

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

	For the year ended	
	December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue	627,734	582,803
Gross profit	144,700	147,849
Gross profit margin	23.1%	25.4%
Profit for the year	78,297	77,017
Net profit margin	12.5%	13.2%
Profit attributable to equity shareholders of the Company	76,742	75,810
Basic earnings per share (RMB)	0.66	0.76
Cash and cash equivalents	428,812	275,486
Proposed final dividend per share (RMB)	0.1074	–

For the year ended December 31, 2022, the total revenue of the Group was approximately RMB627.7 million, representing an increase of approximately 7.7% as compared with approximately RMB582.8 million for the year ended December 31, 2021.

For the year ended December 31, 2022, the gross profit of the Group was approximately RMB144.7 million, representing a decrease of 2.1% as compared with approximately RMB147.8 million for the corresponding period in 2021. The Group's gross profit margin was 23.1%, representing a decrease of 2.3% as compared with the gross profit margin of 25.4% for the year ended December 31, 2021.

For the year ended December 31, 2022, the profit for the year of the Group was approximately RMB78.3 million, representing an increase of approximately 1.7% as compared with approximately RMB77.0 million for the year ended December 31, 2021.

As of December 31, 2022, the Group's cash and cash equivalents amounted to approximately RMB428.8 million, representing an increase of approximately 55.7% as compared with that as of December 31, 2021.

As of December 31, 2022, the Group had 22.2 million sq.m. of GFA under its management, representing a decrease of 3.1% as compared with December 31, 2021.

The Board has resolved to recommend the distribution of a final dividend in cash of RMB0.1074 per share of the Company (before tax) for the year ended 31 December 2022.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Lushang Life Services Co., Ltd. (the “**Company**”) hereby announces the annual audited consolidated results of the Company and its subsidiaries (the “**Group**”, “**we**”, “**our**” or “**us**”) for the year ended December 31, 2022 (the “**Year**”), together with comparative figures for the year ended December 31, 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	3	627,734	582,803
Cost of sales		<u>(483,034)</u>	<u>(434,954)</u>
Gross profit		<u>144,700</u>	147,849
Other net income	4	3,921	3,296
Administrative and other expenses		(56,388)	(52,724)
Recognition of expected credit loss on financial assets		<u>(5,282)</u>	<u>(3,757)</u>
Profit from operations		<u>86,951</u>	94,664
Finance income		14,503	5,845
Finance costs		<u>(280)</u>	<u>(2,700)</u>
Finance income, net	5(a)	<u>14,223</u>	3,145
Profit before taxation		101,174	97,809
Income tax	6	<u>(22,877)</u>	<u>(20,792)</u>
Profit and total comprehensive income for the year		<u>78,297</u>	<u>77,017</u>
Profit and total comprehensive income attributable to:			
Equity shareholders of the Company		76,742	75,810
Non-controlling interests		<u>1,555</u>	<u>1,207</u>
Profit and total comprehensive income for the year		<u>78,297</u>	<u>77,017</u>
Earnings per share (RMB)	7		
– Basic and diluted		<u>0.66</u>	<u>0.76</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	<i>Note</i>	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current assets			
Property, plant and equipment		55,379	57,398
Intangible assets		1,459	1,806
Deferred tax assets		8,616	9,617
Other long-term assets		601	–
		<u>66,055</u>	<u>68,821</u>
Current assets			
Inventories		43,130	42,245
Contract assets		26,264	15,576
Trade and bills receivables	9	284,007	196,887
Prepayments, deposits and other receivables		8,357	33,264
Amounts due from related parties		–	2,117
Cash and cash equivalents		428,812	275,486
		<u>790,570</u>	<u>565,575</u>
Current liabilities			
Trade payable	10	192,677	137,530
Accrued expenses and other payables	11	92,728	125,281
Contract liabilities		54,972	60,846
Lease liabilities		1,655	731
Current taxation		7,921	6,529
Interest-bearing borrowings		1,632	–
Amounts due to related parties		–	595
		<u>351,585</u>	<u>331,512</u>
Net current assets		<u>438,985</u>	<u>234,063</u>
Total assets less current liabilities		<u>505,040</u>	<u>302,884</u>

