

# 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



2023  
ANNUAL REPORT

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wang Zhongwu (*Chairman*)  
Mr. Shao Meng  
Mr. Yang Yunlong  
(*resigned on June 30, 2023*)

### Non-executive Directors

Ms. Li Lu  
Ms. Luo Ye  
Ms. Li Han  
(*appointed on June 30, 2023*)

### Independent Non-executive Directors

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

## BOARD COMMITTEE

### Audit Committee

Ms. Leung Bik San (*Chairlady*)  
Ms. Li Lu  
Ms. Chen Xiaojing

### 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 and ESG Committee

(*renamed on December 28, 2023*)

Mr. Wang Zhongwu (*Chairman*)  
Mr. Shao Meng  
Ms. Cheng Xiaojing

## SUPERVISORY COMMITTEE

### Supervisors

Mr. Wang Hongtao (*Chairman*)  
Mr. Zhang Xiangqian  
Ms. Pan Meng

## 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**

**Tricor Investor Services Limited**

17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

**LEGAL ADVISER**

**As to Hong Kong laws**

Patrick Mak & Tse

**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](http://www.lushangfuwu.com)

**STOCK CODE**

2376



# DEFINITIONS

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

2023 AGM	the 2023 annual general meeting of the Company to be convened and held on June 21, 2024
Acquisition	acquisition of the equity interest in Shandong Lujian, as referred to in the Acquisition Announcement
Acquisition Announcement	the announcement of the Company dated February 27, 2024, in relation to, amongst other things, the Acquisition and the Equity Interest Transfer Agreement
Articles of Association	the articles of association of the Company
associate	has the meaning ascribed thereto under the Listing Rules
Audit Committee	the audit committee of the Company
Board	the board of Directors
Board Diversity Policy	the board diversity policy of the Company
CASBE	China Accounting Standards for Business Enterprises
CIA	the China Index Academy
China or PRC	the People's Republic of China
Commercial Finance	Shandong Commercial Group Finance Co., Ltd. (山東省商業集團財務有限公司)
Company	Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司) (formerly known as Shandong Lushang Property Services Co., Ltd. (山東魯商物業服務有限公司)), a company established in the PRC with limited liability on March 24, 2006 and converted into a joint stock company with limited liability on March 12, 2021 and the H Shares of which are listed on the Stock Exchange (stock code: 2376)
controlling shareholder	has the meaning ascribed thereto under the Listing Rules
Corporate Governance Code	the Corporate Governance Code contained in Appendix C1 to the Listing Rules
Da Hua	Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)), the auditor of the Company
Director(s)	the director(s) of the Company

## DEFINITIONS

Disposal	the disposal by Lushang Freda of its real estate business 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, a controlling shareholder of the Company
Domestic Shares	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB
Equity Interest Transfer Agreement	the equity interest transfer agreement in relation to, amongst other things, the Acquisition, as referred to in the Acquisition Announcement
Equity Disposal Agreement	the equity transfer agreement dated February 27, 2024 entered into between the Company, Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司) and Shandong HuiBangDa in relation to the disposal of 100% of the equity interest in Shandong HuiBangDa by the Company
EGM	the second extraordinary general meeting of the Company convened and held on August 3, 2023
GFA	gross floor area
Green Development	Shandong Urban and Rural Green Industry Development Investment Co., Ltd. (山東省城鄉綠色產業發展投資有限公司) (formerly known as Shandong Lushang Innovation Development Co., Ltd (山東魯商創新發展有限公司))
Group, we, our or us	the Company and its subsidiaries
Harbin Lushang	Harbin Lushang Property Development Company Limited (哈爾濱魯商置業有限公司)
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
H Shares	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are listed on the Main Board of the Stock Exchange and subscribed for and traded in Hong Kong dollars
IFRS	International Financial Reporting Standards
Listing	the listing of the H Shares on the Main Board
Listing Date	the date of the Listing, being July 8, 2022
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

## DEFINITIONS

Lushang Design	Shandong Lushang Architectural Design Co., Ltd. (山東省魯商建築設計有限公司), a wholly-owned subsidiary of the Company
Lushang Freda	Lushang Freda Pharmaceutical Co., Ltd. (魯商福瑞達醫藥股份有限公司) (formerly known as Lushang Health Industry Development Co., Ltd. (魯商健康產業發展股份有限公司)), a joint stock company established in the PRC with limited liability on April 21, 1993, whose shares are listed on the Shanghai Stock Exchange (stock code: 600223) and a controlling shareholder of the Company
Lushang Freda Associates	associates of Lushang Freda
Lushang Freda Group	Lushang Freda and its subsidiaries which, for the purpose of this annual report and unless the context otherwise requires, excludes the Group
New Master Deposit Services Agreement	the master deposit services agreement dated June 9, 2023 entered into between the Company and Commercial Finance
New Master Design Services Agreement	the master design services agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
New Master Engineering Services Agreement	the master engineering services agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
New Master Parking Lots Entrusted Management Services Agreement	the master parking lots entrusted management services agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
New Master Property Agency Services Agreement	the master property agency services agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
New Master Property Management and Related Services Agreement	the master property management and related services agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
Main Board	the main board of the Stock Exchange
Master Deposit Services Agreement	the master deposit services agreement dated June 22, 2022 entered into between the Company and Commercial Finance
Master Design Services Agreement	the master design services agreement dated June 22, 2022 entered into between the Company and Shandong Commercial
Master Engineering Services Agreement	the master engineering services agreement dated June 22, 2022 entered into between the Company and Shandong Commercial

## DEFINITIONS

Master Parking Lots Entrusted Management Services Agreement	the master parking lots entrusted management services agreement dated June 22, 2022 entered into between the Company and Lushang Freda
Master Property Agency Services Agreement	the master property agency services agreement dated June 22, 2022 entered into between the Company and Lushang Freda
Master Property Management and Related Services Agreement	the master property management and related services agreement dated June 22, 2022 entered into between the Company and Shandong Commercial
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
Net Proceeds	the net proceeds from the Listing of approximately HK\$138 million
Nomination Committee	the nomination committee of the Company
Prospectus	the prospectus of the Company dated June 27, 2022
Remuneration Committee	the remuneration committee of the Company
RMB	Renminbi, the lawful currency of the PRC
SAT	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shandong Commercial	Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司) (formerly known as Shandong Commercial Group General Corporation (山東省商業集團總公司)), a company established in the PRC with limited liability on November 26, 1992, which is controlled by the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會) and a controlling shareholder of the Company
Shandong Commercial Associates	associates of Shandong Commercial (excluding Lushang Freda Associates)
Shandong Commercial Group	Shandong Commercial and its subsidiaries which, for the purpose of this annual report and unless the context otherwise requires, excludes the Group
Shandong HuiBangDa	Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to completion of the disposal of 100% of the equity interest in it by the Company pursuant to the Equity Disposal Agreement



## DEFINITIONS

Shandong Lujian	Shandong Lujian Property Management Limited* (山東魯健產業管理有限公司), a company established in the PRC with limited liability and is owned by Lushang Freda as to 100% of its equity interest as at the date of the Acquisition Announcement
Shareholders	the shareholders of the Company
sq.m.	square meters
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy and ESG Committee	the Strategy and ESG committee of the Company
Supervisors	the supervisors of the Company
Supplemental Master Design Services Agreement	the supplemental agreement to the Master Design Services Agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
Supplemental Master Engineering Services Agreement	the supplemental agreement to the Master Engineering Services Agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
Supplemental Master Parking Lots Entrusted Management Services Agreement	the supplemental agreement to the Master Parking Lots Entrusted Management Services Agreement dated November 20, 2023 entered into between the Company, Lushang Freda and Shandong Commercial
Supplemental Master Property Agency Services Agreement	the supplemental agreement to the Master Property Agency Services Agreement dated November 20, 2023 entered into between the Company, Lushang Freda and Shandong Commercial
Supplemental Master Property Management and Related Services Agreement	the supplemental agreement to the Master Property Management and Related Services Agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
Year	the year ended December 31, 2023

# CORPORATE MILESTONES

## January 2023

In January, the Company was ranked 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) and 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), of which Lushang Guo’ao City won “landmark office buildings for 2022 Property Management Service Providers in Shandong Province” (「2022山東省物業服務力寫字樓標杆項目」), a total of four honors.

