

LSFW 魯商服務

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



2022
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Bao Song (*Chairman*)
(*appointed on 15 September 2022*)
Mr. Wang Zhongwu
Mr. Zhang Tiebo
Mr. Shao Meng
Mr. Yang Yunlong
(*appointed on 15 September 2022*)

Non-executive Directors

Mr. Zhao Yanfeng (*Chairman*)
(*resigned on 15 September 2022*)
Ms. Li Lu

Independent Non-executive Directors

Ms. Leung Bik San
Ms. Chen Xiaojing
Mr. Ma Tao

BOARD COMMITTEES

Audit Committee

Ms. Leung Bik San (*Chairlady*)
Ms. Li Lu
Mr. Ma Tao

Remuneration Committee

Mr. Ma Tao (*Chairman*)
Mr. Wang Zhongwu
Ms. Chen Xiaojing

Nomination Committee

Ms. Chen Xiaojing (*Chairlady*)
Ms. Li Lu
Mr. Ma Tao

Strategy Committee

Mr. Bao Song (*Chairman*)
(*appointed on 15 September 2022*)
Mr. Zhao Yanfeng (*Chairman*)
(*resigned on 15 September 2022*)
Mr. Wang Zhongwu
Ms. Chen Xiaojing

SUPERVISORY COMMITTEE

Supervisors

Mr. Wang Hongtao
(*Chairman of Supervisory Committee*)
Mr. Zhang Xiangqian
Ms. Wang Pin

JOINT COMPANY SECRETARIES

Mr. Yang Zhen
Mr. Wong Wai Chiu

AUTHORIZED REPRESENTATIVES

Mr. Wang Zhongwu
Mr. Wong Wai Chiu

CORPORATE INFORMATION

REGISTERED OFFICE IN THE PRC

Room 202, Block 2, Lushang Guo'ao City
No. 9777 Jingshi Road
Lixia District, Jinan
Shandong, PRC

HEADQUARTERS IN THE PRC

Room 202, Block 2, Lushang Guo'ao City
No. 9777 Jingshi Road
Lixia District, Jinan
Shandong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
248 Queen's Road East, Wanchai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS

As to Hong Kong laws

Sidley Austin

As to PRC laws

Commerce & Finance Law Offices

COMPLIANCE ADVISER

Zhongtai International Capital Limited

PRINCIPAL BANKS

China Citic Bank Jinan Lixia Branch
Agricultural Bank of China Kaiyuan Branch

COMPANY'S WEBSITE

www.lushangfuwu.com

STOCK CODE

2376



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

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

The Business Model of the Company

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)**The Business Model of the Company** (Continued)**Property management services: accounting for approximately 46.3% of total revenue** (Continued)

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)**The Business Model of the Company** (Continued)**Property management services: accounting for approximately 46.3% of total revenue** (Continued)

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	Six months ended/As at June 30,									
	2022					2021				
	Revenue		GFA under management		Number of projects under management	Revenue		GFA under management		Number of projects under management
RMB'000	%	sq.m.'000	%	RMB'000		%	sq.m.'000	%		
Residential properties	91,753	61.1	12,015	51.2	38	82,340	67.2	11,790	64.1	36
Non-residential properties										
(1) Commercial properties	38,666	25.8	2,543	10.8	27	34,301	28.0	2,351	12.8	23
(2) Others	19,727	13.1	8,918	38.0	15	5,907	4.8	4,243	23.1	11
Total	150,146	100.0	23,476	100.0	80	122,548	100.0	18,384	100.0	70

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)**The Business Model of the Company** (Continued)**Value-added services to non-property owners: accounting for approximately 36.4% of total revenue** (Continued)

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

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

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

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

Service type	Six months ended June 30, 2022		Six months ended June 30, 2021	
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %
Parking space management services	19,080	34.0	16,150	35.3
Community living services	18,308	32.7	14,447	31.5
Utility management services	12,677	22.6	11,014	24.1
Community space and resource management services	5,982	10.7	4,160	9.1
Total	56,047	100.0	45,771	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 RMB56.0 million, representing an increase of approximately 22.5% as compared with the same period of 2021, mainly due to the increase in car park services and space services in line with our expansion in GFA under management.