	<i>Note</i>	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current liabilities			
Lease liabilities		1,670	2,440
Interest-bearing borrowings		140	–
NET ASSETS		<u>503,230</u>	<u>300,444</u>
CAPITAL AND RESERVES			
Share capital		133,340	100,000
Reserves		<u>366,768</u>	<u>198,877</u>
Total equity attributable to equity shareholders of the Company		500,108	298,877
Non-controlling interests		<u>3,122</u>	<u>1,567</u>
TOTAL EQUITY		<u>503,230</u>	<u>300,444</u>

NOTES TO THE 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’s H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 July 2022.

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 holding company is Lushang Health Industry Development Co., Ltd. (“**Lushang Development**”), which is controlled by Shandong Commercial Group Co., Ltd. The Company’s ultimate holding company is Shandong Commercial Group Co., Ltd. (the “**Ultimate Holding Company**”), which is controlled by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government.

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

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 these 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 have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

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 disaggregation of revenue by major service lines is as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
– Over time	460,731	407,446
– A point in time	167,003	175,357
Total	<u>627,734</u>	<u>582,803</u>
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Type of services		
– Property management services	294,099	255,485
– Community value-added services	145,727	122,502
– Value-added services to non-property owners	187,908	204,816
Total	<u>627,734</u>	<u>582,803</u>

For the years ended December 31, 2022 and 2021, the Group's customer base is diversified and none of them contributed 10% or more of the Group's revenue.

(b) Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resource to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

No geographical segment analysis is shown as all of the Group's revenue are derived from activities in, and from customers located in the PRC and all the Group's assets are situated in the PRC.

4 OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants (<i>note (i)</i>)	3,262	3,454
Net losses on disposal of property, plant and equipment	(30)	(51)
Others	689	(107)
	<u>3,921</u>	<u>3,296</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:**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income from cash at bank	1,420	647
Interest income from financial institution/Interest income on other advances	3,777	5,198
Net gain on foreign exchange	9,306	–
	<u>14,503</u>	<u>5,845</u>
Interest expense on interest-bearing borrowings.	(126)	(2,553)
Interest expense on lease liabilities	(154)	(147)
	<u>14,223</u>	<u>3,145</u>

(b) Staff costs

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	137,475	125,283
Contributions to defined contribution retirement plan	13,038	12,421
Equity settled share-based payments	234	449
	<u>150,747</u>	<u>138,153</u>

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories	37,150	25,351
Depreciation and amortisation		
– owned property, plant and equipment and intangible assets	6,306	4,385
– right-of-use assets	782	586
– other long-term assets	55	–
Auditors' remuneration		
– audit services	1,415	20
– review services	377	–
Listing expense	3,601	461

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

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

	2022	2021
	RMB'000	RMB'000
Current tax – PRC Corporate Income Tax		
Provision for the year	22,078	21,844
Deferred tax		
Origination and reversal of temporary differences	799	(1,052)
	22,877	20,792

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

	2022	2021
	RMB'000	RMB'000
Profit before taxation	101,174	97,809
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (<i>note (i)</i>)	25,294	24,452
Tax effect of PRC preferential tax (<i>note (ii)</i>)	(2,001)	(2,378)
Tax effect of non-deductible expenses	1,090	1,052
Tax relief related to additional tax deduction on Small Low-profit Enterprises (<i>note (iii)</i>)	(547)	(1,174)
Tax relief related to additional tax deduction on research and development costs incurred (<i>note (ii)</i>)	(959)	(1,160)
Actual tax expense	22,877	20,792

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 (“HNTTE”). The entitled subsidiary is subject to a preferential income tax rate of 15% in certain years. The HNTTE 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 5% or 10% during the Relevant Periods.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the year ended December 31, 2022 is calculated based on the profit attributable to equity shareholders of the Company of RMB76,742,000 and the weighted average of 116,076,000 ordinary shares in issue during the year, calculated as follows:

	2022	2021
Issued ordinary shares at January 1	100,000,000	–
Effect of shares issued by initial public offering	<u>16,076,000</u>	<u>100,000,000</u>
Weighted average number of ordinary shares at December 31	<u>116,076,000</u>	<u>100,000,000</u>

Weighted average of 116,076,000 ordinary shares for the year ended 31 December 2022 included the weighted average of 33,340,000 ordinary shares issued by initial public offering, in addition to the 100,000,000 ordinary shares in issue upon the conversion to a joint stock company on 12 March 2021.

