– Property management services	150,146	122,548
– Community value-added services	56,047	45,771
– Value-added services to non-property owners	<u>118,168</u>	<u>101,684</u>
Total	<u>324,361</u>	<u>270,003</u>

#### (b) Segment reporting

For the six months ended 30 June 2022 and 2021, the Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. Management views the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the management of the Group are of the view that there is only one segment which is used to make strategic decisions.

The Group generated all revenue in the PRC and no non-current assets of the Group are located outside the PRC, accordingly, no analysis of geographic information is presented.

#### 4 OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Government grants ( <i>Note (i)</i> )	89	220
Net losses on disposal of property, plant and equipment	(24)	(16)
Others	1,377	459
	<u>1,442</u>	<u>663</u>

*Note:*

- (i) The government grants represent subsidies from various PRC authorities. There are no unfulfilled conditions or future obligations attached to these subsidies.

#### 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (charging)/crediting:

(a) **Finance income, net:**

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest income from cash at bank	380	218
Interest income from financial institution/ interest income on other advances	1,628	3,933
Finance income	2,008	4,151
Interest expense on interest-bearing borrowings	(67)	(2,553)
Interest expense on lease liabilities	(78)	(49)
Finance income, net	<u>1,863</u>	<u>1,549</u>

**(b) Staff costs**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Salaries, wages and other benefits	<b>67,498</b>	54,275
Contributions to defined contribution retirement plan	<b>16,426</b>	13,857
Equity settled share-based payments	<b>96</b>	200
	<b><u>84,020</u></b>	<b><u>68,332</u></b>

The Group's employees are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

**(c) Other items**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Cost of inventories	<b>12,644</b>	5,717
Depreciation and amortisation		
– owned property, plant and equipment and intangible assets	<b>2,764</b>	1,882
– right-of-use assets	<b>391</b>	188
Auditors' remuneration -statutory audit services	–	10
Listing expense	–	250
	<b><u>–</u></b>	<b><u>250</u></b>

**6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current tax – PRC Corporate Income Tax</b>		
Provision for the year	13,022	11,651
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(1,545)</u>	<u>(551)</u>
	<b><u>11,477</u></b>	<b><u>11,100</u></b>

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates:**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit before taxation	<u>52,223</u>	<u>50,088</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned ( <i>Note (i)</i> )	13,056	12,522
Tax effect of PRC preferential tax ( <i>Note (ii)</i> )	(1,009)	(1,028)
Tax effect of non-deductible expenses	84	168
Tax relief related to additional tax deduction on Small Low-profit Enterprises ( <i>Note (iii)</i> )	(249)	–
Tax relief related to additional tax deduction on research and development costs incurred ( <i>Note (ii)</i> )	<u>(405)</u>	<u>(562)</u>
Actual tax expense	<b><u>11,477</u></b>	<b><u>11,100</u></b>

*Notes:*

- (i) The provision for PRC Corporate Income Tax is calculated at 25% of the estimated assessable profits for the year.
- (ii) A subsidiary has been approved as High and New Technology Enterprise (“HNTe”). The entitled subsidiary is subject to a preferential income tax rate of 15% in certain years. The HNTe certificate needs to be renewed every three years. In addition to the preferential income tax rate, this subsidiary is also entitled to an additional 75% tax deduction for its qualified research and development costs incurred.
- (iii) Certain subsidiaries have been approved as Small Low-profit Enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 2.5% or 5% during the Relevant Periods.

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB40,066,000 (six months ended 30 June 2021: RMB38,065,000) and the weighted average of 100,000,000 ordinary shares (2021: 100,000,000 shares, ordinary shares in issue during the year) in issue during the interim period.

### (b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2022 and 2021.

## 8 TRADE AND BILLS RECEIVABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bills receivables	10,662	17,101
Trade receivables		
– Related parties	84,051	106,038
– Third parties	145,094	79,422
	<u>239,807</u>	<u>202,561</u>
Less: loss allowance	(10,121)	(5,674)
	<u>229,686</u>	<u>196,887</u>

### Ageing analysis

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year	209,085	181,562
1 to 2 years	15,553	7,731
2 to 3 years	5,048	6,497
Over 3 years	–	1,097
	<u>229,686</u>	<u>196,887</u>

## 9 TRADE PAYABLES

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

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 year	161,973	125,496
Over 1 year	<u>11,665</u>	<u>12,034</u>
	<u><b>173,638</b></u>	<u><b>137,530</b></u>

At 30 June 2022 and 31 December 2021, all of the trade payables of the Group are expected to be settled within one year or are repayable on demand.