MANAGEMENT DISCUSSION AND ANALYSIS

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 periods indicated:

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)**Cost of Sales**

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(CONTINUED)*

Administrative and Other Expenses

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

Other Income

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

Profit for the Period

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

Current Assets

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

Property, Plant and Equipment

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

Trade and Bills Receivables

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

Prepayments, Deposits and Other Receivables

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

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

Trade Payables

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Accrued Expenses and Other Payables

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

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

Liquidity and Capital Resources

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

Cash and Cash Equivalents

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

Interest-bearing Borrowings

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

Pledge of Assets

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

Gearing Ratio

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

Significant Investments Held, Material Acquisitions and Disposals

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

Future Plans for Material Investments and Capital Assets

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

Contingent Liabilities and Commitments

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(CONTINUED)*

Proceeds from the Listing

The Company's H shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on July 8, 2022 (the "**Listing Date**"), and 33,340,000 H shares of the Company (the "**H Share(s)**") were issued ("**Listing**"). After deduction of underwriting fees and related expenses, the net proceeds from the Listing were approximately HK\$138 million (the "**Net Proceeds**"). As at the Listing Date, the Net Proceeds have not been applied and utilized. The Group intends to use the Net Proceeds in accordance with the method and schedule set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus:

- approximately 60%, or approximately HK\$82.8 million, for strategic cooperation, acquisitions and investments to expand business scale and diversity property portfolio;
- approximately 15%, or approximately HK\$20.7 million, to enhance property management services and further develop the diversified community value-added services to improve the Group's customers' experience and satisfaction;
- approximately 15%, or approximately HK\$20.7 million, to invest in technology systems and standardized business operations, and to develop technology-supported community platform; and
- approximately 10%, or approximately HK\$13.8 million, as working capital.

The unutilized amount of Net Proceeds is expected to be used by December 31, 2023.

Foreign Exchange Risk

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

Employees and Remuneration Policy

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

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

SUBSEQUENT EVENTS

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our shareholders. The Group has adopted the code provisions in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited as its own code of corporate governance since the Listing Date.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct for securities transactions by the directors of the Company (the “**Director(s)**”) and supervisors of the Company (the “**Supervisor(s)**”) since the Listing Date.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company and its associated corporations

As of June 30, 2022, the Company was not yet listed on the Stock Exchange and accordingly, the provisions of Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable.

As of the Listing Date, the interests and short positions of the Directors, Supervisors of the Company or chief executives of the Company in the shares of the Company (the "**Share(s)**"), underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) ("**SFO**"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules are as follows:

Name	Name of associated corporation	Nature of interest	Number of Shares interested	Approximate percentage of shareholding
Mr. Wang Zhongwu	Lushang Development	Beneficial owner	300,000 ⁽¹⁾	0.03%
Ms. Li Lu	Lushang Development	Beneficial owner	300,000 ⁽²⁾	0.03%
Mr. Zhang Tiebo	Lushang Development	Beneficial owner	133,334 ⁽³⁾	0.01%
Mr. Shao Meng	Lushang Development	Beneficial owner	5,363 ⁽⁴⁾	0.0005%
Mr. Wang Hongtao	Lushang Development	Beneficial owner	130,000 ⁽⁵⁾	0.01%
Mr. Zhang Xiangqian	Lushang Development	Beneficial owner	73,334 ⁽⁶⁾	0.007%

Notes:

As of the Listing Date,

- Mr. Wang Zhongwu was interested in (i) 100,000 shares of Lushang Development; and (ii) 200,000 underlying shares of Lushang Development by virtue of the options granted to him under a share option scheme of Lushang Development.
- Ms. Li Lu was interested in (i) 100,000 shares of Lushang Development; and (ii) 200,000 underlying shares of Lushang Development by virtue of the options granted to her under a share option scheme of Lushang Development.
- Mr. Zhang Tiebo was interested in 133,334 underlying shares of Lushang Development by virtue of the options granted to him under a share option scheme of Lushang Development.
- Mr. Shao Meng was interested in 5,363 underlying shares of Lushang Development by virtue of the options granted to him under a share option scheme of Lushang Development.
- Mr. Wang Hongtao was interested in (i) 36,666 shares of Lushang Development; and (ii) 93,334 underlying shares of Lushang Development by virtue of the options granted to him under a share option scheme of Lushang Development.
- Mr. Zhang Xiangqian was interested in 73,334 underlying shares of Lushang Development by virtue of the options granted to him under a share option scheme of Lushang Development.

Save as disclosed above, as of the Listing Date, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS (CONTINUED)**(b) Substantial Shareholders**