## January 2023

In January, the Company was awarded 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」).

## February 2023

In February, the Company was rated as “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」).

## April 2023

In April, the Company has successfully acquired nine certifications, including Standardized ranking, Quality Management System, Environmental Management System, Occupation Health and Safety Management System, Compliance Test for Performance Capability, After-sales Service, Integrity Management System, Safety Risk Management System and Training Management System.

## April 2023

In April, the Company was rated as Star level Service Company of “Qilu Red Property” (「齊魯紅色物業」星級服務企業).

## April 2023

In April, the Company was ranked 35th among the “2023 Top 100 Property Management Companies in China” (「2023中國物業服務百強企業」).

## May 2023

In May, the Company’s Jinan Lushang Fenghuang City (濟南魯商鳳凰城) project won the first prize of Water Saving Award in Jinan (濟南市節約用水獎勵一等獎).

## June 2023

In June, the Company was rated as “the Most Adorable Property Management Professional in Quancheng” (「泉城最美物業人」), which the enterprise and its employees were both chosen as.

## July 2023

In July, the SASAC of the State Council officially released the “List of Typical Cases and Excellent Brand Stories of State-owned Enterprise Brand Building in 2022” (「2022年度國有企業品牌建設典型案例和優秀品牌故事名單」) and the Company’s “Qifu” (祺服) brand was selected as an outstanding brand case by the SASAC of the State Council, which is the only case selected among state-owned enterprises in Shandong Province.

## CORPORATE MILESTONES

### September 2023

In September, the Company's employees were awarded the honorary title of "Model of Good Samaritanism" (「見義勇為模範」) and "Good Samaritanism Activist" (「見義勇為積極分子」), respectively in recognition of their courageous deeds.

### October 2023

In October, the Company's Party built brand "Light Source" was successfully selected as one of the 150 Outstanding Party Built Brands Achievements in Shandong Province's Enterprises (山東省屬企業150個優秀黨建品牌建設成果).

### November 2023

In November, the Yearbook for Jinan Property Management Industry in 2022 (《2022濟南物業管理行業年鑒》) was officially released. The Company was awarded four honors, including "2022 Property Management Service Leading Enterprises in terms of Overall Strengths in Jinan City" (「2022年濟南市物業服務綜合實力領先企業」), "2022 Leading Enterprises in terms of Property Service Area Managed in Jinan City" (「2022年濟南市物業服務管理面積領先企業」), "2022 Leading Enterprise in terms of Revenue from Property Services Operation in Jinan City" (「2022年濟南市物業服務營業收入領先企業」) and "2022 Leading Enterprise of Property Services Industry in terms of Social Responsibility Performance in Jinan City" (「2022年濟南市物業服務行業履行社會責任領先企業」).

### November 2023

In November, the Company's Jinan Guo'ao City (濟南國奧城) project was rated as 4A property project (4A物業項目).

### December 2023

In December, the Company was awarded the third place among the list of "Leading Enterprises in Shandong Province's Property Service Market" (「山東省物業服務市場地位領先企業」).

# CHAIRMAN'S STATEMENT

## 2023 REVIEW

In 2023, the Company adhered to the corporate mission of “being a comprehensive service provider for people to live a better life (人民美好生活綜合服務商)” and gripped the “Year of Service Construction” as the starting point to create a service concept of “Five Attitudes(五心)” characterised by sincere service, passionate hospitality, reassuring protection, reliable security, and comfortable environment, and promoted the high-quality development of the Company by improving service quality, innovating service models, optimising business chains, cultivating urban services, and seizing external market opportunities.

In 2023, the Company was awarded as “2023 Top 100 Property Management Companies in China (No. 35) (2023 中國物業服務百強企業(第35位))”, “Leading Enterprise in Property Service Market in Shandong Province (No. 3) (山東省物業服務市場地位領先企業(第3名))”, “Star-Level Service Company of Qilu Red Property (齊魯紅色物業星級服務企業)”, and the Qifu brand was selected as a typical case of state-owned enterprise built brand by the SASAC of the State Council in 2022. The Company has achieved remarkable results in improving service capabilities, quality construction, standardised operations, meticulous management, cultivation of new models/new business formats, business expansion and other aspects.

### Improving services, creating characteristics, and strengthening quality construction

First, create model projects and set up benchmarks. In 2023, the Company took “Benchmarking, Setting Standards and Achieving Standards” as the breakthrough point to formulate the “Star-Level Service Standard Manual” and sort out service provided, created model projects according to different business environments, and promoted self-examination and rectification work on projects, so that the quality of on-site services has been improved overall.

Second, carry out internal and external benchmarking to shore up weakness. The Company conducted internally learning activities to match benchmark projects so as to share learning experience and develop the highlights features; and externally learned from management projects of different business environments of different companies within the industry, summarized work highlights of the outstanding companies, effectively supported the long-term improvement of service quality, practised the service concept of “Five Attitudes (五心)”, and managed to enhance the brand influence of Lushang Services.

Third, improve service standards based on the needs of property owners. From the basic perspective of restoring the desire of property owners, the Company focused on their basic needs, gripped quality improvement as the starting point and star-level property service standards as the breakthrough point, carried out differentiated value-added services from the perspective of property owners, refined product offerings and satisfied the different needs of customers for service products. Through open houses, reception days, community activities and other forms to improve the level of interaction with property owners, the satisfaction level of the Company's service continued to improve.

### Building systems, strengthening teams and stimulating talent vitality

The Company continued to conduct internal and external training, and launched talent development projects such as the “Project Spark(星火計劃)”, “Project Cast Gold (鑄金計劃)” and “Project Head Goose(頭雁計劃)” to enable employees to grow and improve service capabilities. The Company enhanced its professional capabilities by optimising internal systems, improving the learning atmosphere and using various measures such as skill competitions to optimise the personnel structure.

## CHAIRMAN'S STATEMENT

### Setting standards, focusing on innovation and improving development quality and efficiency

First, setting up service standards. The Company upgraded and optimised various service standards according to different business environments, and provided differentiated services according to the different needs of property owner customers. In 2023, the Company successfully acquired nine management system certifications.

Second, the Company promoted digital and intelligent upgrades. Through the integration of various system platforms and the realisation of interconnection and interoperability, the Company has effectively strengthened the pipeline of property owners' demand for fault reporting and repair, parking and payment; continued to strengthen network security and enhance information protection; enhanced the optimisation of the 400-cloud software system to increase the efficiency of responding to property owners enquiries; perfected the construction of the intelligent community monitoring and control to effectively improve the standard of safety management; and upgraded the intelligent environmental hygiene project to effectively reduce fuel consumption, save energy and reduce emissions.

### Optimising layout and promoting transformation to enhance industrial vitality

The Company actively implemented the major decisions and deployments of the Party Central Committee and collaborated in the construction of the "one-minute convenient living circle"; optimised and integrated resources to comprehensively configure basic security services such as community shopping, catering, housekeeping, courier and maintenance; further expanded its business by adding new business format such as ports and continuously optimised the "Property + Catering" service model.

The Group adhered to its vision of being a comprehensive service provider for people to live a better life and actively fulfilled its corporate social responsibility. During the year, the Company organised more than 450 community cultural activities such as "Community Summer Party", "Military and Civilian Family", "Enjoying the Mid-Autumn Festival" and "Healthy Sunset", which greatly enriched the life of property owners within the managed area. In the coming year, the Company will continue to strive to contribute to the sustainable development of the environment and the society and to fulfil its role as a state-owned enterprise.

## FUTURE PROSPECT

Lushang Services consistently implements its own development strategy and adheres to the mission of being a comprehensive service provider for people to live a better life. Leveraging on the business development pattern of basic service for brand building, value-added services for value creation, and professional services for development, the Company will implement the three business initiatives of product refinement, regional focus, and differentiated development, cultivate four key capabilities of products strength, organizational strength, technological strength and operational strength, and always maintain the service concept of "Five Attitudes(五心)". With the concept of customer-oriented and service quality improvement, the Company is committed to providing consumers with a quality lifestyle and becoming a leading comprehensive property service provider and city space service provider in Shandong Province.

## CHAIRMAN'S STATEMENT

**ACKNOWLEDGEMENT**

The development of the Company in 2023 is inseparable from the joint efforts of all our employees and strong support of all parties in the society. On behalf of the Board, I would like to express my sincere gratitude to all of our employees, investors, customers and partners.

