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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, 2023**

FINANCIAL SUMMARY	For the six months ended	
	June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	314,014	324,361
Gross profit	67,926	77,386
Gross profit margin	21.6%	23.9%
Total profit	39,111	52,224
Net profit	30,796	40,814
Net profit attributable to owners of the parent company	30,015	40,133
Basic earnings per share (RMB)	0.23	0.40

Notes:

- 1 The Group's financial statements and interim results for the six months ended June 30, 2023 have been prepared under the China Accounting Standards for Business Enterprises (the "CASBE"), and relevant comparative figures for 2022 have been appropriately adjusted pursuant to the CASBE.
- 2 Data for the corresponding period of 2022 used in the section headed "Management Discussion and Analysis" in this announcement were restated.

For the Period, the revenue of the Group was approximately RMB314.0 million, representing a decrease of approximately 3.2% as compared with approximately RMB324.4 million for the corresponding period in 2022.

For the Period, the gross profit of the Group was approximately RMB67.9 million, representing a decrease of 12.2% as compared with approximately RMB77.4 million for the corresponding period in 2022. The Group's gross profit margin was 21.6%, representing a decrease of 2.3% as compared with the gross profit margin of 23.9% for the corresponding period in 2022.

For the Period, the net profit of the Group was approximately RMB30.8 million, representing a decrease of 24.5% as compared with RMB40.8 million for the corresponding period in 2022.

As at June 30, 2023, the Group had 23.8 million sq.m. of GFA under its management, representing an increase of 1.5% compared with June 30, 2022.

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**”, “**us**” or “**our**”) for the six months ended June 30, 2023 (the “**Period**”), together with comparative figures for the corresponding period in 2022.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended June 30, 2023 - unaudited
(Expressed in Renminbi (“RMB”))*

Items	Note	Six months ended June 30,	
		2023 RMB	2022 RMB
I. Operating income	13	314,013,921.18	324,361,468.93
Less: Operating costs	13	246,088,169.69	246,975,158.79
Taxes and surcharges		2,990,805.92	1,860,184.07
Selling expenses			
General and administrative expenses		20,104,328.30	19,209,410.61
Research and development expenses		2,206,520.39	2,364,377.76
Financial expenses		-2,092,200.87	-1,276,099.45
Including: Interest expenses		103,605.47	145,328.24
Interest income		3,461,980.08	2,007,568.26
Add: Other income		911,209.80	1,348,869.01
Investment income (losses expressed with “-”)		-	-
Including: Income from investment in associates and joint ventures			
Derecognized earnings of financial assets measured at amortized cost		-	-
Net exposure hedge income (losses expressed with “-”)		-	-
Gains from changes in fair value (losses expressed with “-”)		-	-
Credit impairment losses (losses expressed with “-”)		-6,028,035.56	-4,447,083.77
Impairment losses on assets (losses expressed with “-”)		-356,616.38	-
Gains from assets disposal (losses expressed with “-”)		-	-
		39,242,855.61	52,130,222.39
II. Operating profit (losses expressed with “-”)		39,242,855.61	52,130,222.39
Add: Non-operating income		53,278.09	119,767.71
Less: Non-operating expenses		185,574.86	26,215.72
III. Total profit (losses expressed with “-”)		39,110,558.84	52,223,774.38
Less: Income tax expenses	14	8,314,496.12	11,410,022.65
IV. Net profit (net losses expressed with “-”)		30,796,062.72	40,813,751.73
Including: Net profit realized by the merged party under common control before the merger			
(I) Categorized by continuity of operations			
Net profit from continuing operations (net losses expressed with “-”)		30,796,062.72	40,813,751.73
Net profit from discontinued operations (net losses expressed with “-”)		-	-
(II) Categorized by the portion of equity ownership			
Net profit attributable to owners of the parent company		30,014,870.71	40,133,359.89
Non-controlling interests		781,192.01	680,391.84
V. Other comprehensive income, net of tax		-	-

Items	Note	Six months ended June 30,	
		2023 RMB	2022 RMB
Other comprehensive income attributable to owners of the parent company, net of tax		-	-
(I) Other comprehensive income that may not be reclassified to profit or loss		-	-
1. Changes from re-measurement of defined benefit plans, net		-	-
2. Other comprehensive income that may not be transferred to profit or loss under the equity method		-	-
3. Changes in fair value of other equity instrument investments		-	-
4. Changes in fair value of the enterprise's own credit risk		-	-
5. Others		-	-
(II) Other comprehensive income that may be reclassified to profit or loss		-	-
1. Other comprehensive income that may be transferred to profit or loss under the equity method		-	-
2. Changes in fair value of other debt investments		-	-
3. Amounts of financial assets reclassified to other comprehensive income		-	-
4. Credit impairment provision for other debt investments		-	-
5. Reserves for cash flow hedges		-	-
6. Differences on foreign currency translation		-	-
7. Disposal income from a package disposal of subsidiaries before loss of control		-	-
8. Conversion of other assets to investment property measured by fair value model		-	-
9. Others		-	-
Other comprehensive income attributable to minority Shareholders, net of tax		-	-
VI. Total comprehensive income		30,796,062.72	40,813,751.73
Total comprehensive income attributable to owners of the parent company		30,014,870.71	40,133,359.89
Total comprehensive income attributable to minority Shareholders		781,192.01	680,391.84
VII. Earning per share:		-	-
(I) Basic earnings per Share		0.23	0.40
(II) Diluted earnings per Share		0.23	0.40