So far as is known to the Directors, as of the Listing Date, the persons (other than Directors, Supervisors and chief executives of the Company) or corporations who had an interest or short position in the shares and/or underlying shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Nature of interest	Class of Shares	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total Shares ⁽³⁾
Lushang Development ⁽⁴⁾	Beneficial owner	Domestic Shares	95,100,000 (L)	95.10%	71.32%
	Interest in controlled corporation	Domestic Shares	4,900,000 (L)	4.90%	3.68%
Shandong Commercial Group Co., Ltd. (" Shandong Commercial ")	Interest in controlled corporation	Domestic Shares	100,000,000 (L)	100.00%	75.00%
Beijing Urban Construction Group Co., Ltd.* (北京城建集團有限責任公司)	Interest in controlled corporation	H Shares	6,495,000 (L) 5,001,000 (S)	19.48% 15.00%	4.87% 3.75%
Beijing Urban Construction Real Estate Development Co., Ltd.* (北京城建房地產開發有限公司)	Beneficial owner	H Shares	6,495,000 (L) 5,001,000 (S)	19.48% 15.00%	4.87% 3.75%
HWABAO TRUST CO., LTD	Trustee	H Shares	6,495,000 (L)	19.48%	4.87%
CHINA INTERNATIONAL ECONOMIC TRADING LIMITED	N/A ⁽⁵⁾	H Shares	4,680,000 (L)	14.04%	3.51%
LU DUNKE ⁽⁶⁾	Interest in controlled corporation	H Shares	3,650,000 (L)	10.95%	2.74%
Wenshang County Science Advancement and Construction Security and Workforce Co., Ltd.* (汶上縣科進建安勞務有限責任公司) ⁽⁶⁾	Beneficial owner	H Shares	3,650,000 (L)	10.95%	2.74%
FAN QINYUAN ⁽⁷⁾	Interest in controlled corporation	H Shares	3,025,000 (L)	9.07%	2.27%
Nantong Chen Yun Construction Workforce Co., Ltd.* (南通辰運建築勞務有限公司) ⁽⁷⁾	Beneficial owner	H Shares	3,025,000 (L)	9.07%	2.27%
Shandong Tian Qi Venture Capital Co., Ltd.* (山東天齊創業投資有限公司) ⁽⁷⁾	Beneficial owner	H Shares	2,254,500 (L)	6.76%	1.69%

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS (CONTINUED)

(b) Substantial Shareholders (continued)

Name	Nature of interest	Class of Shares	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total Shares ⁽³⁾
Huatai Securities Co., Ltd. ⁽⁸⁾	Interest in controlled corporation	H Shares	2,031,500 (L)	6.09%	1.52%
Central Huijin Investment Ltd. ⁽⁹⁾	Interest in controlled corporation	H Shares	5,001,000 (L) 5,001,000 (S)	15.00% 15.00%	3.75% 3.75%
Agricultural Bank of China Limited ⁽⁹⁾	Interest in controlled corporation	H Shares	5,001,000 (L) 5,001,000 (S)	15.00% 15.00%	3.75% 3.75%
ABCI Securities Company Limited ⁽⁹⁾	Underwriter	H Shares	5,001,000 (L) 5,001,000 (S)	15.00% 15.00%	3.75% 3.75%
ABCI Capital Limited ⁽⁹⁾	Others	H Shares	5,001,000 (L)	15.00%	3.75%
ABC International Holdings Limited ⁽⁹⁾	Interest in controlled corporation	H Shares	5,001,000 (L) 5,001,000 (S)	15.00% 15.00%	3.75% 3.75%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares, and the letter "S" denotes the person's short position in the Shares.
- (2) Calculated based on the Company's 100,000,000 domestic shares (the "Domestic Shares") or 33,340,000 H Shares in issue as at the Listing Date.
- (3) Calculated based on the total number of 133,340,000 Shares in issue as at the Listing Date.
- (4) Shandong Lushang Innovation Development Co., Ltd ("Lushang Innovation") holds 4,900,000 Shares, representing approximately 3.7% of the total Shares in issue. As of the Listing Date, Lushang Innovation was wholly owned by Lushang Development, which is owned as to approximately 52.0% by Shandong Commercial and 1.7% by Lushang Group Co., Ltd. ("Lushang Group"), a company owned as to approximately 68.2% by Shandong Commercial. By virtue of the SFO, Lushang Development is deemed to be interested in the Shares held by Lushang Innovation and Shandong Commercial is deemed to be interested in the Shares held by Lushang Development.
- (5) Based on the disclosure of interests form submitted by CHINA INTERNATIONAL ECONOMIC TRADING LIMITED on July 11, 2022 in respect of the relevant event that occurred on the Listing Date.
- (6) Wenshang County Science Advancement and Construction Security and Workforce Co., Ltd.* (汶上縣科進建安勞務有限責任公司) is a company beneficially wholly-owned by LU DUNKE.
- (7) Nantong Chen Yun Construction Workforce Co., Ltd.* (南通辰運建築勞務有限公司) is a company beneficially wholly-owned by FAN QINYUAN.
- (8) The 2,031,500 Shares are held by Huatai Financial Holdings (Hong Kong) Limited, which is wholly-owned by Huatai International Financial Holdings Company Limited, which in turn is wholly-owned by Huatai Securities Co., Ltd. By virtue of the SFO, Huatai Securities Co., Ltd. is deemed to be interested in the Shares held by Huatai Financial Holdings (Hong Kong) Limited.
- (9) ABCI Securities Company Limited acted as an underwriter and a stabilizing manager in the Listing. ABCI Securities Company Limited is wholly-owned by ABC International Holdings Limited, which is wholly-owned by Agricultural Bank of China Limited, which is in turn owned as to 40.03% by Central Huijin Investment Ltd.. The stabilizing manager arranged to cover the over-allocation of 5,001,000 H Shares in the international offering by delayed delivery arrangement. Pursuant to the underwriting agreement, ABCI Capital Limited (for itself and on behalf of the international underwriters) had the right to exercise the over-allotment option to require the Company to issue and allot up to an aggregate of additional 5,001,000 H Shares at the offer price. By virtue of the SFO, Central Huijin Investment Ltd. is deemed to be interested in the Shares in which each of ABCI Securities Company Limited and ABCI Capital Limited are interested.