In 2024, we will seek a steady yet progressive growth through quality enhancement, foundation strengthening, branding building, pursuing development and enhancing efficiency, in order to comprehensively promote high-quality development of the Company and continue to create more value for our customers, shareholders, employees and partners.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

We are a comprehensive property management service provider with a market leading position in Shandong Province and a proven track record of rapid growth. According to CIA, we were ranked 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). The SASAC of the State Council officially released the “List of Typical Cases and Excellent Brand Stories of State-owned Enterprise Brand Building in 2022” (「2022年度國有企業品牌建設典型案例和優秀品牌故事名單」) and the “Qifu” (祺服) brand of Lushang Services was selected as an outstanding brand case by the SASAC of the State Council, which is the only case selected among state-owned enterprises in Shandong Province. During the Year, the revenue of the Group was RMB621.0 million, representing a decrease by 1.1% as compared with RMB627.7 million as at December 31, 2022. The Company’s net profit attributable to owners of the parent company during the Year was RMB39.4 million, representing a decrease by 48.7% as compared with RMB76.9 million for the corresponding period in 2022. As at December 31, 2023, the Group had 95 projects under management, with the total GFA under management of 23.1 million sq.m. (December 31, 2022: 22.2 million sq.m.), representing a growth by 4.1%. It also had 95 contracted projects, with total contracted area of 26.5 million sq.m. (December 31, 2022: 26.1 million sq.m.), representing a growth by 1.5%. 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 December 31, 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 Year, we generated revenue primarily from: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

#### ***Property management services: accounting for approximately 51.1% of total revenue***

For the Year, the Group’s revenue from property management services amounted to approximately RMB317.3 million, representing an increase of approximately 7.9% as compared to the corresponding period in 2022, mainly due to the optimization of our project portfolio and strategic expansion of our city services during the Year.

## MANAGEMENT DISCUSSION AND ANALYSIS

**BUSINESS REVIEW** (CONTINUED)**The Business Model of the Company** (continued)**Property management services: accounting for approximately 51.1% 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	2023		As of December 31, 2022		Change GFA under management sq.m. in thousands	Growth rate %
	GFA under management sq.m. in thousands	Proportion of GFA under management %	GFA under management sq.m. in thousands	Proportion of GFA under management %		
Lushang Freda Group	251 <sup>(1)</sup>	1.1	12,620	57.0	-12,369	-98.0
Other related parties	14,709 <sup>(1)</sup>	63.8	1,095	4.9	13,614	1243.3
Subtotal	14,961	64.9	13,715	61.9	1,246	9.1
Third parties	8,090	35.1	8,437	38.1	-347	-4.1
<b>Total</b>	<b>23,051</b>	<b>100</b>	<b>22,152</b>	<b>100.0</b>	<b>899</b>	<b>4.1</b>

Note (1): Consequential to the Disposal, certain projects with a total GFA under management of approximately 13,634 sq.m. in thousands 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:

Source of projects	For the year ended/As at December 31,									
	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	182,570	57.5	13,105	56.8	40	173,138	58.9	12,301	55.5	43
Non-residential properties										
(1) Commercial properties	77,923	24.6	2,925	12.7	33	75,965	25.8	2,555	11.5	26
(2) Others	56,797	17.9	7,021	30.5	22	44,996	15.3	7,296	33.0	18
<b>Total</b>	<b>317,290</b>	<b>100.0</b>	<b>23,051</b>	<b>100</b>	<b>95</b>	<b>294,099</b>	<b>100.0</b>	<b>22,152</b>	<b>100.0</b>	<b>87</b>

We provide property management to a diversified portfolio of properties, including both residential properties and non-residential properties such as commercial complexes, municipal facilities, office buildings, apartments, schools, theme towns, hospitals, banks, industrial parks and airline base property. As of December 31, 2023, we managed a total of 55 non-residential properties, with an aggregate GFA of non-residential properties under management of 9.9 million sq.m.. Our diversified portfolio of properties under management has helped us diversify our revenue streams.



## MANAGEMENT DISCUSSION AND ANALYSIS

**BUSINESS REVIEW** (CONTINUED)**The Business Model of the Company** (continued)**Value-added services to non-property owners: accounting for approximately 27.0% of total revenue**

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

Service type	For the year ended December 31, 2023		2022	
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %
Design services	35,636	21.2	73,423	39.1
Landscaping services	109,831	65.4	75,243	40.0
Preliminary property management services	14,489	8.6	16,595	8.8
Pre-delivery services	4,645	2.8	10,440	5.6
Others customized services	3,340	2.0	12,207	6.5
<b>Total</b>	<b>167,941</b>	<b>100.0</b>	187,908	100.0

For the Year, the Group's revenue from value-added services to non-property owners amounted to approximately RMB167.9 million, representing a decrease of approximately 10.6% over the corresponding period in 2022, mainly due to the decrease in the number of projects delivered by property developers during the Year resulting from the downturn of the real estate market, which led to the decrease in the revenue from Design services and pre-delivery services.

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

**Community value-added services: accounting for approximately 21.9% of total revenue**

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

Service type	For the year ended December 31, 2023		2022	
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %
Parking space management services	41,874	30.8	39,041	26.8
Community living services	50,745	37.4	60,457	41.5
Utility management services	32,959	24.3	36,594	25.1
Community space and resource management services	10,212	7.5	9,635	6.6
<b>Total</b>	<b>135,790</b>	<b>100.0</b>	145,727	100.0

## MANAGEMENT DISCUSSION AND ANALYSIS

**BUSINESS REVIEW** (CONTINUED)**The Business Model of the Company** (continued)**Community value-added services: accounting for approximately 21.9% of total revenue** (continued)

We aim to improve our property owners' and residents' quality of life by providing them with access to a wide range of community value-added services. For the Year, the Group's revenue from community value-added services amounted to approximately RMB135.8 million, representing a decrease of approximately 6.8% as compared with the corresponding period of 2022, primarily due to the decrease in our community sales business.

**FINANCIAL REVIEW****Revenue**

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

Revenue	For the year ended December 31,		2022		Growth Rate
	2023	Percentage of revenue	2022	Percentage of revenue	
	RMB'000	%	RMB'000	%	%
Property management services	317,290	51.1	294,099	46.9	7.9
Value-added services to non-property owners	167,941	27.0	187,908	29.9	-10.6
Community value-added services	135,790	21.9	145,727	23.2	-6.8
<b>Total</b>	<b>621,022</b>	<b>100.0</b>	627,734	100.0	-1.1

For the Year, the total revenue of the Group was approximately RMB621.0 million (2022: approximately RMB627.7 million), representing a decrease of approximately 1.1% as compared with the corresponding period in 2022, mainly due to the decrease in revenues derived from our two service lines as stated below:

**Value-added services to non-property owners:** The revenue of our value-added services to non-property owners decreased by 10.6% from RMB187.9 million for the year ended December 31, 2022 to RMB167.9 million for the Year, primarily due to the decrease in the number of projects delivered by property developers during the Year resulting from the downturn of the real estate market, which led to the decrease in the revenue from Design services and pre-delivery services.

**Community value-added services:** The revenue of our community value-added services decrease by 6.8% from RMB145.7 million for the year ended December 31, 2022 to RMB135.8 million for the Year, primarily due to the decrease in our community sales business.

**Property management services:** The revenue of our property management services increased by 7.9% from RMB294.1 million for the year ended December 31, 2022 to RMB317.3 million for the Year, primarily due to the optimization of our project portfolio and strategic expansion of our city services during the Year.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

For the Year, the cost of sales of the Group was approximately RMB504.0 million (2022: approximately RMB478.3 million), representing an increase of approximately 5.4% as compared with the corresponding period in 2022, primarily due to (i) the increase in labor costs due to additional labor costs incurred when outsourcing landscaping services to third-party subcontractors; and (ii) the increase in maintenance, greening, cleaning, security maintenance and garbage disposal expenses due to the increase in the number of properties under our management.