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023 - unaudited

(Expressed in RMB)

Assets	<i>Note</i>	As at June 30, 2023 RMB	As at December 31, 2022 RMB
Current assets:			
Monetary funds		390,603,860.14	428,811,504.41
Financial assets held for trading		–	–
Derivative financial assets		–	–
Bills receivable	3	30,055,590.55	23,585,685.07
Accounts receivable	4	321,364,676.02	260,421,279.00
Accounts receivable financing		116,000.00	–
Prepayments		2,113,225.24	3,041,904.12
Other receivables		5,405,218.90	5,314,816.95
Inventories		43,415,934.79	43,129,891.14
Contract assets	5	48,701,256.73	26,264,353.23
Assets held-for-sale		–	–
Non-current assets maturing within one year		–	–
Other current assets		1,633,188.08	2,497,073.14
Total current assets		<u>843,408,950.45</u>	<u>793,066,507.06</u>

Assets	<i>Note</i>	As at June 30, 2023 RMB	As at December 31, 2022 RMB
Non-current assets:			
Debt investments		–	–
Other debt investments		–	–
Long-term receivable		–	–
Long-term equity investments		–	–
Other equity instrument investments		–	–
Other non-current financial assets		–	–
Investment properties		–	–
Fixed assets	6	51,952,013.28	52,838,522.26
Construction in progress		–	–
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		2,149,549.14	2,540,376.24
Intangible assets		1,278,550.87	1,458,966.80
Development expenses		–	–
Goodwill		–	–
Long-term deferred expenses		491,407.69	600,609.43
Deferred income tax assets		9,726,525.15	8,616,586.82
Other non-current assets		–	–
		-----	-----
Total non-current assets		<u>65,598,046.13</u>	<u>66,055,061.55</u>
Total assets		<u>909,006,996.58</u>	<u>859,121,568.61</u>

Liabilities and shareholders' equity	<i>Note</i>	As at June 30, 2023 RMB	As at December 31, 2022 RMB
Current liabilities:			
Short-term borrowings		–	–
Financial liabilities held-for-trading		–	–
Derivative financial liabilities		–	–
Notes payable		1,965,009.38	–
Accounts payable	7	209,366,280.35	177,027,304.04
Advances		–	–
Contract liabilities	8	54,372,328.68	54,971,683.36
Employee benefits payable		22,082,328.27	35,222,573.33
Taxes payable		10,714,291.04	9,303,595.09
Other payables	9	53,145,824.50	55,307,310.07
Liabilities held-for-sale		–	–
Non-current liabilities due within one year		2,641,800.69	3,286,633.70
Other current liabilities		18,821,566.87	18,961,830.51
Total current liabilities		<u>373,109,429.78</u>	<u>354,080,930.10</u>
Non-current liabilities:			
Long-term borrowings		–	–
Bonds payable		–	–
Including: Preference shares		–	–
Perpetual bonds		–	–
Lease liabilities		1,714,354.89	1,669,588.71
Long-term payable		–	139,992.44
Long-term employee benefits payable		–	–
Accrued liabilities		–	–
Deferred income		–	–
Deferred income tax liabilities		–	–
Other non-current liabilities		–	–
Total non-current liabilities		<u>1,714,354.89</u>	<u>1,809,581.15</u>
Total liabilities		<u>374,823,784.67</u>	<u>355,890,511.25</u>

		As at June 30, 2023 RMB	As at December 31, 2022 RMB
Liabilities and shareholders' equity	<i>Note</i>		
Shareholders' equity:			
Share capital	10	133,340,000.00	133,340,000.00
Other equity instruments		–	–
Including: Preference shares		–	–
Perpetual bonds		–	–
Capital reserves	11	226,482,824.76	226,326,732.93
Less: Treasury stock		–	–
Other comprehensive income		–	–
Specific reserve		–	–
Surplus reserves	12	9,755,021.62	9,755,021.62
Retained earnings		160,703,334.34	130,688,463.63
		<u>530,281,180.72</u>	<u>500,110,218.18</u>
Total equity attributable to shareholders of the parent company		530,281,180.72	500,110,218.18
Non-controlling interests		<u>3,902,031.19</u>	<u>3,120,839.18</u>
Total shareholders' equity		534,183,211.91	503,231,057.36
Total liabilities and shareholders' equity		909,006,996.58	859,121,568.61

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company, formerly known as Shandong Lushang Property Services Co., Ltd, was established in the People's Republic of China (the “**PRC**”) on March 24, 2006 as a limited liability company under the Company Law of the PRC and converted into a joint stock company with limited liability on March 12, 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 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. The immediate parent of the Company is Lushang Freda Pharmaceutical Co., Ltd. (魯商福瑞達醫藥股份有限公司) (“**Lushang Freda**”), and the ultimate controlling party of the Company is Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司).