Save as disclosed above, as at the Listing Date, the Directors were not aware of any persons (other than Directors, Supervisors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

* For identification purposes only

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Mr. Zhao Yanfeng has resigned as a non-executive Director, the chairman and chairman of the Strategy Committee of the Company with effect from 15 September 2022.

Mr. Bao Song and Mr. Yang Yunlong have been appointed as executive Directors, of which Mr. Bao Song has been appointed as the chairman and chairman of the Strategy Committee with effect from 15 September 2022.

Save as disclosed above, up to the publication date of this report, there was no change to information which was required to be disclosed by Directors, Supervisors and chief executive of the Company pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The board of Directors (the "**Board**") has resolved not to distribute any interim dividend for the six months ended June 30, 2022 (for the six months ended June 30, 2021: nil).

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") in compliance with the Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Ms. Leung Bik San, Ms. Li Lu and Ms. Chen Xiaojing. The chairlady of the Audit Committee is Ms. Leung Bik San, who possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the Group's unaudited consolidated financial information for the six months ended June 30, 2022, and discussed with the management and auditors of the Company the accounting principles and practices adopted by the Group.

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

By order of the Board

Lushang Life Services Co., Ltd.

Mr. Zhao Yanfeng

Chairman and non-executive Director

Hong Kong, August 26, 2022

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the interim financial report set out on pages 19 to 38 which comprises the consolidated statement of financial position of Lushang Life Services Co., Ltd. (the "Group") as of 30 June 2022 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standard Board. The directors of the Group are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 August 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi (“RMB”))

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

The notes on pages 23 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 30 June 2022 – unaudited
(Expressed in RMB)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	8	55,618	57,398
Intangible assets	9	1,750	1,806
Deferred tax assets		10,286	9,617
		67,654	68,821
Current assets			
Inventories	10	42,386	42,245
Contract assets		22,636	15,576
Trade and bills receivables	11	229,686	196,887
Prepayments, deposits and other receivables	12	41,452	33,264
Amounts due from related parties	16	142	2,117
Cash and cash equivalents	13	312,080	275,486
		648,382	565,575
Current liabilities			
Trade payable	14	173,638	137,530
Accrued expenses and other payable	15	122,994	125,281
Contract liabilities		66,097	60,846
Lease liabilities		750	731
Current taxation		8,664	6,529
Amounts due to related parties	16	17	595
		372,160	331,512
Net current assets		276,222	234,063
Total assets less current liabilities		343,876	302,884
Non-current liabilities			
Lease liabilities		2,499	2,440
Interest-bearing borrowings		967	–
NET ASSETS		340,410	300,444
CAPITAL AND RESERVES			
Share capital	17	100,000	100,000
Reserves		238,163	198,877
Total equity attributable to equity shareholders of the Company		338,163	298,877
Non-controlling interests		2,247	1,567
TOTAL EQUITY		340,410	300,444

The notes on pages 23 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited
(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company						Total equity RMB'000
		Paid-in/ Share capital RMB'000	Capital reserves RMB'000	Statutory reserves surplus RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	
Balance at 1 January 2021		100,000	27,406	11,720	118,703	257,829	60	257,889
Changes in equity for six months ended 30 June 2021:								
Profit and total comprehensive income for the period		–	–	–	38,065	38,065	923	38,988
Deemed distribution arising from the Reorganization		–	(37,850)	–	–	(37,850)	–	(37,850)
Effect of the Company's conversion from a limited liability company into a joint stock company		–	130,536	(11,720)	(118,816)	–	–	–
Equity settled share-based payments	17	–	3,043	–	–	3,043	–	3,043
Balance at 30 June 2021 and 1 July 2021		100,000	123,135	–	37,952	261,087	983	262,070
Changes in equity for six months ended 31 December 2021:								
Profit and total comprehensive income for the period		–	–	–	37,745	37,745	284	38,029
Appropriation to reserves		–	–	4,648	(4,648)	–	–	–
Capital injection by a non-controlling equity holder of a subsidiary of the Group		–	–	–	–	–	300	300
Equity settled share-based payments		–	45	–	–	45	–	45
Balance at 31 December 2021	17	100,000	123,180	4,648	71,049	298,877	1,567	300,444
Balance at 1 January 2022		100,000	123,180	4,648	71,049	298,877	1,567	300,444
Changes in equity for six months ended 30 June 2022:								
Profit and total comprehensive income for the period		–	–	–	40,066	40,066	680	40,746
Equity settled share-based payments	17	–	(780)	–	–	(780)	–	(780)
Balance at 30 June 2022		100,000	122,400	4,648	111,115	338,163	2,247	340,410