**Gross Profit and Gross Profit Margin**

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

	For the year ended December 31,			
	2023		2022	
	Gross profit RMB'000	margin %	Gross profit RMB'000	margin %
Property management services	57,049	18.0	54,370	18.5
Value-added services to non-property owners	23,376	13.9	54,283	28.9
Community value-added services	36,640	27.0	40,759	28.0
<b>Total</b>	<b>117,066</b>	<b>18.9</b>	149,412	23.8

For the Year, our gross profit was approximately RMB117.1 million, representing a decrease of 21.6% as compared with RMB149.4 million for the corresponding period in 2022. The gross profit margin of the Group decreased from approximately 23.8% in the same period in 2022 to approximately 18.9%.

For the Year, the gross profit margin of the property management services of the Group was approximately 18.0%, which was stable as compared with the corresponding period in 2022.

The gross profit margin of value-added services to non-property owners of the Group was approximately 13.9% (2022: approximately 28.9%). The drop in the gross profit margin of value-added services to non-property owners as compared with the corresponding period was mainly due to the downturn in the real estate market, which led to a decrease in revenue from design services with higher gross profit margins; and the increase in revenue from landscaping services with lower gross profit margins, which reduced the overall gross profit margin.

The gross profit margin of community value-added services of the Group was approximately 27.0% (2022: approximately 28.0%), which was stable as compared with the corresponding period in 2022.

**Administrative and Other Expenses**

For the Year, the total administrative expenses of the Group were approximately RMB59.5 million, representing an increase of approximately 7.6% from approximately RMB55.3 million for the year ended December 31, 2022, which was stable as compared with the corresponding period in 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

**FINANCIAL REVIEW** (CONTINUED)**Other Income**

For the Year, other income was approximately RMB2.8 million, representing a decrease of approximately 25.5% from approximately RMB3.8 million for the year ended December 31, 2022, primarily due to the increase in subsidies from the government granted by local government for creating and maintaining local jobs, as well as the increase in our increment in exemption of value-added tax.

**Profit for the Year**

Our profit for the Year was approximately RMB40.3 million, representing a decrease of approximately 48.7% from approximately RMB78.4 million for the year ended December 31, 2022.

**Current Assets**

As of December 31, 2023, the current assets of the Group were approximately RMB798.2 million, representing an increase of 0.7% as compared with approximately RMB793.1 million as of December 31, 2022. As of December 31, 2023, the current ratio (current assets divided by current liabilities) of the Group was approximately 2.1 times (December 31, 2022: approximately 2.2 times).

**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 of December 31, 2023, the Group's fixed assets and right-of-use assets amounted to approximately RMB52.5 million, representing a decrease of approximately RMB2.9 million as compared with approximately RMB55.4 million as of December 31, 2022, primarily due to the depreciation of fixed assets and right-of-use assets during the Year.

**Trade and Bills Receivables**

Our trade and bill receivables increased from RMB284.0 million as of December 31, 2022 to RMB313.4 million as of December 31, 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, Deposits and Other Receivables**

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

As of December 31, 2023, prepayments, deposits and other receivables amounted to approximately RMB5.7 million, representing a decrease of approximately RMB2.7 million as compared with approximately RMB8.4 million as of December 31, 2022, primarily attributable to our settlement with suppliers on the basis of actual energy usage, which reduced the large prepayments to energy suppliers.

**Trade Payables**

As of December 31, 2023, trade payables amounted to approximately RMB201.7 million, representing an increase of approximately RMB24.7 million as compared with approximately RMB177.0 million as of 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.

## 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 of December 31, 2023, accrued expenses and other payables amounted to approximately RMB88.6 million, representing a decrease of approximately RMB11.2 million as compared with approximately RMB99.8 million as of December 31, 2022, primarily attributable to lower remuneration performance as a result of the deviation from performance expectations for 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 of December 31, 2023, the Group's cash and cash equivalents amounted to approximately RMB411.1 million, representing a decrease of 4.1% as compared with approximately RMB428.8 million as of December 31, 2022, primarily due to our increased efforts on daily repair and maintenance of building facilities and equipment for the Year to improve the quality of services.

Such cash and cash equivalents included approximately RMB411.1 million (December 31, 2022: RMB399.4 million) denominated in RMB and approximately RMB0.003 million (December 31, 2022: RMB29.4 million) denominated in HK\$, calculated based on the exchange rate as of December 31, 2023.

#### Interest-bearing Borrowings

Our interest-bearing borrowings was RMB0.1 million as of December 31, 2023, all denominated in RMB with maturity on January 15, 2024, and interest on borrowings at the fixed rate of 5.0% per annum.

#### Pledge of Assets

As of December 31, 2023, we have pledged assets of RMB2.3 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 41.9% as of December 31, 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 Year.

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

The Group has no future plan for material investments or capital assets during the Year. However, the Group will continue to identify new opportunities for business development.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW *(CONTINUED)*

#### Contingent Liabilities and Commitments

We did not have any other outstanding guarantees or other material contingent liabilities as of December 31, 2023.

#### Proceeds from the Listing

The H Shares were successfully listed on the Stock Exchange on July 8, 2022, and 33,340,000 H Shares were issued. After deduction of underwriting fees and related expenses, the net proceeds from the Listing were approximately HK\$138 million. Save as disclosed in the Report of the Board, the Group intends to use the net proceeds in accordance with the method and percentage set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

#### Foreign Exchange Risk

The Group conducts its business in 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 of December 31, 2023, the Group had 1,437 employees (as of December 31, 2022: 1,644 employees). During the Year, 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.

In order to promote a “people-oriented” corporate culture, by combining the actual situation of the Company and taking into account the current salary level in the property industry, the Company has revised the Remuneration Management Measures in accordance with the principles of “fairness and justice”. On the basis of meeting the development requirements, the Company has established a salary management system that is externally competitive and ensures internal fairness and self-fairness. In terms of salary distribution to employees, the Company strives to achieve the goal of “consistency of responsibilities and interests, consistency of abilities and values, and consistency of performance and income”, effectively combines personal benefits with corporate benefits, and gives full play to the incentive role of salary to promote the sustainability, stability and healthy growth of the Company.

### SUBSEQUENT EVENTS

#### Connected Transaction in relation to the Acquisition of the Equity Interest in Shandong Lujian

On February 27, 2024 (after trading hours of the Stock Exchange), the Company (as purchaser) entered into the Equity Interest Transfer Agreement with Lushang Freda (as vendor) and Shandong Lujian (as target company) in relation to the sale and purchase of 100% of the total equity interest in Shandong Lujian. The consideration under the Equity Interest Transfer Agreement is RMB4,878,300.00 (equivalent to approximately HK\$5,302,500.00).

As at the date of the Acquisition Announcement, Shandong Lujian was owned by Lushang Freda as to 100% of its equity interest, and therefore Shandong Lujian was a wholly-owned subsidiary of Lushang Freda. Upon completion of the Equity Interest Transfer Agreement, Shandong Lujian will become a directly wholly-owned subsidiary of the Company, and the financial results of Shandong Lujian will be consolidated into the consolidated financial statements of the Group.

For details, please refer to the Acquisition Announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **SUBSEQUENT EVENTS** *(CONTINUED)*

#### **Discloseable and Connected Transaction in relation to the Disposal of 100% of the Equity Interest in Shandong HuiBangDa**

On February 27, 2024 (after trading hours of the Stock Exchange), the Company (as vendor) entered into the Equity Disposal Agreement with the Shandong Urban and Rural Development Group Co., Ltd.\* (山東省城鄉發展集團有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shandong Commercial, the controlling Shareholder of the Company (as purchaser) and Shandong HuiBangDa (as target company), pursuant to which the Company has conditionally agreed to sell and Shandong Urban and Rural Development Group Co., Ltd.\* (山東省城鄉發展集團有限公司) has conditionally agreed to acquire 100% of the equity interest in Shandong Urban and Rural Development Group Co., Ltd.\* (山東省城鄉發展集團有限公司), at the consideration of RMB21,864,000.00 (equivalent to approximately HK\$23,765,217.39) in cash.

Upon completion of the Equity Disposal Agreement, Shandong HuiBangDa will be owned by Shandong Urban and Rural Development Group Co., Ltd.\* (山東省城鄉發展集團有限公司) as to 100% of its equity interest, and following the disposal of the 100% of the equity interest in Shandong HuiBangDa by the Company pursuant to the Equity Disposal Agreement, the Company will cease to have any interest in Shandong HuiBangDa and, accordingly, the financial results of Shandong HuiBangDa will no longer be consolidated in the Group's accounts.