## 10 ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Accrued payroll and other benefits	45,733	52,309
Deposits	28,568	28,362
Receipts and payments on behalf of property owners	11,159	7,932
Other taxes and charges payable	8,300	3,481
Receipts on behalf of residents/tenants	9,717	7,749
Payables for expenditures incurred in connection with the proposed initial listing of the Company's share	8,551	9,030
Other payables and accruals	<u>10,966</u>	<u>16,418</u>
	<u><b>122,994</b></u>	<u><b>125,281</b></u>

At 30 June 2022 and 31 December 2021, all of the accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview

We are a comprehensive property management service provider with a market leading position in Shandong Province and a proven track record of rapid growth. According to China Index Academy (“CIA”), we were ranked 41st among the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業) in terms of overall strength and were recognized as an “Outstanding Enterprise in the Property Management Industry with Diversified Operations in 2021” (2021物業管理行業多元化運營優秀企業) and one of the “Leading Property Management Brands in Specialized Operations in 2021” (2021物業服務專業化運營領先品牌企業). During the Period, the revenue of the Group was RMB324.4 million, representing a growth by 20.1% as compared with RMB270.0 million for the six months ended June 30, 2021. The profit attributable to the owners of the Company during the Period was RMB40.1 million, representing a growth by 5.3% as compared with RMB38.1 million for the last corresponding period. As at June 30, 2022, the Group had 80 projects under management, with the total gross floor area (“GFA”) under management of 23.5 million sq.m. (June 30, 2021: 18.4 million sq.m.), representing a growth by 27.7%. It also had 80 contracted projects, with total contracted area of 27.2 million sq.m. (June 30, 2021: 21.8 million sq.m.), representing a growth by 24.8%. Headquartered in Jinan, Shandong Province, through 16 years of development since our establishment in 2006, we have expanded our coverage to nearly all prefecture-level cities in Shandong Province and to Beijing and Harbin. We are deeply rooted in Shandong Province, which, according to CIA, is one of the most populous and economically prosperous provinces in China, and has always been and will continue to be our strategic development focus. According to National Bureau of Statistics, as at June 30, 2022, the aggregate GDP of Shandong Province ranked third among all provinces in China, and the per capita annual disposable income in Shandong Province is higher than the average in China. Throughout the course of our development, we have adhered to our vision of “building sweet and healthy home” for property owners and residents (“健康為民，幸福為家”) in conducting our business. We believe that our commitment to customer satisfaction and customer-centric culture have shaped our brand image and helped establishing our leading market position in Shandong Province.

## The Business Model of the Company

During the Period, we generated revenue primarily from three service lines: (i) property management services, (ii) value-added services to non-property owners, and (iii) community value-added services.

*Property management services: accounting for approximately 46.3% of total revenue*

For the Period, the Group's revenue from property management services amounted to approximately RMB150.1 million, representing an increase of approximately 22.5% as compared to the same period in 2021, mainly due to the increase in the area of properties projects under management of the Group.

The following table sets forth the changes in the GFA under the management of the Group for the periods indicated:

Source of projects	As at June 30,					
	2022		2021		Change	
	GFA under management <i>sq.m.'000</i>	Proportion of GFA under management %	GFA under management <i>sq.m.'000</i>	Proportion of GFA under management %	GFA under management <i>sq.m.'000</i>	Growth rate %
Lushang						
Development Group	12,574	53.6	12,035	65.4	539	4.48
Related parties	1,228	5.2	951	5.2	277	29.13
Subtotal	13,802	58.8	12,986	70.6	816	6.28
Third parties	9,674	41.2	5,399	29.4	4,275	79.18
Total	23,476	100.0	18,384	100.0	5,092	27.70

We have a long and close strategic ongoing relationship with Lushang Health Industry Development Co., Ltd. (“**Lushang Development**” and together with its subsidiaries, the “**Lushang Development Group**”), a controlling shareholder of the Company. Lushang Development is a comprehensive property developer listed on the Shanghai Stock Exchange (stock code: 600223) and has developed a diversified portfolio of high-quality properties covering shopping malls, commercial pedestrian streets, residential buildings, office buildings and hotels. As at June 30, 2022, 46 properties under our management were developed by the Lushang Development Group with a total GFA under management of 12.6 million sq.m., representing an increase of 0.5 million sq.m. as compared to June 30, 2021.