The notes on pages 23 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2022 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Operating activities			
Profit before taxation		52,223	50,088
Adjustments for:			
Depreciation and amortisation		3,155	2,070
Recognition of expected credit losses on financial assets		4,447	1,229
Net losses on disposal of property, plant and equipment		24	16
Finance income, net		(1,863)	(1,549)
Equity settled share-based payment transactions		96	200
Changes in working capital:			
(Increase)/decrease in inventories		(141)	5,633
Increase in trade and bills receivables		(37,246)	(44,420)
Increase in contract assets		(7,060)	(10,184)
Increase in prepayments, deposits and other receivables		(1,984)	(2,765)
Increase in trade payables		36,108	32,128
Increase in accrued expenses and other payables		63	8,157
Increase/(decrease) in contract liabilities		5,251	(2,974)
Cash generated from operations		53,073	37,629
Income taxes paid		(10,887)	(36,614)
Net cash generated from operating activities		42,186	1,015
Investing activities			
Payments for purchase of property, plant and equipment and intangible assets		(1,345)	(30,906)
Proceeds from disposal of property, plant and equipment		2	3
Advances to related parties		(153)	(115,566)
Repayments received from related parties		2,128	390,334
Interest received		2,008	18,126
Net cash generated from investing activities		2,640	261,991
Financing activities			
Repayments of interest-bearing borrowings		(636)	(110,000)
Interest paid		(335)	(2,866)
Advances from related parties		283	–
Payments to related parties		(861)	(2,229)
Acquisition of subsidiaries under common control		–	(37,850)
Listing expense paid		(6,683)	(7,245)
Net cash used in financing activities		(8,232)	(160,190)
Net increase in cash and cash equivalent		36,594	102,816
Cash and cash equivalents at 1 January		275,486	164,425
Cash and cash equivalents at 30 June		312,080	267,241

The notes on pages 23 to 38 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 Basis of preparation

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

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

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

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standards (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standard Board (“**IASB**”). It was authorised for issue on 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 18.

The Group’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

2 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

3 Revenue and segment reporting**(a) Revenue**

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

Disaggregation of revenue

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

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

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

For the six months ended 30 June 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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

4 Other net income

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

Note:

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

5 Profit before taxation

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

(a) Finance income, net:

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

(b) Staff costs

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Salaries, wages and other benefits	67,498	54,275
Contributions to defined contribution retirement plan	16,426	13,857
Equity settled share-based payments (note 17)	96	200
	84,020	68,332

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 Profit before taxation (CONTINUED)

(c) Other items

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

6 Income tax in the consolidated statements of profit or loss and other comprehensive income

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in RMB unless otherwise indicated)

6 Income tax in the consolidated statements of profit or loss and other comprehensive income (CONTINUED)

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

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

Notes:

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

7 Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

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(Expressed in RMB unless otherwise indicated)

8 Property, plant and equipment

(a) Reconciliation of carrying amount

	Plant and buildings RMB'000	Machinery and other equipment RMB'000	Vehicles RMB'000	Total RMB'000
Cost:				
At 1 January 2021	13,992	9,353	3,536	26,881
Additions	31,567	491	3,576	35,634
Disposals	–	(187)	(109)	(296)
At 30 June 2021	45,559	9,657	7,003	62,219
Additions	144	2,161	5,338	7,643
Disposals	–	(250)	(26)	(276)
At 31 December 2021	45,703	11,568	12,315	69,586
Additions	–	959	70	1,029
Disposals	–	(310)	–	(310)
At 30 June 2022	45,703	12,217	12,385	70,305
Accumulated depreciation:				
At 1 January 2021	(665)	(6,092)	(1,187)	(7,944)
Charge for the period	(839)	(685)	(494)	(2,018)
Written back on disposals	–	174	103	277
At 30 June 2021	(1,504)	(6,603)	(1,578)	(9,685)
Charge for the period	(1,390)	(787)	(533)	(2,710)
Written back on disposals	–	188	19	207
At 31 December 2021	(2,894)	(7,202)	(2,092)	(12,188)
Charge for the period	(887)	(1,227)	(669)	(2,783)
Written back on disposals	–	284	–	284
At 30 June 2022	(3,781)	(8,145)	(2,761)	(14,687)
Carrying amount:				
At 30 June 2022 (unaudited)	41,922	4,072	9,624	55,618
At 31 December 2021	42,809	4,366	10,223	57,398