For details, please refer to the announcement of the Company dated February 27, 2024, the circular of the Company dated March 22, 2024 and the announcement of the Company dated April 19, 2024.

Save as disclosed above, no events has taken place subsequent to December 31, 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.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS

### Chairman of the Board and executive Director

**Mr. Wang Zhongwu (王忠武)**, aged 49, joined the Group in August 2010 and currently serves as an executive Director, Chairman of the Board and general manager. He is primarily responsible for daily business operations and strategic decision-making of the Group.

Prior to joining the Group, from July 1995 to August 2001, Mr. Wang served as a manager of the property management department in Shandong World Trade Centre (山東世界貿易中心), where he was primarily responsible for overseeing the overall management of common areas and the operation of power equipment systems. From August 2001 to November 2005, he served as a deputy manager of the engineering department of Shandong Yinzuo Jiuxin Real Estate Development Co., Ltd. (山東銀座久信房地產開發有限公司), a property developer, where he was primarily responsible for managing its engineering operations. From November 2005 to May 2009, he served successively as a manager of engineering department, deputy general manager and executive deputy general manager of Tai'an Yinzuo Real Estate Development Company Limited (泰安銀座房地產開發有限公司), a property developer, where he was primarily responsible for operations of engineering projects and devising and implementing administrative management. From May 2009 to June 2010, Mr. Wang served as a deputy general manager of Chongqing Lushang Property Company Limited (重慶魯商地產有限公司), a property developer, where he was primarily responsible for project operation and to implement the development plans of the company. From June 2010 to August 2010, Mr. Wang served as a project general manager of the Guoao City project of Shandong Lushang Property Co., Ltd. (山東省魯商置業有限公司) (a wholly-owned subsidiary of Lushang Freda, “**Lushang Property**”), where he was primarily responsible for overall supervision and management of the project.

Mr. Wang joined the Group by overseeing our property management business in August 2010. He served as a general manager of a project in Jining developed by Lushang Freda from August 2010 to January 2018 where he was primarily responsible for overall management of the project, including overseeing our property management business in Jining. Mr. Wang also served as the general manager at Heze Lushang Real Estate Company Limited (菏澤魯商置業有限公司), an indirect wholly-owned subsidiary of Lushang Freda, from April 2016 to September 2017, where he was primarily responsible for overall management of daily business operations of the company and ensuring the smooth operation of property management projects. From January 2018 to December 2019, he served as a general manager of the Qingdao Region of Lushang Property and he was primarily responsible for the overall management of daily business operations of the company, including overseeing our property management business in Qingdao. From February 2019 to March 2021, Mr. Wang served as general manager assistant at Lushang Freda and he was primarily responsible for overall business operation of Lushang Freda Group, including the business of the Group. Since December 2022, Mr. Wang has been appointed as a director of Shandong Urban and Rural Development Group Co., Ltd.\* (山東省城鄉發展集團有限公司).

Mr. Wang completed an undergraduate course in civil engineering from China University of Geosciences (中國地質大學) in the PRC in July 2007 through distance learning, and a master's degree in business management from Northwestern Polytechnical University (西北工業大學) in the PRC in March 2018. In November 2004, he was certified as an engineer by the Shandong Commercial Group Headquarters Mediate Professional Engineering Services Committee (山東省商業集團總公司工程專業技術職務中級評審委員會). Mr. Wang was recognized as an Outstanding Communist of Shandong Provincial Enterprise (山東省省管企業優秀共產黨員) by the Shandong SASAC in June 2017 and as an Outstanding Individual in Economic Work (經濟工作先進個人) by Nanyuan Street Office and Chinese Communist Party Working Committee in Central District of Jining City (濟寧市市中區南苑街道辦事處及中共濟寧市市中區南苑街道工作委員會) in February 2013.

\* For identification purposes only



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS (CONTINUED)

#### Executive Director

**Mr. Shao Meng (邵萌)**, aged 35, was appointed as an executive Director on March 30, 2021. He also serves as the chief financial officer and the secretary of our Board. He is primarily responsible for financial management of the Group.

Mr. Shao joined the Group by becoming involved in the operations of our property management business in July 2011. From July 2011 to November 2020, Mr. Shao served successively as an accountant and financial manager at Harbin Lushang, a property developer and a subsidiary of Lushang Freda, where he was primarily responsible for overseeing the financial affairs of the property management business of the Group in Harbin, Heilongjiang province. From December 2020 to January 2021, Mr. Shao served as a financial manager of Zibo Lushang Property Development Company Limited (淄博魯商置業有限公司), a property developer and a subsidiary of Lushang Freda, where he was primarily responsible for overseeing the financial affairs of the property management business of the Group in Zibo, Shandong province.

Mr. Shao obtained a bachelor's degree in enterprise management from Shandong University of Finance and Economics (山東財經大學) in the PRC in December 2013. He was certified as an Intermediate Accountant by the Department of Human Resources and Social Welfare (人力資源和社會保障部) and Ministry of Finance of the PRC in September 2017 and as an Intermediate Statistician (中級統計師) by the same institutes in the PRC in October 2017. He was accredited as a senior accountant by the Human Resources and Social Security Department of Shandong Province (山東省人力資源和社會保障廳) in December 2023.

#### Non-executive Directors

**Ms. Li Lu (李璐)**, aged 48, was appointed as a non-executive Director on March 2, 2021. She is primarily responsible for the provision of guidance for the overall development of the Group.

From July 1999 to January 2009, Ms. Li served successively as president's office secretary, and securities matter representative of INZONE Group Company Limited (銀座集團股份有限公司) (formerly known as Bohai Group Company Limited (渤海集團股份有限公司)), a company listed on Shanghai Stock Exchange (stock code: 600858), a conglomerate, where she was primarily responsible for handling disclosure matters, handling administrative and secretarial affairs of the board and managing corporate documents. Since January 2009 to August 2023, Ms. Li served various positions at Lushang Freda, including securities matter representative and officer of the board of directors office from January 2009 to June 2011, board secretary and officer of the board office from June 2011 to April 2013, human resources department head, board secretary and officer of the board of directors' office from April 2013 to March 2017, deputy secretary of the discipline commission, secretary of the board, officer of the board of directors' office and human resources department head from March 2017 to August 2019, and general manager assistant, secretary of the board, deputy secretary of the discipline commission, officer of the board of directors' office and officer of the office of Lushang Freda and chairman of the labor union from April 2020 to August 2023. Since 2023, Ms. Li has served as the deputy general manager and chairman of the labor union of Shandong Urban and Rural Development Group Co., Ltd. (山東省城鄉發展集團有限公司), where she is responsible for human resources management, investment management, asset management and other matters.

Ms. Li obtained a bachelor's degree in thermal engineering from Shandong Industrial University (山東工業大學) in the PRC in July 1999 and master's degree in software engineering from Shandong University (山東大學) in the PRC in June 2010. She was certified as an Economist (經濟師) by Shandong Human Resources Department (山東人事廳) in the November 2008 and as a chartered company secretary by Shanghai Stock Exchange in November 2008. Ms. Li was awarded the title of "Excellent Communist Party Member of Enterprises Administered by the People's Government of Shandong Province" by the Shandong SASAC in June 2015, the "2015 Excellent Board Secretary of Listed Companies in Shandong Province" by the Listed Company Association of Shandong in December 2016 and was awarded the "Best Secretary of the Board of Directors" award at the 12th China Listed Companies Investor Relations Forum (第十二屆中國上市公司投資者關係論壇「最佳董秘」獎項).

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**DIRECTORS** (CONTINUED)**Non-executive Directors** (continued)

**Ms. Luo Ye (羅曄)**, aged 36, was appointed as a non-executive Director on November 30, 2022.

Mr. Luo served as a staff member of the fund business department of Shandong Economic Development and Investment Company from April 2015 to August 2016, a business manager of the capital operation department of Shandong Finance Investment Group Co., Ltd. from August 2016 to July 2018, a department manager of the investment and financing department of Shandong New Kinetic Energy Fund Management Co., Ltd. From July 2018 to November 2020. Ms. Luo has been serving as a deputy general manager of Shandong New Kinetic Energy Investment Management Co., Ltd. from November 2020 to June 2023. Ms. Luo Ye (羅曄) has served as the general manager of Shandong New Kinetic Energy Investment Management Co., Ltd. (山東省新動能投資管理有限公司) since June 2023.