In addition, we have maintained a close and long-term relationship with Shandong Commercial Group Co., Ltd. (“**Shandong Commercial**” and together with its subsidiaries, the “**Shandong Commercial Group**”), a controlling shareholder of the Company. Shandong Commercial is a large-scale holding company with a wider range of investments in retail, healthcare, finance and commercial tourism and hotel administration, among other sectors. As at June 30, 2022, 6 properties under our management were developed by Shandong Commercial Group with a total GFA under management of 1.2 million sq.m., representing an increase of 0.3 million sq.m. as compared to June 30, 2021.

The following table sets forth a breakdown of the Group’s revenue, GFA under management and number of projects under management by property type for the periods indicated:

Type of projects	As at June 30,													
	2022				2021									
	Revenue		GFA under management		Number of projects under management		Revenue		GFA under management		Number of projects under management			
	RMB'000	%	sq.m.'000	%		RMB'000	%	sq.m.'000	%		RMB'000	%	sq.m.'000	%
Residential properties	91,753	61.1	12,015	51.2	38	82,340	67.2	11,790	64.1					
Non-residential properties														
(1) Commercial properties	38,666	25.8	2,543	10.8	27	34,301	28.0	2,351	12.8					
(2) Others	19,727	13.1	8,918	38.0	15	5,907	4.8	4,243	23.1					
<b>Total</b>	<b>150,146</b>	<b>100.0</b>	<b>23,476</b>	<b>100.0</b>	<b>80</b>	<b>122,548</b>	<b>100.0</b>	<b>18,384</b>	<b>100.0</b>					<b>70</b>

We provide property management to a diversified portfolio of properties, including both residential properties and non-residential properties such as commercial complexes, municipal facilities, office buildings, apartments, schools, theme towns, hospitals, banks, industrial parks and airline base property. As at June 30, 2022, we managed a total of 42 non-residential properties, with an aggregate GFA of non-residential properties under management of 11.5 million sq.m., representing an increase of approximately 74.2% as compared to 6.6 million sq.m. for the same period in 2021. Our diversified portfolio of properties under management has helped us diversify our revenue streams.

*Value-added services to non-property owners: accounting for approximately 36.4% of total revenue*

The following table sets forth a breakdown of revenue from value-added services to non-property owners of the Group by service type for the periods indicated:

Service type	As at June 30,			
	2022		2021	
	<i>RMB'000</i>	<i>Percentage of revenue %</i>	<i>RMB'000</i>	<i>Percentage of revenue %</i>
Design services	<b>39,366</b>	<b>33.3</b>	29,452	29.0
Landscaping services	<b>54,716</b>	<b>46.3</b>	43,726	43.0
Preliminary property management services	<b>8,523</b>	<b>7.2</b>	11,531	11.3
Pre-delivery services	<b>7,268</b>	<b>6.2</b>	9,437	9.3
Other customized services	<b>8,295</b>	<b>7.0</b>	7,538	7.4
Total	<b>118,168</b>	<b>100.0</b>	101,684	100.0

For the Period, the Group's revenue from value-added services to non-property owners amounted to approximately RMB118.2 million, representing an increase of approximately 16.2% over the same period in 2021, mainly due to the increase in revenue from landscaping services and design services, as we continued to expand our landscaping construction services in more cities in Shandong Province and took more design projects in various cities in Shandong Province.

Our value-added services to non-property owners, comprising property developers, cover the entire industry value chain of real estate development. Through the provision of such services, we can establish in-depth and extensive cooperative relationships with property developers, while developing warm interaction with property owners to increase customer stickiness at a relatively early stage.

*Community value-added services: accounting for approximately 17.3% of total revenue*

The table below sets forth a breakdown of revenue generated from value-added services to community of the Group by service type for the periods indicated:

Service type	As at June 30,			
	2022 <i>RMB'000</i>	<i>Percentage of revenue %</i>	2021 <i>RMB'000</i>	<i>Percentage of revenue %</i>
Parking space management services	19,080	34.0	16,150	35.3
Community living services	18,308	32.7	14,447	31.5
Utility management services	12,677	22.6	11,014	24.1
Community space and resource management services	5,982	10.7	4,160	9.1
Total	<u>56,047</u>	<u>100.0</u>	<u>45,771</u>	<u>100.0</u>

We aim to improve our property owners' and residents' quality of life by providing them with access to a wide range of community value-added services. For the Period, the Group's revenue from community value-added services amounted to approximately RMB56.0 million, representing an increase of approximately 22.5% as compared with the same period of 2021, mainly due to the increase in car park services and space services in line with our expansion in GFA under management.