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in RMB unless otherwise indicated)

8 Property, plant and equipment (CONTINUED)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset of the Group is as follows:

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000
Buildings	2,931	3,322

The analysis of expense items in relation to leases recognised in profit or loss of the Group is as follows:

	Six months ended 30 June 2022 RMB'000 (unaudited)	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Buildings	391	188
Interest on lease liabilities (note 5(a))	78	49
Expense relating to short-term leases	268	408

9 Intangible assets

	Software RMB'000
Cost:	
At 1 January 2021	491
Purchased intangible assets	93
At 30 June 2021	584
Purchased intangible assets	1,750
At 31 December 2021	2,334
Purchased intangible assets	316
At 30 June 2022	2,650
Accumulated amortisation:	
At 1 January 2021	(285)
Charge for the period	(52)
At 30 June 2021	(337)
Charge for the period	(191)
At 31 December 2021	(528)
Charge for the period	(372)
At 30 June 2022	(900)
Carrying amount:	
At 30 June 2022 (unaudited)	1,750
At 31 December 2021	1,806

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(Expressed in RMB unless otherwise indicated)

9 Intangible assets (CONTINUED)

Amortisation of intangible assets has been charged to administrative expenses in the consolidated statements of profit or loss and other comprehensive income.

No intangible asset is restricted or pledged as securities for liabilities as at 30 June 2022 and 31 December 2021.

10 Inventories

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000
Raw materials and consumables	655	466
Goods for sales	41,731	41,779
	42,386	42,245

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000
Carrying amount of inventories consumed/sold	12,644	25,351

All of the inventories are expected to be recovered within one year.

11 Trade and bills receivables

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

11 Trade and bills receivables (CONTINUED)

Ageing analysis

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

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

12 Prepayments, deposits and other receivables

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000
Prepayments	2,528	2,004
Deposits	2,031	2,130
Prepayments in connection with the proposed initial listing of the Company's shares (Note)	35,305	29,101
Other receivable	1,831	272
Less: loss allowance	(243)	(243)
	41,452	33,264

Note: The balance at 30 June 2022 will be transferred to the capital reserve within equity upon the listing of the Company's shares on the Stock Exchange.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

13 Cash and cash equivalents

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000
Cash at bank and on hand	67,591	73,616
Deposits in other financial institutions	244,489	201,870
Cash and cash equivalents in the consolidated statements of cash flows	312,080	275,486

14 Trade payables

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

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000
Within 1 year	161,973	125,496
Over 1 year	11,665	12,034
	173,638	137,530

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

15 Accrued expenses and other payables

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in RMB unless otherwise indicated)

16 Amounts due from/to related parties

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000
Amounts due from related parties:		
Amounts due from the immediate parent	21	591
Amounts due from the fellow subsidiaries	121	1,526
	142	2,117
Amounts due to related parties:		
Amounts due to the immediate parent	–	–
Amounts due to the fellow subsidiaries	17	595
	17	595

Note: The amounts due from related parties of the Group are non-trade in nature, unsecured, interest-free with no fixed terms of repayment.

17 Capital, reserves and dividends

(a) Dividends

No dividends have been paid or declared by the Company during each of the six months periods ended 30 June 2022 and 2021.

(b) Equity settled share-based transactions

(i) Share options granted on 20 September 2018

On 20 September 2018, Lushang Development conditionally granted certain share options to the Group's key management, for the service provided to the Group. The exercise price is RMB2.83 per share. The share options were effective from 20 September 2018, no share option is vested within two years from the date of grant. 33.33% of the share options are vested during each of the third, fourth and fifth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of Lushang Development. All the options granted will be exercisable within 5 years after grant date.

(ii) Share options granted on 5 December 2018

On 5 December 2018, Lushang Development conditionally granted certain share options to the Group's key management, for the service provided to the Group. The exercise price is RMB3.58 per share. The share options were effective from 5 December 2018, no share option is vested within two years from the date of grant. 33.33% of the share options are vested during each of the third, fourth and fifth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of Lushang Development. All the options granted will be exercisable within 5 years after grant date.

The fair value of the options for the share options granted on 20 September 2018 and 5 December 2018 to the recipients was recognised as expense over the period in which the service conditions are fulfilled in the consolidated statements of profit or loss and other comprehensive income. The estimate of the fair value of the share options granted is measured based on a black-scholes valuation model. The Group recorded aggregate RMB200,000 and RMB96,000 share-based compensation expense in the consolidated statements of profit of loss and other comprehensive income for the years ended 30 June 2021 and 2022, respectively, for the aforesaid share option scheme of the Company.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18 Fair value measurement of financial instruments

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2022 and 31 December 2021.

19 Material related party transactions

The material related party transactions entered into by the Group during the interim period and the balances with related parties at the end of each reporting period are set out below.