Ms. Luo obtained a bachelor's degree in mathematical processes in finance and financial engineering from the Shandong University in July 2008, a degree of master of science in mathematical processes in finance from Loughborough University in December 2009, and a degree of doctor of philosophy in mathematical science from Loughborough University in December 2014.

**Ms. Li Han (李涵)**, aged 38, was appointed as a non-executive Director on June 30, 2023.

Ms. Li served at various positions at Shandong Commercial Group since July 2006, including as an accountant in the finance department of Dongying Ginza Real Estate Co., Ltd.\* (東營銀座房地產有限公司) from July 2006 to March 2008, as a deputy manager of the finance department of Qingdao Lushang Real Estate Co., Ltd.\* (青島魯商地產有限公司) from March 2008 to September 2010, and a deputy chief of the financial management department of Lushang Real Estate Co., Ltd.\* (魯商置業股份有限公司) from September 2010 to November 2010. From November 2010 to May 2014, Ms. Li successively served as the deputy manager and manager of Jinan Jinyilin Real Estate Development Co., Ltd.\* (濟南金藝林房地產開發有限公司). From May 2014 to January 2016, she served as the chief of the finance department of Shandong Lushang Real Estate Co., Ltd.\* (山東省魯商置業有限公司). From January 2016 to February 2018, Ms. Li was seconded to the financial management department of Shandong Commercial, where she subsequently served as a manager from March 2018 to June 2020, a senior manager from July 2020 to March 2023, and an assistant director from March 2023 to present.

Ms. Li obtained a bachelor's degree in management from the Shandong University of Economics in July 2006 and a master's degree in engineering from the Shandong University in December 2013. She was accredited as a senior accountant by the Senior Review Committee of Accounting Professional Qualifications of Shandong Province\* (山東省會計專業資格高級評審委員會) in August 2019.

\* For identification purposes only

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS (CONTINUED)

#### Independent non-executive Directors

**Ms. Leung Bik San (梁碧珊)**, aged 53, was appointed as an independent non-executive Director on June 6, 2022. Ms. Leung is responsible for providing independent advice on the operations and management of the Group.

Ms. Leung has accumulated over 28 years of experience in the capital markets, regulatory and compliance and corporate finance fields. From February 1993 to January 1997, Ms. Leung consecutively served as audit assistant, audit semi-senior, audit senior, audit supervising senior and audit supervisor in Grant Thornton Byrne Hong Kong, an accounting firm, where she was primarily responsible for providing audit services. From January 1997 to April 2001, Ms. Leung served as a manager at KPMG, an international accounting firm, where she was primarily responsible for preparing audit management and financial reports. From April 2001 to October 2009, Ms. Leung served at Fox-Pitt Kelton (Asia) Limited, an investment bank, with her last position as a chief operating officer, where she was primarily responsible for overseeing business operations. From November 2009 to December 2012, Ms. Leung served as a chief operating officer at Keefe, Bruyette & Woods Asia Limited, an investment bank, where she was primarily responsible for overseeing overall operations and formulating business strategies. Since January 2013, Ms. Leung has been serving as a chief financial officer at Canaccord Genuity Hong Kong, a financial service firm, where she is primarily responsible for the overall financial and operational management of Asia Pacific.

Ms. Leung obtained a bachelor's degree in commerce from the University of New South Wales in Australia in April 1993 and a master's degree of business administration from Warwick University in the United Kingdom in June 2009. Ms. Leung was certified as a certified practising accountant of the CPA Australia in May 1996 and as a accountant of the Hong Kong Institute of Certified Public Accountants in September 1996.

**Ms. Chen Xiaojing (陳曉靜)**, aged 54, was appointed as an independent non-executive director on June 6, 2022. She is primarily responsible for providing independent advice to the Board.

Prior to joining the Group, from February 1994 to June 2000, Ms. Chen served as a training manager at Jinan Xingao Technology Industry Development Area Property Management Company (濟南高新技術產業開發區物業管理總公司), a property management company, where she was primarily responsible for hiring and training employees. From July 2000 to November 2019, she served as deputy general officer at Shandong Real Estate Education Training Centre (山東房地產教育培訓中心), where she was primarily responsible for management of daily business operations. Since January 2020, she has served as a general manager of Zhongfang Vocational Education and Management Centre Co., Ltd. (中房職教院管理中心有限公司) and since April 2020 and until now, she has served as a general manager of Zhongfang Vocational (Jinan) Education Consulting Co., Ltd. (中房職教(濟南)教育諮詢有限公司), respectively, where she is primarily responsible for general management and operations.

Ms. Chen obtained her diploma in economic management from Shandong Communist Party College (山東省委黨校) in the PRC in December 2002. She was certified as an assistant lecturer by Tianjin Human Resources Department (天津人事局) in September 2002, and she was engaged by Shandong Property Management Association as the Deputy Secretary-General of Shandong Property Management Association in March 2020. She served as a member of the second session of the Human Resources Development Committee of China Property Management Association in December 2020.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS (CONTINUED)

#### Independent non-executive Directors (continued)

**Mr. Ma Tao (馬濤)** (formerly known as Ma Xinai), aged 66, was appointed as an independent non-executive director on June 6, 2022. He is primarily responsible for providing independent advice to the Board.

Prior to joining the Group, from 1985 to September 1993, he served as a lecturer in history at Hebei Normal University (河北師範大學). From January 1998 to February 2001, he served as a professor at the Business Administration School of Tongji University (同濟大學). Since April 2001, he has served as a professor at the School of Economics Fudan University (復旦大學). Since June 2015, he has served as an independent non-executive director at Lushang Freda, where he is primarily responsible for providing independent advice to the board of directors. Since January 2021, he has served as an independent non-executive director at Shandong Sacred Sun Power Sources Co., Ltd (山東聖陽電源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002580) and principally engaged in manufacturing led-acid battery, where he is primarily responsible for providing independent advice to the board. Since May 31, 2021, he has served as an independent non-executive director of Jujiang Construction Group Co., Ltd. (Hong Kong Stock Exchange stock code: 1459).

Mr. Ma obtained a bachelor's degree in history from North West University (西北大學) in the PRC in July 1982, a master's degree in history from Hebei Normal University (河北師範大學) previously known as Hebei Normal College (河北師範學院) in the PRC in June 1985 and a doctorate degree in philosophy from Fudan University in the PRC in January 1996. In January 1998, he completed the post-doctoral research on economics at Fudan University in the PRC. Mr. Ma was certified as a professor by Tongji University (同濟大學) in July 2000.

### SUPERVISORS

In accordance with the Company Law of the PRC, all shareholding corporations are required to establish the Supervisory Committee, responsible for supervising the Directors and senior management officers on fulfilling their respective duties, financial performance, internal control management and risk management. The Supervisory Committee consists of three members, all of such Supervisors are employees of the Company.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**SUPERVISORS** (CONTINUED)

**Mr. Wang Hongtao (王洪濤)**, aged 49, was appointed as a Supervisor and president of the Supervisory Committee on March 2, 2021. Mr. Wang is primarily responsible for supervising the work of the Supervisory Committee, the Board and senior management officers of the Group.