For the purpose of computing basic and diluted earnings per share for 2021, the 100,000,000 ordinary shares issued upon the conversion to a joint stock company in March 2021 were deemed to have been issued throughout the year of 2021.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended December 31, 2022 and 2021.

8 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year:

	2022	2021
	RMB'000	RMB'000
Final dividend proposed after the end of the reporting period of RMB0.1074 (2021: nil) per ordinary share	<u>14,321</u>	<u>–</u>

The final dividend proposed for shareholders' approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

9 TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bills receivables	23,586	17,101
Trade receivables (<i>note (a)</i>)		
– Related parties	123,712	106,038
– Third parties	147,701	79,422
	<u>294,999</u>	<u>202,561</u>
Less: loss allowance	(10,992)	(5,674)
	<u>284,007</u>	<u>196,887</u>

All of the trade and bills receivables of the Group, net of allowance, are expected to be recovered within one year.

(a) Ageing analysis

As of December 31, 2022 and 2021, 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	256,057	181,562
1 to 2 years	23,921	7,731
2 to 3 years	4,029	6,497
Over 3 years	–	1,097
	<u>284,007</u>	<u>196,887</u>

10 TRADE PAYABLES

As of December 31, 2022 and 2021, the ageing analysis of trade payables based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	161,959	125,496
Over 1 year	30,718	12,034
	<u>192,677</u>	<u>137,530</u>

11 ACCRUED EXPENSES AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Accrued payroll and other benefits	35,223	52,309
Deposits	27,082	28,362
Receipts and payments on behalf of property owners	6,538	7,932
Other taxes and charges payable	2,199	3,481
Receipts on behalf of residents/tenants	7,828	7,749
Payables for purchase of property, plant and equipment	–	3,205
Payables for expenditures incurred in connection with the initial public offering of the Company's share	4,201	9,030
Other payables and accruals	9,657	13,213
	<u>92,728</u>	<u>125,281</u>

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

12 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 30 March 2023, the directors of the Company proposed a final dividend. Further details are disclosed in Note 8.

CHAIRMAN'S STATEMENT

2022 Review

In 2022, the Company focused on “improvement of basic services” and promoted its high-quality development by improving service quality, innovating service model, optimizing business lines and deepening root in city service.

For the year ended December 31, 2022, we recorded total revenue of RMB627.7 million (RMB582.8 million in 2021), representing an increase of 7.7% as compared with the total revenue for the year ended December 31, 2021; our profit before taxation in 2022 was RMB101.2 million, representing an increase of 3.4% as compared with the profit before taxation for the year ended December 31, 2021; our net profits for the Year amounted to RMB78.3 million, representing an increase of 1.7% as compared with the net profits for the year ended December 31, 2021.

Improving comprehensive strength on a multi-dimensional basis

The Company's H Shares were successfully listed on the Main Board of the Stock Exchange in July 2022, and became the first listed property management company headquartered in Shandong Province. It was ranked 41st among the 2022 Top 100 Property Management Companies in China and was recognized as an “Outstanding Enterprise in the Property Management Industry with Diversified Operations” (物業管理行業多元化運營優秀企業), one of the “Leading Property Management Brands in Specialized Operations” (物業服務專業化運營領先品牌企業), “Shandong Renowned Brands (Service) Enterprise” (山東知名品牌(服務)企業) and “2022 Outstanding Member of Shandong Property Management Institute”(山東省物業管理協會2022年度優秀會員單位), and became a member unit of China Property Management Institute and vice president unit of Shandong Property Management Institute. All these demonstrated our company profile and our strength, setting a benchmark for the reform and integrated development of state-owned enterprises.