(a) Names and relationships of the related parties that had material transactions with the Group during the Interim Period:

Name of related party	Relationship
Qingdao Lushang Land Development Co., Ltd.* (青島魯商置地發展有限公司)	A company controlled by the Controlling Owner
Linyi Lushang Real Estate Co., Ltd.* (臨沂魯商地產有限公司)	A company controlled by the Controlling Owner
Beijing Inzone Hezhi Real Estate Development Co., Ltd.* (北京銀座合智房地產開發有限公司)	A company controlled by the Controlling Owner
Yantai Lushang Real Estate Co., Ltd.* (煙台魯商地產有限公司)	A company controlled by the Controlling Owner
Dongying Inzone Real Estate Development Co., Ltd.* (東營銀座房地產開發有限公司)	A company controlled by the ultimate controlling party
Heze Lushang Real Estate Co., Ltd.* (菏澤魯商置業有限公司)	A company controlled by the Controlling Owner
Jinan Jinyilin Real Estate Development Co., Ltd.* (濟南金藝林房地產開發有限公司)	A company controlled by the ultimate controlling party
Linyi Lushang Jin Real Estate Co., Ltd.* (臨沂魯商金置業有限公司)	A company controlled by the Controlling Owner
Lushang Real Estate Qingdao Co., Ltd.* (魯商置業青島有限公司)	A company controlled by the Controlling Owner
Qingdao Haijing (International) Hotel Development Co., Ltd.* (青島海景(國際)大酒店發展有限公司)	A company controlled by the ultimate controlling party
Qingdao Lushang Xifu Real Estate Co., Ltd.* (青島魯商惜福置業有限公司)	A company controlled by the Controlling Owner
Shandong Lushang Real Estate Co., Ltd.* (山東省魯商置業有限公司)	A company controlled by the Controlling Owner
Shandong Lushang Real Estate Co., Ltd. Inzone Ivy Branch* (山東省魯商置業有限公司銀座常春藤項目分公司)	A company controlled by the Controlling Owner
Shandong Inzone Jiuxin Real Estate Development Co., Ltd.* (山東銀座久信房地產開發有限公司)	A company controlled by the ultimate controlling party
Taian Lushang Real Estate Co., Ltd.* (泰安魯商置業有限公司)	A company controlled by the Controlling Owner
Zibo Lushang Real Estate Co., Ltd.* (濰博魯商置業有限公司)	A company controlled by the Controlling Owner

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(Expressed in RMB unless otherwise indicated)

19 Material related party transactions (CONTINUED)

(a) Names and relationships of the related parties that had material transactions with the Group during the Interim Period: (continued)

Name of related party	Relationship
Haerbin Lushang Real Estate Co., Ltd.* (哈爾濱魯商置業有限公司)	A company controlled by the Controlling Owner
Jining Lushang Real Estate Co., Ltd.* (濟寧魯商地產有限公司)	A company controlled by the Controlling Owner
Qingdao Lushang Lanan Real Estate Co., Ltd.* (青島魯商藍岸地產有限公司)	A company controlled by the Controlling Owner
Qingdao Lushang Langu Health Industry Co., Ltd.* (青島魯商藍谷健康產業有限公司)	A company controlled by the Controlling Owner
Taian Lushang Real Estate Co., Ltd.* (泰安魯商地產有限公司)	A company controlled by the Controlling Owner
Qingdao Lushang Jinxiu Real Estate Co., Ltd.* (青島魯商錦繡置業有限公司)	A company controlled by the Controlling Owner
Shandong Municipal Service Technician College* (山東省城市服務技師學院)	A company controlled by the ultimate controlling party
Jinan Lumao Real Estate Co., Ltd.* (濟南魯茂置業有限公司)	A company controlled by the Controlling Owner
Zibo Yilin Real Estate Development Co., Ltd.* (淄博藝林房地產開發有限公司)	A company controlled by the ultimate controlling party
Weifang Lushang Real Estate Co., Ltd.* (濰坊魯商置業有限公司)	A company controlled by the Controlling Owner
Qingdao Inzone Real Estate Co., Ltd.* (青島銀座地產有限公司)	A company controlled by the Controlling Owner
Qingdao Inzone Investment & Development Co., Ltd.* (青島銀座投資開發有限公司)	A company controlled by the ultimate controlling party
Qingdao Lushang Real Estate Qingdao Co., Ltd.* (青島魯商置業青島有限公司)	A company controlled by the Controlling Owner
Linyi Lushang Real Estate Co., Ltd.* (臨沂魯商地產有限公司)	A company controlled by the Controlling Owner
Linyi Lushang Real Estate Co., Ltd.* (臨沂魯商置業有限公司)	A company controlled by the Controlling Owner
Qingdao Lvfu Real Estate Development Co., Ltd.* (青島綠富房地產開發有限公司)	A company controlled by the Controlling Owner
Qingdao Lu han Digital Technology Development Co., Ltd.* (青島魯商數字科技發展有限公司)	A company controlled by the Controlling Owner