Prior to joining the Group, from July 1995 to December 2003, Mr. Wang served successively as a finance department employee and financial manager of Shandong World Trade Centre, where he was primarily responsible for formulating financial plans, to ensure the normal operation of financial work of the company. From December 2003 to February 2006, Mr. Wang served as head of the finance department of Qingdao Haidunfuruida Bio-Engineering Company Limited (青島海盾福瑞達生物工程有限公司) (formerly known as Qingdao Yinzuo Haizun Bio-Engineering Company Limited (青島銀座海尊生物工程有限公司), a company principally engaged in researching and developing pharmaceutical products, where he was primarily responsible for accounting matters. From February 2006 to October 2006, he served as a financial director of Dongguan Yinsheng Shoes Industry Company Limited (東莞市銀升鞋業有限公司), a footwear manufacturer, where he was primarily responsible for formulating financial plans and leading accounting-related operations. From October 2006 to November 2008, Mr. Wang served as head of the finance department at Jining Yinzuo Hypermall Company Limited (濟寧銀座商城有限公司), an operator of commercial center, where he was primarily responsible for leading finance and accounting operations. From November 2008 to August 2010, Mr. Wang served as a senior manager of Operation Management Department of Strategic Management Center at Shandong Commercial, where he was primarily responsible for management of business operations and formulating business objectives. From August 2010 to October 2013, Mr. Wang served as financial director at Qingdao Seaview (International) Hotel Development Company Limited (青島海景(國際)大酒店發展有限公司), a hotel development company where he was primarily responsible for formulating financial plans and leading accounting-related operations. From October 2013 to December 2016, Mr. Wang served successively as manager of financial department and deputy general manager at Shandong Lushang Construction Management Company Limited (山東省魯商建設管理有限公司), where he was primarily responsible for leading finance and accounting operations. From December 2016 to April 2017, Mr. Wang served as financial director of the Qilu Hotel Project (齊魯賓館項目) of Lushang Freda Group where he was primarily responsible for formulating financial plans, to ensure the normal operation of financial work of the company. From April 2017 to July 2019, Mr. Wang successively served as head accountant and financial director of Lushang Real Estate Qingdao Company Limited (魯商置業青島有限公司), a property developer and a subsidiary of Lushang Freda where he was primarily responsible for financial and accounting-related matters. From July 2019 to May 2020, Mr. Wang served concurrently as head of the audit department and head of legal department at Lushang Freda, where he was primarily responsible for devising and managing internal auditing procedures and handling legal matters. From May 2020 to October 2020, Mr. Wang served as deputy secretary of the discipline commission of Lushang Freda, where he was primarily responsible for assisting the secretary of the discipline commission in handling the daily affairs, auditing affairs and legal affairs, among others, of the discipline commission. From October 2020 to May 2023, Mr. Wang has served as general manager of the financial technology center of Lushang Freda, where he was primarily responsible for finance, accounting and fund management. Mr. Wang has served as the general manager of the assets management center at Shandong Urban and Rural Development Group Co., Ltd. (山東省城鄉發展集團有限公司) since May 2023, where he was responsible for asset management affairs.

Mr. Wang completed an undergraduate course in accounting from Yantai University (煙台大學) in PRC in January 2009, and obtained a master's degree in business management from Xi'an University of Science and Technology (西安科技大學) in the PRC in July 2015. Mr. Wang was certified as a Senior Accountant (高級會計師) by the Shandong Senior Accountant Examination Committee (山東省會計專業資格高級評審委員會) in June 2017.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**SUPERVISORS** (CONTINUED)

**Mr. Zhang Xiangqian (張向乾)**, aged 50, was appointed as a Supervisor on March 2, 2021. He is primarily responsible for supervising the Board and senior management officers of the Group. Mr. Zhang joined the Group in May 2009.

Prior to joining the Group, from July 1996 to October 1999, Mr. Zhang served as finance department manager at the Shandong World Trade Centre, where he was primarily responsible for managing accounting affairs. From October 1999 to May 2000, Mr. Zhang served as finance department manager at the Shandong Inzone Tourism Group Company Limited (山東文旅酒店管理集團有限公司) (formerly known as Shandong Yinzuo Restaurant Company Limited (山東銀座大飯店有限公司)), where he was primarily responsible for managing accounting affairs. From May 2000 to December 2005, Mr. Zhang served as audit department manager of Shandong World Trade Centre, where he was primarily responsible for managing auditing operations and assisting the head of the audit department in devising audit policy. From December 2005 to May 2009, Mr. Zhang served as finance manager and assistant of general manager of Qingdao Yinzuo Property Development Company Limited (青島銀座地產有限公司), where he was primarily responsible for managing financial affairs.

Upon first joining the Group in May 20, 2009, Mr. Zhang served as a head accountant at the Company until August 2009, where he was primarily responsible for internal coordination and financial management. From August 2009 to January 2010, Mr. Zhang served as deputy general manager, head accountant and financial controller at Shandong Yilin Real Estate Development Company Limited (山東藝林房地產開發有限公司), where he was primarily responsible for assisting the general manager in handling daily operation. From January 2010 to June 2010, Mr. Zhang served as a general manager assistant and financial controller at Shandong Lushang Property Company Limited, where he was primarily responsible for assisting the general manager in formulation of financial plans and management of finance team. From June 2010 to August 2010, Mr. Zhang served as deputy general manager and head accountant at Linyi Lushang Real Estate Company Limited (臨沂魯商地產有限公司), where he was primarily responsible for assisting the general manager in formulation of financial plans and management of finance team. From August 2010 to December 2019, Mr. Zhang successively served as deputy general manager, head accountant and head of finance of Jining Lushang Real Estate Co., Ltd.\* (濟寧魯商置業有限公司) and, Jining Lushang Real Estate Company Limited (濟寧魯商地產有限公司), where he was primarily responsible for internal and external coordination of finance and funds and handling accounting affairs. From December 2019 to November 2020, Mr. Zhang served as financial director of Jinan Region of Lushang Freda, where he was primarily responsible for internal and external coordination and handling accounting affairs. From January 2021 to March 2021, Mr. Zhang served as the assistant to the head of the general management department of Lushang Freda, where he was primarily responsible for handling audit matters. From March 2021 to August 2022, Mr. Zhang served at Lushang Freda as the assistant to the general manager of the audit, legal and safety management center, where he was primarily responsible for handling audit matters. From August 2022 to May 2023, Mr. Zhang serves as the chief financial officer of Lushang Freda Jinan City Company\* (魯商發展濟南城市公司), where he is primarily responsible for handling financial affairs. Mr. Zhang has served as the chief financial officer of Shandong Urban and Rural Development Group Co., Ltd. Linyi City Company (山東省城鄉發展集團有限公司臨沂城市公司) since May 2023, where he was responsible for handling financial affairs.

Mr. Zhang completed an undergraduate course in accounting from Nanjing University of Science & Technology (南京理工大學) in the PRC in July 2004. He was certified as an Intermediate Accountant by the Ministry of Finance in the PRC in September 2003 and as a Senior Accountant by the Shandong Senior Accountant Examination Committee (山東省會計專業資格高級評審委員會) in June 2017.

\* For identification purposes only

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SUPERVISORS (CONTINUED)

**Ms. Pan Meng (潘萌)**, aged 35, was appointed as a Supervisor on February 27, 2023. She is primarily responsible for supervising the Board and senior management officers of the Group. Ms. Pan joined the Group in 2010. From August 2010 to April 2015, she served as the director of the customer service management department of the Yulongwan Project\* (御龍灣項目) of the Company, mainly responsible for project customer relationship management and property fees management of the project. From April 2015 to April 2018, Ms. Pan successively served as the project manager at the service centre of the Lushang Plaza Project\* (魯商廣場項目) of the Company, and the project manager at the service centre of the Ginza Garden Project\* (銀座花園項目) of the Company. From April 2018 to October 2021, Ms. Pan served as the head of the administrative and human resources department of the Company, and since November 2021, she served as the director of the human resources and administration center of the Company. Ms. Pan completed the undergraduate program of business administration at the Shandong Normal University in January 2016.

### SENIOR MANAGEMENT

**Mr. Zhu Sili (朱思立)**, aged 43, the deputy general manager of the Company, is primarily responsible for municipal sanitation, investment management, audit and law, and information construction of the Company.

Mr. Zhu joined the Bayi department store of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) in July 2006. He worked as the chief of Zibo department store of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from March 2007 to October 2007, the supervisor of Zibo department store of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from October 2007 to December 2007, the buyer of new product introduction department of supermarket of Zibo branch store of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from December 2007 to November 2008, the chief of the promotion division of promotion management department of supermarket of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from November 2008 to February 2009, the chief of strategy management division of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from February 2009 to March 2011, the deputy head of operations management under the general manager office of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from March 2011 to May 2011, the deputy director of the general manager office of INZONE Group Company Limited (銀座集團股份有限公司) from May 2011 to December 2012, the deputy director of the general manager office of supermarket business division of INZONE Group Company Limited (銀座集團股份有限公司) from December 2012 to July 2015, the head of the strategy management department under the general manager office of INZONE Group Company Limited (銀座集團股份有限公司) from July 2015 to April 2017, the deputy director of Outlets operations department of INZONE Group Company Limited (銀座集團股份有限公司) from April 2017 to October 2018, the head of Outlets department of INZONE Group Company Limited (銀座集團股份有限公司) from October 2018 to February 2020, and the assistant to the general manager of INZONE Group Company Limited (銀座集團股份有限公司) from February 2020 to September 2021. He has been the party committee member of the Company since September 2021.