Rationalizing business service lines for a full service industrial chain

Focusing on our strategic development, we established clear business lines, service systems and management mechanisms, and formed an upstream and downstream service industrial chain covering cities, communities and parks of all business formats from front-end design, mid-end service to back-end maintenance.

In 2022, we explored and vigorously laid out several business service offerings:

1. we established Shandong Licheng Shanlin Catering Management Limited (山東立誠膳鄰餐飲管理有限公司) to actively explore value-added business for group meals and retail services;
2. we proactively developed city services and have currently been offering services in cities including Qingdao, Zibo, Heze and Binzhou, etc. Our management mode has become more mature and our service quality was well recognized by the market and commended by the local government; and

- leveraging our professional edges, we explored and expanded our service chains. Shandong Lushang Architectural Design Co., Ltd., a wholly-owned subsidiary of the Company, optimized the operation settings of its decoration business through extending industrial chain, and adopted a “model integrating decoration and construction” to actively explore a new focus for profit growth. It has also obtained several qualifications, including Grade B qualification for Urban-rural Planning, which provided strong support for our expansion of new business and securing large projects. The Company invested heavily in scientific research so as to deeply integrates production, learning and research, allowing it to receive the title of “gazelle enterprise” of Shandong Province and to be admitted to the list of “Small and medium-sized Scientific Technologic Type Enterprise of the Shandong Province”.

Achieving initial success in improving the quality of basic services

We completed nine system certifications to standardize front-line management process, including quality management system, environmental management system, occupational health and safety management system and safety risk management system, etc. On top of our outstanding services, we focused on the “new normal” of high-end demands from customers to establish a differentiated service system. Five specialized projects were undertaken on business empowerment and product quality inspection, which helped to form closed loop model of “audit-rectification-improvement-review-rectification-improvement” for on-site quality improvement.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

The Group adheres to the vision of being a comprehensive service provider for people to live a better life, and actively fulfills its corporate social responsibilities.

During the Year, the Company organized more than 400 community activities, such as the Service Day and Neighborhood Festival, which enriched the life of property owners within areas under management.

In the year ahead, the Company will continue to contribute to the sustainable development of the environment and society, and fulfill its responsibility as a state-owned enterprise.

FUTURE PROSPECT

The Company will maintain its high quality development. By focusing on the vision of being a comprehensive service provider for people to live a better life, the Company will fully penetrate the “integrated lifestyle business chain” and “whole asset management operation and maintenance chain”, cultivate four key capabilities of products strength, organizational strength, technological strength and operational strength and create a “6+N” service model. Leveraging on the six main service offerings of property services, value-added operation services, city services, design services, decoration services and landscaping services, the properties under our management covers various types of properties, including residential buildings, office buildings, public buildings, industrial parks, hospitals and schools. We are committed to becoming a leading comprehensive property service provider and smart city space service provider in Shandong Province by implementing a three-step strategy of “strengthening foundation”, “building brand” and “promoting development”.

ACKNOWLEDGEMENT

2022 is a milestone year in the development history of the Group. The successful listing of the H Shares on the Stock Exchange on July 8, 2022 is inseparable from the joint efforts of all our employees and strong support of all parties in the society. On behalf of the Board, I would like to express my sincere gratitude to all our employees, investors, customers and partners.

In 2023, we will seek a steady yet progressive growth with quality enhancement, strengthen foundation, build brand, pursue growth and enhance efficiency, in order to comprehensively promote high-quality development of the Company and continue to create more value for customers, shareholders, employees and partners.

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 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). We were also recognized as one of the “Shandong well-known brand (services) enterprises” (山東知名品牌(服務)企業) and an “Outstanding Member Unit in 2022” by the Shandong Property Management Association. During the Year, the revenue of the Group was RMB627.7 million, representing a growth by 7.7% as compared with RMB582.8 million for the year ended December 31, 2021. The net profit during the Year was RMB78.3 million, representing a growth by 1.7% as compared with RMB77.0 million for the last corresponding period. As of December 31, 2022, the Group had 87 projects under management, with the total GFA under management of 22.2 million sq.m. We also had 87 contracted projects, with total contracted area of 26.1 million sq.m. 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, for the year ended December 31, 2022, the aggregate gross domestic product (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 Year, 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 46.9% of total revenue

For the Year, the Group's revenue from property management services amounted to approximately RMB294.1 million, representing an increase of approximately 15.1% as compared to the corresponding period in 2021, mainly due to the optimization of our project portfolio and strategic expansion of our city services during the Year.