The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on July 8, 2022.

Unless otherwise stated, the Company's financial information is presented in Renminbi (“**RMB**”), which is the Company's functional currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Company is incorporated in the PRC and its overseas listed foreign shares have been listed on the Main Board of the Stock Exchange since July 8, 2022. It has adopted International Financial Reporting Standards (the “**IFRSs**”) for the preparation of its financial statements as at December 31, 2022. In order to improve working efficiency and lower the cost for preparing two sets of financial statements in accordance with the CASBE as well as the IFRSs, on July 17, 2023, the Board considered and approved to prepare the Company's financial statements and disclose relevant financial information in accordance with the CASBE starting from the interim report as at June 30, 2023. The extraordinary general meeting was held and approved the corresponding changes to the Articles of Association on August 3, 2023. For details, please refer to the Company's announcement dated July 17, 2023.

The Company recognizes, measures and prepares its financial statements according to actual transactions and events as well as the Accounting Standards for Business Enterprises—Basic Standards and various specific accounting standards, the Application Guidance for Accounting Standards for Business Enterprises, the interpretations of the Accounting Standards for Business Enterprises and other relevant regulations (hereinafter collectively referred to as “**Accounting Standards for Business Enterprises**”) issued by the Ministry of Finance. In addition, the Company discloses relevant financial information in accordance with the requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

There was no difference in net assets and net profit in the Company's financial reports disclosed under the CASBE and the IFRSs for the same period in June 2022.

(b) Going Concern

The Company has assessed its ability to continue as a going concern for the next 12 months from the end of the reporting period, and has not identified any matters or circumstances that cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern assumption.

3 BILLS RECEIVABLES

Types	June 30, 2023				
	Book balance		Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis	-	-	-	-	-
Provision for bad debts made on a collective basis	30,090,032.03	100.00	34,441.48	0.11	30,055,590.55
Including: the bank acceptance portfolio	870,000.00	2.89	-	-	870,000.00
The related party portfolio	28,984,832.03	96.33	28,984.84	0.10	28,955,847.19
The aging portfolio	235,200.00	0.78	5,456.64	2.32	229,743.36

Types	December 31, 2022				
	Book balance		Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis	-	-	-	-	-
Provision for bad debts made on a collective basis	23,585,685.07	100.00	-	-	23,585,685.07
Including: the bank acceptance portfolio	-	-	-	-	-
The related party portfolio	23,585,685.07	100.00	-	-	23,585,685.07
The aging portfolio	-	-	-	-	-

4 ACCOUNTS RECEIVABLE

Types	June 30, 2023				
	Book balance		Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on a collective basis	338,306,066.93	100.00	16,941,390.91	5.01	321,364,676.02
Including: the aging portfolio	196,700,439.25	58.14	16,799,785.28	8.54	179,900,653.97
The related party portfolio	141,605,627.68	41.86	141,605.63	0.10	141,464,022.05

Types	December 31, 2022					
	Book balance		Provision for bad debts			Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		
Provision for bad debts made on a collective basis	271,412,900.63	100.00	10,991,621.63	4.05		260,421,279.00
Including: the aging portfolio	147,701,160.74	54.42	10,991,621.63	7.44		136,709,539.11
The related party portfolio	123,711,739.89	45.58	–	–		123,711,739.89

The aging analysis of accounts receivable based on transaction dates is as follows:

The aging portfolio	June 30, 2023
Up to 1 year (inclusive)	262,267,505.37
1-2 years	59,721,393.92
2-3 years	8,336,461.11
Over 3 years	<u>7,980,706.53</u>
Total	<u>338,306,066.93</u>

5 CONTRACT ASSETS

Items	June 30, 2023			December 31, 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Landscaping services	27,628,675.18	111,426.81	27,517,248.37	24,223,976.18	–	24,223,976.18
Design services	7,171,328.82	104,511.89	7,066,816.93	731,387.27	–	731,387.27
Decoration services	14,257,869.11	140,677.68	14,117,191.43	1,308,989.78	–	1,308,989.78
Total	<u>49,057,873.11</u>	<u>356,616.38</u>	<u>48,701,256.73</u>	<u>26,264,353.23</u>	<u>–</u>	<u>26,264,353.23</u>