## FINANCIAL REVIEW

### Revenue

The Group's revenue comes from three service lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services. The following table sets out the breakdown of revenue by service lines during the indicated period:

Revenue	Six months ended June 30,					
	2022		2021		Change RMB'000	Growth Rate %
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %		
Property management services	150,146	46.3	122,548	45.4	27,598	22.5
Value-added services to non-property owners	118,168	36.4	101,684	37.7	16,484	16.2
Community value-added services	<u>56,047</u>	<u>17.3</u>	<u>45,771</u>	<u>16.9</u>	<u>10,276</u>	<u>22.5</u>
<b>Total</b>	<b><u>324,361</u></b>	<b><u>100.0</u></b>	<b><u>270,003</u></b>	<b><u>100.0</u></b>	<b><u>54,358</u></b>	<b><u>20.1</u></b>

For the Period, the total revenue of the Group was approximately RMB324.4 million (2021: approximately RMB270.0 million), representing an increase of approximately 20.1% as compared with the same period in 2021, mainly due to the revenues derived from all of our three service lines increased as stated below:

**Property management services:** The revenue of our property management services increased by 22.5% from RMB122.5 million for the six months ended June 30, 2021 to RMB150.1 million for the Period, primarily due to the total GFA under our management increased from approximately 18.4 million sq.m. as at June 30, 2021 to approximately 23.5 million sq.m. as at June 30, 2022, which was attributable to the continuous expansion of our business.

**Value-added services to non-property owners:** The revenue of our value-added services to non-property owners increased by 16.2% from RMB101.7 million for the six months ended June 30, 2021 to RMB118.2 million for the Period, primarily due to our expansion of landscaping services and design services.

**Community value-added services:** The revenue of our community value-added services increased by 22.5% from RMB45.8 million for the six months ended June 30, 2021 to RMB56.0 million for the Period, primarily due to our overall business expansion and the increase in car park services and space services with the continuous growth in the GFA under management.

## Cost of Sales

For the Period, the cost of sales of the Group was approximately RMB248.8 million (2021: approximately RMB202.5 million), representing an increase of approximately 22.9% as compared with the same period in 2021, primarily due to (i) the increase in labor costs due to our continuous business expansion; and (ii) the increase in maintenance, greening, cleaning, security maintenance and garbage disposal expenses due to the increase in the number of properties under our management.

## Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of gross profit and gross profit margin of the Group by service lines for the periods indicated:

	Six months ended June 30,			
	2022		2021	
	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %
Property management services	27,661	18.4	20,574	16.8
Value-added services				
to non-property owners	32,368	27.4	34,086	33.5
Community value-added services	15,497	27.6	12,849	28.1
Total	<u>75,526</u>	<u>23.3</u>	<u>67,509</u>	<u>25.0</u>

For the Period, our gross profit was approximately RMB75.5 million, representing an increase of 11.9% as compared with RMB67.5 million for the same period in 2021. The gross profit margin of the Group decreased from approximately 25.0% in the same period in 2021 to approximately 23.3%.

For the Period, the gross profit margin of the property management services of the Group was approximately 18.4% (2021: approximately 16.8%). The continuous growth in the gross profit margin of the property management services of the Group as compared with the same period last year was mainly due to the increase in the gross profit attributable to the properties developed by the Lushang Development Group. The increase in gross profit was mainly due to (i) the increase in the GFA under management from 18.4 million sq.m. as at June 30, 2021 to 23.5 million sq.m. as at June 30, 2022; and (ii) the continuous expansion in our business.

The gross profit margin of value-added services to non-property owners of the Group was approximately 27.4% (2021: approximately 33.5%). The drop in the gross profit margin of value-added services to non-property owners as compared with the same period last year was mainly due to our commencement of design and construction services. We incurred additional staff costs when outsourcing our design and construction services to third-party subcontractors.

The gross profit margin of community value-added services of the Group was approximately 27.6% (2021: approximately 28.1%), which was relatively stable as compared with the same period last year.