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

Source of projects	2022		As of December 31, 2021		Change	
	GFA under management <i>sq.m. in thousands</i>	Proportion of GFA under management %	GFA under management <i>sq.m. in thousands</i>	Proportion of GFA under management %	GFA under management <i>sq.m. in thousands</i>	Growth rate %
Lushang Development Group	12,620	57.0	12,424	54.3	196	1.6
Other related parties	1,095	4.9	918	4.0	177	19.3
Subtotal	13,715	61.9	13,342	58.3	373	2.8
Third parties	8,437	38.1	9,527	41.7	-1,090	-11.4
Total	22,152	100.0	22,869	100.0	-717	-3.1

We have a long and close strategic ongoing relationship with Lushang Development, 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 of December 31, 2022, 53 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 0.2 million sq.m. as compared to December 31, 2021.

In addition, we have maintained a close and long-term relationship with Shandong Commercial, 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 of December 31, 2022, 6 properties under our management were developed by Shandong Commercial Group with a total GFA under management of 1.1 million sq.m., representing an increase of 0.2 million sq.m. as compared to December 31, 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:

Source of projects	For the year ended/As at December 31,									
	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	%	
Residential properties	173,138	58.9	12,301	55.5	43	170,633	66.8	12,153	53.2	38
Non-residential properties										
(1) Commercial properties	75,965	25.8	2,555	11.5	26	69,762	27.3	2,405	10.5	27
(2) Others	44,996	15.3	7,296	33.0	18	15,090	5.9	8,311	36.3	17
Total	294,099	100.0	22,152	100.0	87	255,485	100.0	22,869	100.0	82

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 of December 31, 2022, we managed a total of 44 non-residential properties, with an aggregate GFA of non-residential properties under management of 9.9 million sq.m.. Our diversified portfolio of properties under management has helped us diversify our revenue streams.

Value-added services to non-property owners: accounting for approximately 29.9% 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	For the year ended December 31,			
	2022		2021	
	<i>RMB'000</i>	<i>Percentage of revenue %</i>	<i>RMB'000</i>	<i>Percentage of revenue %</i>
Design services	73,423	39.1	67,728	33.1
Landscaping services	75,243	40.0	65,848	32.1
Preliminary property management services	16,595	8.8	24,881	12.1
Pre-delivery services	10,440	5.6	28,469	14.0
Others customized services	12,207	6.5	17,890	8.7
Total	187,908	100.0	204,816	100.0

For the Year, the Group's revenue from value-added services to non-property owners amounted to approximately RMB187.9 million, representing a decrease of approximately 8.3% over the corresponding period in 2021, mainly due to the decrease in the number of projects delivered by property developers during the Year resulting from the downturn of the real estate market, which led to the decrease in the revenue from preliminary property management services and pre-delivery services.

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 23.2% 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	For the year ended December 31,			
	2022		2021	
	<i>RMB'000</i>	<i>Percentage of revenue %</i>	<i>RMB'000</i>	<i>Percentage of revenue %</i>
Parking space management services	39,041	26.8	34,256	28.0
Community living services	60,457	41.5	53,735	43.9
Utility management services	36,594	25.1	26,881	21.9
Community space and resource management services	9,635	6.6	7,630	6.2
Total	<u>145,727</u>	<u>100.0</u>	<u>122,502</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 Year, the Group's revenue from community value-added services amounted to approximately RMB145.7 million, representing an increase of approximately 19.0% as compared with the corresponding period of 2021, primarily due to the increase in our GFA under management for residential properties and commercial properties.