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(Expressed in RMB unless otherwise indicated)

19 Material related party transactions (CONTINUED)

(a) Names and relationships of the related parties that had material transactions with the Group during the Interim Period: (continued)

Name of related party	Relationship
Qingdao Lushangrunzhi Investment & Development Co., Ltd.* (青島魯商潤置投資開發有限公司)	A company controlled by the Controlling Owner
Linyi Freda Health & Investment Construction Co., Ltd.* (臨沂福瑞達健康投資建設有限公司)	A company controlled by the Controlling Owner
Lushang Jiunvfeng (Taian) Rural Revitalization Co., Ltd.* (魯商九女峰(泰安)鄉村振興有限公司)	A company controlled by the ultimate controlling party
Shandong Luxin Real Estate Co., Ltd.* (山東魯新置業有限公司)	A company controlled by the Controlling Owner
Yantai Lushang Jiahui Real Estate Co., Ltd.* (煙台魯商嘉會置業有限公司)	A company controlled by the Controlling Owner
Taishanyou Rural Revitalization Ecotourism Development (Shandong) Co., Ltd.* (泰山佑鄉村振興生態旅遊發展(山東)有限公司)	A company controlled by the ultimate controlling party
Yantai Lumao Real Estate Co., Ltd.* (煙台魯茂置業有限公司)	A company controlled by the Controlling Owner
Jining Ruihe Real Estate Development Co., Ltd.* (濟寧瑞和置業發展有限公司)	A company controlled by the Controlling Owner
Shangdong Fuyuan micro-credit Loan Co., Ltd.* (山東富源小額貸款有限公司)	A company controlled by the ultimate controlling party
Shandong Commercial Group Finance Co., Ltd.* (山東省商業集團財務有限公司)	A company controlled by the ultimate controlling party
Shandong Inzone Home Furnishing Co., Ltd. Home Life Plaza* (山東銀座家居有限公司居家生活廣場)	A company controlled by the ultimate controlling party
Lushang Health Industry Development Co., Ltd.* (魯商健康產業發展股份有限公司)	A Controlling Shareholder
Shandong Inzone Automobile Trading Co., Ltd.* (山東銀座汽車貿易有限公司)	A company controlled by the ultimate controlling party
Inzone Group Co., Ltd.* (銀座集團股份有限公司)	A company controlled by the ultimate controlling party
Linyi Juyi Real Estate Co., Ltd.* (臨沂居易置業有限公司)	A company controlled by the ultimate controlling party

* The official names of these entities are in Chinese. The English translation names are for identification purpose only.

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19 Material related party transactions (CONTINUED)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	1,190	620
Post-employment benefits	128	70
Equity compensation benefits	26	51
	1,344	741

Total remuneration is included in "staff costs" (see note 5(b)).

(c) Significant related party transaction

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Render of services	108,778	108,953
Purchase of goods and services	7,199	5,673
Advance payments by related parties	5,308	1,971
Purchase of property, plant and equipment	–	30,581
Advances to related parties	153	115,566
Repayments from related parties	2,128	390,334
Advances from related parties	283	–
Payments to related parties	861	2,229
Repayment of borrowings to related parties	–	90,000
Interest income	1,626	3,933
Interest expense	–	2,200

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(Expressed in RMB unless otherwise indicated)

19 Material related party transactions (CONTINUED)

(d) Balances with related parties

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000
Trade related: (note (a))		
Trade receivables	84,051	106,038
Bills receivables	10,662	17,101
Contract assets	21,904	15,576
Trade payables	9,921	2,811
Contract liabilities	1,017	1,992
Payables for purchase of property, plant and equipment	–	12
Lease liabilities	3,249	3,171
Non-trade related:		
Cash and cash equivalents (note (b))	244,489	201,870
Amounts due from related parties:		
The immediate ultimate parent	21	591
Fellow subsidiaries	121	1,526
Amounts due to related parties: (note (c))		
Fellow subsidiaries	17	595

- (a) The trade related balances with the related parties arose from the sales or purchase of goods or services with the related parties.
- (b) The balance of cash and cash equivalents represents deposits placed with Shandong Commercial Group Finance Co., Ltd., a financial institution controlled by the ultimate controlling party of the Group.
- (c) The amounts due to related parties of the Group are non-trade in nature, unsecured and interest-free with no fixed terms of repayment.

20 Non-adjusting events after the reporting period

On 8 July 2022, the Company issued a total of 33,340,000 H shares at the offering price of HK\$5.92 per share, which were listed on the Main Board of The Stock Exchange of Hong Kong Limited. The over-allotment option described in the prospectus was not exercised and lapsed on July 30 in respect of an aggregate of 5,001,000 H shares.