6 FIXED ASSETS

Details of fixed assets

Items	Houses and buildings	Means of transportation	Machinery and other equipment	Total
I. Original carrying amount				
1. Opening balance	41,793,419.69	13,699,051.10	13,528,544.03	69,021,014.82
2. Increase in the current period	–	2,909,109.81	1,333,363.45	4,242,473.26
Purchases	–	2,909,109.81	1,333,363.45	4,242,473.26
3. Decrease in the current period	–	2,192,479.03	492,015.49	2,684,494.52
Disposal or retirement	–	2,192,479.03	492,015.49	2,684,494.52
4. Closing balance	41,793,419.69	14,415,681.88	14,369,891.99	70,578,993.56
II. Accumulated amortisation				
1. Opening balance	3,300,418.20	4,075,734.00	8,806,340.36	16,182,492.56
2. Increase in the current period	496,255.08	1,855,848.21	1,129,529.74	3,481,633.03
Provisions in the current period	496,255.08	1,855,848.21	1,129,529.74	3,481,633.03
3. Decrease in the current period	–	683,025.25	354,120.06	1,037,145.31
Disposal or retirement	–	683,025.25	354,120.06	1,037,145.31
4. Closing balance	3,796,673.28	5,248,556.96	9,581,750.04	18,626,980.28
III. Allowance for impairment				
1. Opening balance	–	–	–	–
2. Increase in the current period	–	–	–	–
3. Decrease in the current period	–	–	–	–
4. Closing balance	–	–	–	–
IV. Carrying amount				
1. Closing carrying amount	37,996,746.41	9,167,124.92	4,788,141.95	51,952,013.28
2. Opening carrying amount	38,493,001.49	9,623,317.10	4,722,203.67	52,838,522.26

7 ACCOUNTS PAYABLES

(a) Presentation of accounts payables

Items	June 30, 2023	December 31, 2022
Payables for materials	3,798,104.88	2,000,279.26
Construction payables	92,721,465.44	81,589,203.75
Accrued accounts payable	1,368,121.12	1,467,007.88
Payable expenses	5,698,750.47	1,701,508.25
Payables for project costs	97,749,002.96	82,388,136.66
Others	8,030,835.48	7,881,168.24
	<hr/>	<hr/>
Total	<u>209,366,280.35</u>	<u>177,027,304.04</u>

(b) The aging analysis of accounts payables (including amounts due to related parties)

Aging	June 30, 2023	December 31, 2022
Up to 1 year	167,924,952.37	141,962,901.42
1-2 years	34,171,020.55	29,847,207.34
2-3 years	3,923,083.05	2,416,847.27
Over 3 years	3,347,224.38	2,800,348.01
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Total	<u>209,366,280.35</u>	<u>177,027,304.04</u>

8 CONTRACT LIABILITIES

Item	June 30, 2023	December 31, 2022
Property management fees	50,307,273.59	49,999,588.92
Community value-added services	3,890,621.12	4,797,660.47
Landscaping design services	174,433.97	174,433.97
Total	54,372,328.68	54,971,683.36

9 OTHER PAYABLES

Presentation of other payables by nature

Nature	June 30, 2023	December 31, 2022
Deposit and security deposit	31,280,118.09	26,888,791.07
Advance payment	3,485,770.38	1,867,040.67
Escrow fund	8,071,234.96	7,652,580.44
Party building	1,842,712.82	1,771,267.15
Public maintenance funds	1,135,353.25	1,391,131.66
Utilities	3,677,236.10	6,537,865.10
Intermediation fees	–	4,200,809.72
Others	3,653,398.90	4,997,824.26
Total	53,145,824.50	55,307,310.07

10 Share Capital

Item	December 31, 2022	Changes in current period (+ or -)				Subtotal	June 30, 2023
		Issuance of new shares	Bonus share	Reserved funds converted into shares	Others		
Total shares	133,340,000.00	–	–	–	–	–	133,340,000.00

11 CAPITAL RESERVE

Item	December 31, 2022	Increase in the period	Decrease in the period	June 30, 2023
Capital premium (Equity premium)	220,799,301.17	–	–	220,799,301.17
Other capital reserves	5,527,431.76	156,091.83	–	5,683,523.59
Total	226,326,732.93	156,091.83	–	226,482,824.76

12 SURPLUS RESERVE

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	9,755,021.62	–	–	9,755,021.62
Total	9,755,021.62	–	–	9,755,021.62

13 OPERATING REVENUE & OPERATING COST

(a) Operating revenue & operating cost

Item	January to June in 2023		January to June in 2022	
	Revenue	Cost	Revenue	Cost
Principle operations	313,771,331.21	246,088,169.69	324,249,038.86	246,975,158.79
Other operations	242,589.97	–	112,430.07	–
Total	314,013,921.18	246,088,169.69	324,361,468.93	246,975,158.79