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	For the year ended December 31,				
	2022		2021		Growth Rate
	<i>RMB'000</i>	<i>Percentage of revenue %</i>	<i>RMB'000</i>	<i>Percentage of revenue %</i>	
Property management services	294,099	46.9	255,485	43.8	15.1
Value-added services to non-property owners	187,908	29.9	204,816	35.1	-8.3
Community value-added services	145,727	23.2	122,502	21.1	19.0
Total	627,734	100.0	582,803	100.0	7.7

For the Year, the total revenue of the Group was approximately RMB627.7 million (2021: approximately RMB582.8 million), representing an increase of approximately 7.7% as compared with the corresponding period in 2021, mainly due to the revenues derived from our two service lines increased as stated below:

Property management services: The revenue of our property management services increased by 15.1% from RMB255.5 million for the year ended December 31, 2021 to RMB294.1 million for the Year, primarily due to the optimization of our project portfolio and strategic expansion of our city services during the Year.

Community value-added services: The revenue of our community value-added services increased by 19.0% from RMB122.5 million for the year ended December 31, 2021 to RMB145.7 million for the Year, primarily due to the increase in our GFA under management for residential properties and commercial properties.

The revenue of our value-added services to non-property owners decreased by 8.3% from RMB204.8 million for the year ended December 31, 2021 to RMB187.9 million for the Year, primarily due to the decrease in the number of projects delivered by property developers during the Year resulting from the downturn of the real estate market, which led to the decrease in the revenue from preliminary property management services and pre-delivery services.

Cost of Sales

For the Year, the cost of sales of the Group was approximately RMB483.0 million (2021: approximately RMB435.0 million), representing an increase of approximately 11.0% as compared with the corresponding 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 following table sets forth a breakdown of the gross profit and gross profit margin of the Group by service lines for the periods indicated:

	For the year ended December 31,			
	2022		2021	
	Gross profit	margin	Gross profit	margin
	RMB'000	%	RMB'000	%
Property management services	51,851	17.6	44,875	17.6
Value-added services to non-property owners	53,337	28.4	72,672	35.5
Community value-added services	39,512	27.1	30,301	24.7
Total	144,700	23.1	147,849	25.4

For the Year, our gross profit was approximately RMB144.7 million, representing a decrease of 2.1% as compared with RMB147.8 million for the corresponding period in 2021. The gross profit margin of the Group decreased from approximately 25.4% in the same period in 2021 to approximately 23.1%.

For the Year, the gross profit margin of the property management services of the Group was approximately 17.6%, which was stable as compared with the corresponding period.

The gross profit margin of value-added services to non-property owners of the Group was approximately 28.4% (2021: approximately 35.5%). The drop in the gross profit margin of value-added services to non-property owners as compared with the corresponding period was mainly due to the lower gross profit margin of our 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 27.1% (2021: approximately 24.7%). The increase in the gross profit margin of community value-added services of the Group as compared with the corresponding period was primarily due to the expanded service scope of our community space and resource management services to address customer's diverse needs. Community space and resource management services are less labor intensive, and thus have a higher gross profit margin.

Administrative and Other Expenses

For the Year, the total administrative expenses of the Group were approximately RMB56.4 million, representing an increase of approximately 7.0% from approximately RMB52.7 million for the year ended December 31, 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 Year, other income was approximately RMB3.9 million, representing an increase of approximately 18.9% from approximately RMB3.3 million for the year ended December 31, 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 Year

Our profit for the Year was approximately RMB78.3 million, representing an increase of approximately 1.7% from approximately RMB77.0 million for the year ended December 31, 2021.

Current Assets

As of December 31, 2022, the current assets of the Group were approximately RMB790.6 million, representing an increase of 39.8% as compared with approximately RMB565.6 million as of December 31, 2021. As of December 31, 2022, the current ratio (current assets divided by current liabilities) of the Group was approximately 2.2 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 of December 31, 2022, the Group's property, plant and equipment amounted to approximately RMB55.4 million, representing a decrease of approximately RMB2.0 million as compared with approximately RMB57.4 million as of December 31, 2021, primarily due to the depreciation of the property, plant and equipment during the Year.