### **Administrative and Other Expenses**

For the Period, the total administrative expenses of the Group were approximately RMB22.2 million, representing an increase of approximately 20.4% from approximately RMB18.4 million for the six months ended June 30, 2021, primarily due to the increase in fees for employee benefits incurred by executives due to more managerial personnel recruited by us to complement our continuous business expansion.

### **Other Income**

For the Period, other income was approximately RMB1.4 million, representing an increase of approximately 117.5% from approximately RMB0.7 million for the six months ended June 30, 2021, primarily due to the increase in subsidies from the government granted by local government for creating and maintaining local jobs, as well as the increase in our increment in exemption of value-added tax.

## **Profit for the Period**

For the Period, our profit for the period was approximately RMB40.7 million, representing an increase of approximately 4.5% from approximately RMB39.0 million in the same period of 2021.

## **Current Assets**

As at June 30, 2022, the current assets of the Group were approximately RMB648.4 million, representing an increase of 14.6% as compared with approximately RMB565.6 million as at December 31, 2021. As at June 30, 2022, the current ratio (current assets divided by current liabilities) of the Group was approximately 1.7 times (December 31, 2021: approximately 1.7 times).

## **Property, Plant and Equipment**

Our property, plant and equipment mainly consist of plant and buildings, machinery and other equipment and vehicles. As at June 30, 2022, the Group's property, plant and equipment amounted to approximately RMB55.6 million, representing decrease of approximately RMB1.8 million as compared with approximately RMB57.4 million as at December 31, 2021, primarily due to the depreciation of the property, plant and equipment during the Period.

## **Trade and Bills Receivables**

Our trade and bill receivables increased from RMB196.9 million as at December 31, 2021 to RMB229.7 million as at June 30, 2022, primarily due to the increase in the amount due from third-party customers owing to our business expansion.

## **Prepayments, Deposits and Other Receivables**

Our prepayments, deposit and other receivables primarily include (i) prepayments, mainly represents prepayments we made to energy providers on behalf of property owners and residents; (ii) deposits, mainly represents deposits made for participating in tender and bidding process for obtaining projects and contract performance deposits; and (iii) prepayments in connection with the Listing.

As at June 30, 2022, prepayments, deposits and other receivables amounted to approximately RMB41.5 million, representing an increase of approximately RMB8.2 million as compared with approximately RMB33.3 million as at December 31, 2021, primarily attributable to the increase in our paid listing expenses.

### **Trade Payables**

As at June 30, 2022, trade payables amounted to approximately RMB173.6 million, representing an increase of approximately RMB36.1 million as compared with approximately RMB137.5 million as at December 31, 2021, primarily attributable to the increase in fees paid to suppliers due to our expansion on landscaping services.

### **Accrued Expenses and Other Payables**

Our accrued expenses and other payables primarily consist of (i) accrued payroll and other benefits; (ii) deposits; (iii) receipts and payments on behalf of property owners; and (iv) other payables and accruals.

As at June 30, 2022, accrued expenses and other payables amounted to approximately RMB123.0 million, representing a decrease of approximately RMB2.3 million as compared with approximately RMB125.3 million as at December 31, 2021, primarily attributable to our payment of year-end bonus for the year 2021 in the first quarter of 2022.

### **Liquidity and Capital Resources**

Our principal use of cash has been for working capital purposes. Our main source of liquidity has been generated from cash flow from operations.

### **Cash and Cash Equivalents**

As at June 30, 2022, the Group's cash and cash equivalents amounted to approximately RMB312.1 million, representing an increase of 13.3% as compared with approximately RMB275.5 million as at December 31, 2021, primarily due to the settlement on trade receivables from related parties in the second quarter of 2022.

## **Interest-bearing Borrowings**

Our interest-bearing borrowings was RMB2.6 million as at June 30, 2022, all denominated in RMB with maturity on January 15, 2024, and interest on borrowings at the fixed rate of 5.3% per annum.

## **Pledge of Assets**

As at June 30, 2022, we have pledged assets of RMB3.3 million as securities for our interest-bearing borrowings.

## **Gearing Ratio**

Gearing ratio is calculated by the net debt as at the end of respective periods (total debt net of cash and cash equivalents and restricted cash) divided by total equity as at the same date. Our gearing ratio was 0.8% as at June 30, 2022 (31 December 2021: nil).

## **Significant Investments Held, Material Acquisitions and Disposals**

There were no significant investments, acquisitions and disposals of subsidiaries, associates or joint ventures during the Period.