(b) Income from contracts

Classification of contract	January to June in 2023	January to June in 2022
Goods	–	–
Including: Property management services	164,858,288.27	150,145,634.67
Value-added services to non-property owners	88,781,534.79	118,168,982.46
Community value-added services	60,374,098.12	56,046,851.80
Total	314,013,921.18	324,361,468.93
Classified by region	January to June in 2023	January to June in 2022
Including: Mainland of China	314,013,921.18	324,361,468.93
Classified by contract term	–	–
Including: Revenue recognised at a point in time	58,020,382.98	69,916,522.14
Revenue recognised over time	255,993,538.20	254,444,946.79
Total	314,013,921.18	324,361,468.93

14 INCOME TAX EXPENSES

Item	January to June in 2023	January to June in 2022
Current income tax calculated on the basis of the tax laws and relevant regulations	–	–
– Corporate income taxes in Mainland of China	9,386,073.31	13,013,324.32
Deferred income tax expenses	-1,071,577.19	-1,603,301.67
Total	<u>8,314,496.12</u>	<u>11,410,022.65</u>

The Group had no Hong Kong profit, since it had no taxable income derived from Hong Kong during the year.

15 RETURN ON NET ASSETS AND EARNINGS PER SHARE

Profit for the reporting period	Return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to the holders of ordinary shares of the parent company	5.97	0.23	0.23
Net profit attributable to the holders of ordinary shares of the parent company (excluding: extraordinary profit and loss)	<u>5.93</u>	<u>0.23</u>	<u>0.23</u>

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 35th among the 2023 Top 100 Property Management Companies in China (2023中國物業服務百強企業第35名) in terms of overall strength and were recognized as the “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」), 5th place among the “2022 TOP 10 Property Management Service Provider in Shandong Province” (「2022山東省物業服務力TOP10企業」第五名), 3rd place among the “2022 TOP 5 Property Management Service Provider for Residential Properties in Shandong Province” (「2022山東省住宅物業服務力TOP5」第三名), 3rd place among the “2022 TOP 5 Property Management Service Provider in Jinan” (「2022物業服務力濟南TOP5」第三名), “2022 Government Procurement for 20 Years · Top 100 Property Management Service Providers” (「2022政府採購20年·百強物業管理服務商」) and Star-level Service Company of “Qilu Red Property” (「齊魯紅色物業」星級服務企業). During the Period, the revenue of the Group was RMB314.0 million, representing a decrease by 3.2% as compared with RMB324.4 million for the six months ended June 30, 2022. The Company’s net profit attributable to owners of the parent company during the Period was RMB30.0 million, representing a decrease by 25.2% as compared with RMB40.1 million for the last corresponding period. As at June 30, 2023, the Group had 96 projects under management, with the total gross floor area (“GFA”) under management of 23.8 million square meters (“sq.m.”) (June 30, 2022: 23.5 million sq.m.), representing a growth by 1.5%. It also had 96 contracted projects, with total contracted area of 27.4 million sq.m. (June 30, 2022: 27.2 million sq.m.), representing a growth by 1.0%. Headquartered in Jinan, Shandong Province, through 17 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, 2023, the aggregate GDP of Shandong Province ranked third among all provinces in China, and the annual disposable income per capita in Shandong Province is higher than the average in China. Throughout the course of our development, we have adhered to our vision of “service provider for wonderful life” (“美好生活服務商”) in conducting our business. We believe that our commitment to customer satisfaction and customer-centric culture have shaped our brand image and helped to establish 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 52.5% of total revenue

For the Period, the Group's revenue from property management services amounted to approximately RMB164.9 million, representing an increase of approximately 9.8% as compared to the same period in 2022, mainly due to the increase in the GFA of properties projects under management of the Group.

We have a long and close strategic ongoing relationship with Lushang Freda Pharmaceutical Co., Ltd. (formerly known as Lushang Health Industry Development Co., Ltd.) ("**Lushang Freda**") and together with its subsidiaries, the "**Lushang Freda Group**"), a controlling shareholder of the Company. Lushang Freda is a company listed on the Shanghai Stock Exchange (stock code: 600223).

During the preparation of the interim results of the Group for the six months ended June 30, 2023, the Board noted that Lushang Freda is in the process of disposing of its real estate business (the "**Disposal**") to Shandong Urban and Rural Development Group Co., Ltd. (山東省城鄉發展集團有限公司), a wholly-owned subsidiary of Shandong Commercial Group Co., Ltd. ("**Shandong Commercial**" and together with its subsidiaries, the "**Shandong Commercial Group**"), a controlling shareholder of the Company, and the Disposal has partially been completed in or before late April 2023. As at the date of this announcement, the Board understands that the Disposal will be fully completed in or about October 2023.