Trade and Bills Receivables

Our trade and bill receivables increased from RMB196.9 million as of December 31, 2021 to RMB284.0 million as of December 31, 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 represent prepayments we made to energy providers on behalf of property owners and residents; (ii) deposits, mainly represent 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 of December 31, 2022, prepayments, deposits and other receivables amounted to approximately RMB8.4 million, representing a decrease of approximately RMB24.9 million as compared with approximately RMB33.3 million as of December 31, 2021, primarily attributable to the transfer of listing expenses to the capital reserve within equity upon the Listing.

Trade Payables

As of December 31, 2022, trade payables amounted to approximately RMB192.7 million, representing an increase of approximately RMB55.2 million as compared with approximately RMB137.5 million as of December 31, 2021, primarily attributable to the increase in fees paid to suppliers due to our expansion on landscaping services and design 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 of December 31, 2022, accrued expenses and other payables amounted to approximately RMB92.7 million, representing a decrease of approximately RMB32.6 million as compared with approximately RMB125.3 million as of December 31, 2021, primarily attributable to our payment of year-end bonus for the year 2021 in the first quarter of 2022 and payment of listing expense.

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 of December 31, 2022, the Group's cash and cash equivalents amounted to approximately RMB428.8 million, representing an increase of 55.6% as compared with approximately RMB275.5 million as of December 31, 2021, primarily due to the proceeds from the issuance of H Shares. The cash and cash equivalents were denominated in RMB.

Interest-bearing Borrowings

Our interest-bearing borrowings was RMB1.8 million as of December 31, 2022, all denominated in RMB with maturity on January 15, 2024, and interest on borrowings at the fixed rate of 5.0% per annum.

Pledge of Assets

As of December 31, 2022, we have pledged assets of RMB3.0 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 0.4% as of December 31, 2022 (December 31, 2021: nil).

Significant Investments Held, Material Acquisitions and Disposals

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

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 Prospectus, the Group has no future commitment for material investments or capital assets during the Year. 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 of December 31, 2022.

Proceeds from the Listing

The H Shares were successfully listed on the Stock Exchange on July 8, 2022, and 33,340,000 H Shares were issued. 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 percentage 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 of December 31, 2022, the Group had 1,644 employees (as of 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

No events has taken place subsequent to December 31, 2022 and up to the date of this announcement that may have a material impact on the Group’s operating and financial performance that need to be disclosed.

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 as its own code of corporate governance since the Listing Date.

Save for the deviation for reasons set out below, during the period from the Listing Date and up to December 31, 2022, the Group has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. With effect from November 30, 2022, Mr. WANG Zhongwu assumes the dual roles of the Chairman and the general manager of the Company. The Board believes that having the same individual in both roles as the Chairman and the general manager of the Company will continue to ensure that the Group has consistent leadership and the ability to make and implement the overall strategy of the Group effectively. The Board believes that this structure does not compromise the balance of power and authority between the Board and the management of the Company. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 since the Listing Date.

Upon specific enquiry, all Directors and Supervisors confirmed that they have complied with the Model Code since the Listing Date and up to December 31, 2022.

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 December 31, 2022.

REVIEW OF ANNUAL RESULTS

The Company established the Audit Committee in compliance with the Appendix 14 to the Listing Rules. The Audit Committee has reviewed the annual financial results for the year ended December 31, 2022 and considers that the annual financial results are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

FINAL DIVIDEND

The Board has resolved to recommend the distribution of a final dividend in cash of RMB0.1074 per share of the Company (before tax) for the year ended December 31, 2022.

2022 AGM

The 2022 AGM will be convened and held on Friday, June 30, 2023. The notice of the 2022 AGM will be published on the Company's website (www.lushangfuwu.com) and the website of the Stock Exchange (www.hkexnews.hk) and despatched to the Shareholders in the manner prescribed under the Listing Rules in due course.

Closure of Register of Members

(i) Attending the 2022 AGM

For the purpose of determining the Shareholders' entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, June 27, 2023 to Friday, June 30, 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify the Shareholders to attend and vote at the 2022 AGM, all the completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H shareholders) or to the registered office of the Company at Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road Lixia District, Jinan, Shandong, PRC (for domestic shareholders) no later than 4:30 p.m. on Monday, June 26, 2023 for registration. Shareholders whose names appear on the register of members of the Company on Friday, June 30, 2023 are entitled to attend and vote at the 2022 AGM.