## **Future Plans for Material Investments and Capital Assets**

Except for the plans disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the Company’s prospectus dated June 27, 2022 (the “**Prospectus**”), the Group has no future plan for material investments or capital assets during the Period. However, the Group will continue to identify new opportunities for business development.

## **Contingent Liabilities and Commitments**

We did not have any other outstanding guarantees or other material contingent liabilities as at June 30, 2022.

## **Proceeds from the Listing**

The Company's H shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on July 8, 2022 (the "**Listing Date**"), and 33,340,000 H shares of the Company (the "**H Share(s)**") were issued ("**Listing**"). After deduction of underwriting fees and related expenses, the net proceeds from the Listing were approximately HK\$138 million. The Group intends to use the net proceeds in accordance with the method and schedule set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

## **Foreign Exchange Risk**

The Group conducts its business in Renminbi. The Group will continue to keep track of the foreign exchange risk and take prudent measures to mitigate exchange risk, and take appropriate action where necessary. The Group currently has not adopted any foreign currency hedging policies.

## **Employees and Remuneration Policy**

As at June 30, 2022, the Group had 1,635 employees (as at December 31, 2021: 1,448 employees). We motivate our employees at all positions with competitive compensation schemes, performance-based incentives and career development opportunities. Compensation for employees of the Group is made with reference to the market as well as individual performance and contribution. The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry.

To retain and motivate our workforce, the Group also offers employees career advancement prospects and professional trainings according to the needs of different positions. For example, we have initiated "Project Cloud" (凌雲計劃) to offer critical special training programs for our senior management team and "Project Sunlight" (向陽計劃) to train our management trainees and entry level employees for them to familiarize themselves with our history, corporate culture, internal rules and policies and relevant knowledge with respect to property management services.

## **SUBSEQUENT EVENTS**

On July 8, 2022, the Company allotted and issued a total of 33,340,000 H Shares at the issue price of HK\$5.92 per share, and was listed on the Main Board of the Stock Exchange.

Save as disclosed, the Company is not aware of any other material subsequent events from June 30, 2022 to the date of this announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our shareholders. The Group has adopted the code provisions in the Corporate Governance Code (the “**Corporate Governance Code**”) as 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 its own code of corporate governance since the Listing Date.

The Corporate Governance Code was not applicable to the Group for the Period, as the shares of the Company had not been listed on the Stock Exchange as at June 30, 2022. The Group will continue to review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code. Since the Listing Date and up to the date of this announcement, the Group has complied with the Corporate Governance Code.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS**

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 a code of conduct for securities transactions by the Directors and supervisors of the Company (the “**Supervisor(s)**”) since the Listing Date.

The Model Code was not applicable to the Group for the Period, as the shares of the Company had not been listed on the Stock Exchange as at June 30, 2022. Upon specific enquiry, all Directors and Supervisors confirmed that they have complied with the Model Code since the Listing Date and up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing Date and up to the date of this announcement.

## **REVIEW OF INTERIM RESULTS**

The Company established an audit committee (the “**Audit Committee**”) in compliance with the Appendix 14 to the Listing Rules. The Audit Committee has reviewed the Group’s unaudited consolidated financial information for the Period, and discussed with the management and auditors of the Company the accounting principles and practices adopted by the Group.

The independent auditor of the Company, namely KPMG, has carried out a review of the interim financial information in accordance Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

## **INTERIM DIVIDEND**

The Board has resolved not to distribute any interim dividend for the Period (for the six months ended June 30, 2021: nil).

## **PUBLICATION OF INTERIM RESULTS AND 2022 INTERIM REPORT**

This announcement is published on the websites of the Company ([www.lushangfuwu.com](http://www.lushangfuwu.com)) and the Stock Exchange (<http://www.hkexnews.hk>). The 2022 interim report will be despatched to the Shareholders and will be made available on the websites of the Company and the Stock Exchange in September 2022.

By order of the Board  
**Lushang Life Services Co., Ltd.**  
**Mr. Zhao Yanfeng**  
*Chairman and non-executive Director*

Hong Kong, August 26, 2022

*As at the date of this announcement, the executive Directors are Mr. Wang Zhongwu, Mr. Zhang Tiebo and Mr. Shao Meng, the non-executive Directors are Mr. Zhao Yanfeng and Ms. Li Lu, and the independent non-executive Directors are Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao.*