In the meantime, we have maintained a close and long-term relationship with Shandong Commercial. Shandong Commercial is a large-scale holding company with a wider range of investments among other sectors in retail, healthcare, finance and education, etc. As at June 30, 2023, 58 properties under our management were developed by Shandong Commercial Group and Lushang Freda Group, with a total GFA under management of 14.82 million sq.m., representing an increase of 1.02 million sq.m. as compared to June 30, 2022.

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

Source of projects	As at June 30,					
	2023		2022		Change	
	GFA under management	Proportion of GFA under management	GFA under management	Proportion of GFA under management	GFA under management	Growth rate
	sq.m.'000	%	sq.m.'000	%	sq.m.'000	%
Lushang Freda Group	1,067 ⁽¹⁾	4.5	12,574	53.6	-11,507	-91.5
Related parties	13,755 ⁽¹⁾	57.7	1,228	5.2	12,527	1,020
Subtotal	14,822	62.2	13,802	58.8	1,020	7.4
Third parties	9,008	37.8	9,674	41.2	-666	6.9
Total	23,830	100.0	23,476	100.0	354	1.5

Note (1): Consequential to the Disposal, certain projects with a total GFA under management of approximately 12,643 sq.m. were shifted from the Lushang Freda Group to the Shandong Commercial Group.

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,									
	2023					2022				
	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	96,026	58.2	13,981	58.7	46	91,753	61.1	12,015	51.2	38
Non-residential properties										
(1) Commercial properties	39,558	24.0	2,536	10.6	25	38,666	25.8	2,543	10.8	27
(2) Others	29,274	17.8	7,313	30.7	25	19,727	13.1	8,918	38.0	15
Total	164,858	100.0	23,830	100.0	96	150,146	100.0	23,476	100.0	80

As at June 30, 2023, we had been contracted to manage 46 non-residential properties, with an aggregate GFA under management of 14.0 million sq.m., representing an increase of approximately 16.7% as compared to 12.0 million sq.m. for the same period in 2022. During the Period, we also continued to develop urban sanitation projects which increased our revenue from property management service.

Value-added services to non-property owners: accounting for approximately 28.3% 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,			
	2023		2022	
	<i>RMB'000</i>	<i>Percentage of revenue</i> %	<i>RMB'000</i>	<i>Percentage of revenue</i> %
Design services	28,445	32.0	39,366	33.3
Landscaping services	45,646	51.4	54,716	46.3
Preliminary property management services	7,687	8.7	8,523	7.2
Pre-delivery services	4,957	5.6	7,268	6.2
Other customized services	2,047	2.3	8,295	7.0
Total	88,782	100.0	118,168	100.0

For the Period, the Group's revenue from value-added services to non-property owners amounted to approximately RMB88.8 million, representing a decrease of approximately 24.9% over the same period in 2022, mainly due to the decrease in the number of projects delivered by property developers as a result of the downturn of the real estate market in the PRC, resulting in a decrease in revenue from preliminary property management services, pre-delivery services, design services and landscaping 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 19.2% 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	As at June 30,			
	2023		2022	
	<i>RMB'000</i>	<i>Percentage of revenue %</i>	<i>RMB'000</i>	<i>Percentage of revenue %</i>
Parking space management services	19,741	32.7	19,080	34.0
Community living services	19,923	33.0	18,308	32.7
Utility management services	15,085	25.0	12,677	22.6
Community space and resource management services	5,625	9.3	5,982	10.7
Total	60,374	100.0	56,047	100.0

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 RMB60.4 million, representing an increase of approximately 7.7% as compared with the same period of 2022, mainly due to the increase in the number of users as a result of the increase in the GFA under management in respect of residential properties, and diversification of service portfolio provided to customers.

FINANCIAL REVIEW

Revenue

The Group's revenue comes from three main 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 periods:

Revenue	Six months ended June 30, 2023		2022		Growth Rate %
	<i>RMB'000</i>	<i>Percentage of revenue %</i>	<i>RMB'000</i>	<i>Percentage of revenue %</i>	
Property management services	164,858	52.5	150,146	46.3	9.8
Value-added services to non-property owners	88,782	28.3	118,168	36.4	-24.9
Community value-added services	60,374	19.2	56,047	17.3	7.7
Total	<u>314,014</u>	<u>100.0</u>	<u>324,361</u>	<u>100.0</u>	<u>-3.2</u>

For the Period, the total revenue of the Group was approximately RMB314.0 million (June 30, 2022: approximately RMB324.4 million), representing a decrease of approximately 3.2% as compared with the same period in 2022, mainly due to the decrease in revenue from value-added services to non-property owners.

Property management services: The revenue of our property management services increased by 9.8% from RMB150.1 million for the six months ended June 30, 2022 to RMB164.9 million for the Period, primarily due to the total GFA under our management increased from approximately 23.5 million sq.m. as at June 30, 2022 to approximately 23.8 million sq.m. as at June 30, 2023, and the continuous expansion of urban sanitation projects, which were not included in the area under management in accordance with industry practice.