(ii) Payment of the Proposed Final Dividend

For the purpose of determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, July 6, 2023 to Thursday, July 13, 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify the Shareholders to be entitled to the proposed final dividend, all the completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor,

Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong (for H shareholders) or to the registered office of the Company at Room 202, Block 2, Lushang Guo’ao City, No. 9777 Jingshi Road Lixia District, Jinan, Shandong, PRC (for domestic shareholders) no later than 4:30 p.m. on Wednesday, July 5, 2023 for registration. It is expected that the proposed final dividend, if approved by the Shareholders at the 2022 AGM, will be paid on or before Thursday, August 31, 2023 to Shareholders whose names appear on the register of members of the Company on Thursday, July 13, 2023.

SCOPE OF WORK OF KPMG

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 as set out in this announcement have been agreed by KPMG to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by KPMG on this announcement.

PUBLICATION OF ANNUAL RESULTS AND 2022 ANNUAL REPORT

This announcement is published on the websites of the Company (www.lushangfuwu.com) and the Stock Exchange (www.hkexnews.hk). The 2022 annual report will be dispatched to the Shareholders and will be made available on the websites of the Company and the Stock Exchange as and when appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“2022 AGM”	the 2022 annual general meeting of the Company to be convened and held on June 30, 2023
“Audit Committee”	the audit committee of the Company
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CIA”	the China Index Academy

“Company”	Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司) (formerly known as Shandong Lushang Property Services Co., Ltd. (山東魯商物業服務有限公司)), a company established in the PRC with limited liability on March 24, 2006 and converted into a joint stock company with limited liability on March 12, 2021 and the H Shares of which are listed on the Stock Exchange (stock code: 2376)
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China
“Director(s)”	the directors of the Company
“GFA”	gross floor area
“Group”, “we”, “our” or “us”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Shares”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are listed on the Main Board of the Stock Exchange and subscribed for and traded in Hong Kong dollars
“Listing”	the listing of the H Shares on the Stock Exchange
“Listing Date”	the date of the Listing, being July 8, 2022

“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lushang Development”	Lushang Health Industry Development Co., Ltd. (魯商健康產業發展股份有限公司) (formerly known as Shandong Zibo Wanjie Industry Co., Ltd. (山東淄博萬傑實業股份有限公司), Shandong Wanjie High-tech Co., Ltd. (山東萬傑高科技股份有限公司) and Lushang Real Estate Co., Ltd. (魯商置業股份有限公司)), a joint stock company established in the PRC with limited liability on April 21, 1993, listed on the Shanghai Stock Exchange (stock code: 600223) and one of the controlling shareholders of our Company
“Lushang Development Group”	Lushang Development and its subsidiaries which, for the purpose of this announcement and unless the context otherwise requires, excludes the Group
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Prospectus”	the prospectus of the Company dated June 27, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Commercial”	Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司) (formerly known as Shandong Commercial Group General Corporation (山東省商業集團總公司)), a company established in the PRC with limited liability on November 26, 1992, which is controlled by the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會) and one of the controlling shareholders of our Company

“Shandong Commercial Group”	Shandong Commercial and its subsidiaries which, for the purpose of this announcement and unless the context otherwise requires, excludes the Group
“Shareholder(s)”	shareholder(s) of the Company
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisors”	the supervisors of the Company
“Year”	the year ended December 31, 2022

By order of the Board
Lushang Life Services Co., Ltd.
Mr. WANG Zhongwu
Chairman and executive Director

Jinan, the PRC, March 30, 2023

As at the date of this announcement, the Board comprises Mr. WANG Zhongwu as Chairman and executive Director, Mr. SHAO Meng and Mr. YANG Yunlong as executive Directors, Ms. LI Lu and Ms. LUO Ye as non-executive Directors, and Ms. LEUNG Bik San, Ms. CHEN Xiaojing and Mr. MA Tao as independent non-executive Directors.