Value-added services to non-property owners: The revenue of our value-added services to non-property owners decreased by 24.9% from RMB118.2 million for the six months ended June 30, 2022 to RMB88.8 million for the Period, primarily due to the decrease in the number of projects delivered by property developers as a result of the downturn of the real estate market in the PRC, resulting in a decrease in revenue from preliminary property management services, pre-delivery services, design services and landscaping services.

Community value-added services: The revenue of our community value-added services increased by 7.7% from RMB56.0 million for the six months ended June 30, 2022 to RMB60.4 million for the Period, primarily due to the increase in the number of users as a result of the increase in the GFA under management in respect of residential properties, and diversification of service portfolio provided to customers.

Cost of Sales

For the Period, the cost of sales of the Group was approximately RMB246.1 million (June 30, 2022: approximately RMB247.0 million), representing a decrease of approximately 0.4% as compared with the same period in 2022, which remained relatively stable.

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 during the indicated periods:

	Six months ended June 30,			
	2023		2022	
	Gross profit	Gross profit	Gross profit	Gross profit
	(RMB'000)	margin	(RMB'000)	margin
		%		%
Property management services	31,535	19.1	28,660	19.1
Value-added services to non-property owners	19,182	21.6	32,856	27.8
Community value-added services	17,208	28.5	15,870	28.3
Total	67,926	21.6	77,386	23.9

For the Period, our gross profit was approximately RMB67.9 million, representing a decrease of 12.2% as compared with RMB77.4 million for the same period in 2022. The gross profit margin of the Group decreased from approximately 23.9% in the same period in 2022 to approximately 21.6%.

For the Period, the gross profit margin of property management services of the Group was approximately 19.1% (June 30, 2022: approximately 19.1%).

The gross profit margin of value-added services to non-property owners of the Group was approximately 21.6% (June 30, 2022: approximately 27.8%). 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 the decrease in the number of new and newly-delivered projects as a result of the downturn of the real estate market in the PRC, and a decrease in revenue from design services and landscaping services as compared with the same period.

The gross profit margin of community value-added services of the Group was approximately 28.5% (June 30, 2022: approximately 28.3%), and remained relatively stable.

Management and Research and Development Expenses

For the Period, the management and research and development expenses of the Group were approximately RMB22.3 million, representing an increase of approximately 3.4% from approximately RMB21.6 million for the six months ended June 30, 2022, primarily due to the decrease of employee welfare expenses incurred by administrative staff as a result of our optimization of the composition of management personnel, and the increase in intermediary agency service fees due to the increase in consultancy services provided by intermediary agencies in the initial stage of Listing (defined below).

Profit for the Period

For the Period, our profit for the period was approximately RMB30.8 million, representing an decrease of approximately 24.5% from approximately RMB40.8 million in the same period of 2022.

Current Assets

As at June 30, 2023, the current assets of the Group were approximately RMB843.4 million, representing an increase of approximately 6.3% as compared with approximately RMB793.1 million as at December 31, 2022. As at June 30, 2023, the current ratio (current assets divided by current liabilities) of the Group was approximately 2.3 (December 31, 2022: approximately 2.2).

Fixed Assets and Right-of-use Assets

Our fixed assets and right-of-use assets mainly consist of plant and buildings, machinery and other equipment and vehicles. As at June 30, 2023, the Group's fixed assets and right-of-use assets amounted to approximately RMB54.1 million, representing a decrease of approximately RMB1.3 million as compared with approximately RMB55.4 million as at December 31, 2022, primarily due to the depreciation of the fixed assets and right-of-use assets during the Period.

Trade and Bills Receivables

Our trade and bill receivables increased from RMB284.0 million as at December 31, 2022 to RMB351.5 million as at June 30, 2023, primarily due to slowdown in collecting of trade receivables as a result of the downturn of the real estate market and adverse economic conditions in the PRC. We will continue to vigorously put various measures in place to ensure timely collection of trade and bill receivables.

Prepayments and Other Receivables

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

As at June 30, 2023, prepayments and other receivables amounted to approximately RMB7.5 million, representing a decrease of approximately RMB0.9 million as compared with approximately RMB8.4 million as at December 31, 2022, primarily attributable to the decrease in significant prepayments to energy providers as we made prepayments to suppliers based on the actual use of energy.

Trade Payables

As at June 30, 2023, trade payables amounted to approximately RMB209.4 million, representing an increase of approximately RMB32.4 million as compared with approximately RMB177.0 million as at December 31, 2022, primarily attributable to the fact that payment nodes of outsourcing fees for property management services and labor costs for landscaping service have not yet reached, resulting in more trade payables incurred.

Other Payables

Our other payables primarily consist of (i) accrued payroll; (ii) other taxes payables; and (iii) other payables.

As at June 30, 2023, other payables amounted to approximately RMB85.9 million, representing a decrease of approximately RMB13.9 million as compared with approximately RMB99.8 million as at December 31, 2022, primarily attributable to our payment of year-end bonus for the year 2022 in the first quarter of 2023.

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, 2023, the Group's cash and cash equivalents amounted to approximately RMB388.4 million, representing an decrease of 9.3% as compared with approximately RMB428.2 million as at December 31, 2022, primarily due to our increased efforts on daily repair and maintenance of building facilities and equipment for the Period to improve the quality of services.

Such cash and cash equivalents included approximately RMB385.7 million (December 31, 2022: RMB398.8 million) denominated in RMB and approximately RMB2.7 million (December 31, 2022: RMB29.4 million) denominated in HK\$, calculated based on the exchange rate as at June 30, 2023.

Interest-bearing Borrowings

Our interest-bearing borrowings was RMB1.0 million as at June 30, 2023 (December 31, 2022: RMB1.8 million), all denominated in RMB with maturity on January 15, 2024 at the fixed rate of 5.0% per annum.

Pledge of Assets

As at June 30, 2023, we have pledged assets of RMB2.7 million as securities for our interest-bearing borrowings (December 31, 2022: RMB3.0 million).

Gearing Ratio

Gearing ratio is calculated based on total liabilities, which represent the sum of current liabilities and non-current liabilities, divided by total assets, which represent the sum of current assets and non-current assets, as at the respective dates and multiplied by 100%. Our gearing ratio was 41.2% as at June 30, 2023 (December 31, 2022: 41.4%).

Significant Investments, Material Acquisitions and Disposals

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

Future Plans for Material Investments and Capital Assets

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, 2023.

Proceeds from the Listing

The Company's H shares were successfully listed (the "**Listing**") on the Stock Exchange on July 8, 2022 (the "**Listing Date**"), 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 schedule set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated June 27, 2022 (the "**Prospectus**").

Foreign Exchange Risk

The Group conducts its business in RMB. 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, 2023, the Group had 1,581 employees (as at December 31, 2022: 1,644 employees). During the Period, we have adjusted the composition of our remuneration in line with the industry conditions and strengthened the incentives for value-added operations, investment development and other specialized businesses in order to fully motivate our employees. Compensation for employees of the Group is made with reference to the market as well as the nature of work and individual performance. The Group regularly makes necessary adjustments to the remuneration policies and packages to accommodate the pay levels in the industry.

To retain our employees and improve their performance, the Group is aspired to become a self-driven learning organization, promoting an in-depth training system with senior management taking the lead in teaching, and nurturing talents in a three-dimensional manner through layered and categorized training programs. The Group formulates the Pilot Program (領航計劃) for senior management, Project Cast Gold (鑄金計劃) for middle management, Elite Program (菁英計劃) for basic management, Spark Program (星火計劃) for the first-line positions, and regularly organizes knowledge quizzes to encourage continuous development for all employees and build a learning culture in the workplace.

SUBSEQUENT EVENTS

Change of accounting standards

In order to improve working efficiency and lower the cost for preparing two sets of financial statements in accordance with the PRC accounting standards as well as the IFRSs, on July 17, 2023, the Board considered and approved to prepare the Company's financial statements and disclose relevant financial information in accordance with the CASBE (the “**Proposed Adoption**”) starting from the interim report for the Period.

In order to, among others, reflect the Proposed Adoption, the Board proposed to amend certain articles of the articles of association of the Company, which have been approved by the shareholders of the Company (the “**Shareholders**”) at the second extraordinary general meeting of the Company (the “**EGM**”) convened and held on August 3, 2023 by way of a special resolution.

Change of auditors

In light of the Proposed Adoption, on July 17, 2023, the Board also resolved (i) not to re-appoint KPMG as the auditor of the Company; and (ii) appoint Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) (“**Da Hua**”) as the new auditor of the Company. The relevant resolution was approved by the Shareholders by way of an ordinary resolution at the EGM.

For details, please refer to the announcement of the Company dated July 17, 2023 and the circular of the Company dated July 19, 2023.

Save as disclosed above, no other events has taken place subsequent to June 30, 2023 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 Part 2 of the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance.

Save for the deviation for reasons set out below, during the Period, 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. Mr. WANG Zhongwu is currently 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 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.

Upon specific enquiry, all Directors and Supervisors confirmed that they have complied with the Model Code during the Period.

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.

REVIEW OF INTERIM RESULTS

The audit committee of the Company 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 Da Hua, has carried out a review of the interim financial information in accordance with China Standards on Review Engagements 2101 “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, 2022: nil).

PUBLICATION OF INTERIM RESULTS AND 2023 INTERIM REPORT

This announcement is published on the websites of the Company (www.lushangfuwu.com) and the Stock Exchange (www.hkexnews.hk). The 2023 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 2023.

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

Jinan, the PRC, August 25, 2023

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