Mr. Zhu obtained a bachelor's degree in economic information management from Shandong Economics College (山東經濟學院) in July 2002, and a master degree in business management from Shandong Economics College (山東經濟學院) in July 2006.

\* For identification purposes only

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**SENIOR MANAGEMENT** (CONTINUED)

**Mr. Liu Jiapeng (劉加朋)**, aged 47, is the deputy general manager of the Company. He is mainly responsible for the human resources management, basic business management and other businesses of the Company. Mr. Liu joined the Group in January 2011 as a manager of our financial department.

Prior to joining the Group, from July 1996 to May 2002, Mr. Liu served as an accounting supervisor at Shandong World Trade Centre, where he was primarily responsible for overseeing daily accounting operations. From May 2002 to January 2007, Mr. Liu served as an accountant of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司), a company principally engaged in retail business, where he was primarily responsible for handling accounting matters. From January 2007 to August 2007, Mr. Liu served as a deputy manager of the finance department at Lushang Property, where he was primarily responsible for auditing and management of the daily operation of finance department. From August 2007 to December 2009, he served successively as a deputy manager and manager of the finance department at Tai'an Yinzuo Real Estate Development Company Limited, where his primary duty was to formulate the financial plans. From December 2009 to July 2010, Mr. Liu served as the financial manager of the assets management center at Lushang Development where his primary duty was to formulate the financial plans. From July 2010 to January 2011, Mr. Liu served as a general manager assistant and the head of finance at Tai'an Yinzuo Real Estate Development Company Limited, where he was primarily responsible for internal coordination and communication, assisting the general manager in managing the company and overseeing the daily work of finance department.

Upon joining the Group in January 2011, Mr. Liu served successively as finance department manager, head accountant and executive deputy general manager at Harbin Lushang until September 2019. In addition to managing financial and accounting affairs and overseeing daily operations in the aforementioned roles, Mr. Liu was also responsible for general management of the property management business of the Group in Harbin, Heilongjiang province. From September 2019 to March 2021, Mr. Liu served as the general manager of the Company, where he was primarily responsible for overall management of the Company.

Mr. Liu completed an undergraduate course in accounting from Shandong Province Financial College (山東財政學院) in the PRC in July 2009. He was certified as an Intermediate Accountant by the Ministry of Finance in the PRC in May 2005, was awarded as a model builder (建設者標兵) by Harbin Federation of Trade Unions (哈爾濱市總工會) in January 2018, and was engaged by Shandong Property Management Institute as the vice chairman of Shandong Property Management Institute in December 2019.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**SENIOR MANAGEMENT** (CONTINUED)

**Ms. Li Haiyan (李海燕)**, aged 47, the deputy general manager of the Company, is primarily responsible for value-added business management, bidding and purchasing, and brand building of the Company.

Ms. Li worked as the sales planning personnel of strategic planning department of Jinan Huitong Real Estate Development Co., Ltd. (濟南匯統房地產開發有限公司) from July 2001 to June 2003, the planning personnel of sales department of Shandong Commercial Real Estate Development Co., Ltd. (山東省商業房地產開發有限公司) from June 2003 to April 2005, the head of sales department of Linyi Shangcheng Real Estate Co., Ltd. (臨沂尚城置業有限公司) from April 2005 to January 2007, the deputy head of development and marketing department of Shandong Lushang Property Co., Ltd. (山東省魯商置業有限公司) from January 2007 to January 2008, the head of development and marketing department of Shandong Lushang Property Co., Ltd. (山東省魯商置業有限公司) from January 2008 to June 2008, the manager of sales department of National Fitness Center Project Company of Lushang Property (魯商置業全民健身中心項目公司) from June 2008 to April 2010, the assistant to the general manager of marketing department of Jinan Lushang Square Project Branch Company of Lushang Property (魯商置業濟南魯商廣場項目分公司) from April 2010 to November 2010, the assistant to the general manager of Lushang Guo'ao City Project Company of Lushang Property (魯商置業魯商國奧城項目公司) from November 2010 to April 2011, the deputy general manager and manager of sales department of Lushang Guo'ao City Project Company of Lushang Property (魯商置業魯商國奧城項目公司) from April 2011 to April 2013, the deputy head of marketing management department of Lushang Property from April 2013 to July 2015, the deputy general manager and head of marketing department of Lushang Freda Health Investment Co., Ltd. (魯商福瑞達健康投資有限公司) from July 2015 to April 2017, the executive deputy head of marketing management department of Lushang Property from April 2017 to January 2018, the head of marketing management department of Lushang Property from January 2018 to July 2019, the head of marketing management department of Lushang Health Industry Development Co., Ltd. (魯商健康產業發展股份有限公司) from July 2019 to March 2021, the general manager of brand marketing center and head of marketing management department of brand marketing center of Lushang Health Industry Development Co., Ltd. (魯商健康產業發展股份有限公司) from March 2021 to October 2021, director of both marketing line and brand line of brand marketing center of Lushang Health Industry Development Co., Ltd. (魯商健康產業發展股份有限公司) from October 2021 to February 2022, and the general manager of value-added business unit of the Company from February 2022 to April 2023. She has been the party committee member of the Company since April 2023.

Ms. Li obtained a bachelor's degree in business administration from Shandong University in July 2001, and a master degree in engineering in project management from Shandong University in December 2019.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**JOINT COMPANY SECRETARIES**

**Mr. Yang Zhen (楊振)**, aged 37, was appointed as the secretary of our Board on May 20, 2022. He is also serving as our joint company secretary and is primarily responsible for handling corporate secretarial matters. Mr. Yang joined the Group in May 1, 2014 and has served as the director of the office of the Board since November 2022, where he has been primarily responsible for managing capital markets affairs and daily business operations of the Board.

Prior to joining the Group, from June 2011 to June 2012, Mr. Yang worked as recruitment specialist at China Railway No. 5 Engineering Group Co., Ltd. (中鐵五局集團建築工程有限責任公司), an infrastructure company, where he was primarily responsible for employee recruitment. From July 2012 to May 2014, he served as a member of the research and design department at Lushang Property, where he was primarily responsible for design and management work.

Upon joining the Group in May 2014, Mr. Yang served successively as the head of human resources management of the general department and deputy manager of the general department and manager of the marketing department at Lushang Design until January 2021, where he was primarily responsible for managing human resources affairs, market expansion and business operations, and formulating marketing plans in accordance with market changes. From January 2021 to May 2021, he served as a deputy head of the comprehensive management department of the Company, where he was primarily responsible for managing capital markets affairs and daily business operations.

Mr. Yang obtained his bachelor's degree in human resources management from Guizhou University (貴州大學) in the PRC in July 2011.

**Mr. Wong Wai Chiu (黃偉超)**, aged 69, was appointed as our joint company secretary on June 24, 2021. He is primarily responsible for handling corporate secretarial matters. Mr. Wong is an associate director of SWCS Corporate Services Group (Hong Kong) Limited. He has extensive experience in compliance and secretarial related works. Mr. Wong obtained a Bachelor degree in social science from University of Hong Kong (香港大學) in Hong Kong in October 1977. He obtained his master's degrees of applied science from University of Technology Sydney in Australia in May 1990, corporate governance from Hong Kong Polytechnic University (香港理工大學) in Hong Kong in November 2010 and arbitration and disputes resolution from City University of Hong Kong (香港城市大學) in Hong Kong in November 2007. He was certified as a chartered secretary by The Hong Kong Chartered Governance Institute in September 2018 and an Australian Certified Practising Accountant by the Institute of Certified Public Accountants of Australia in December 2010. Mr. Wong was also admitted as a certified trust practitioner of Hong Kong Trustees' Association in September 2019.

# CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report for the year ended December 31, 2023.

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

Save for the deviation for reasons set out below, during the Year, 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 as set out in Appendix C3 to the Listing Rules as a code of conduct for securities transactions by the Directors and supervisors since the Listing Date.

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

## CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

### Board Composition

As at December 31, 2023, the Board comprises eight Directors with two executive Directors, three non-executive Directors, and three independent non-executive Directors. With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. Our Board currently comprises five female Directors and three male Directors. Hence, we consider the Board has achieved gender diversity. We will continue to take steps to promote and maintain gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels.

Details of our Board composition as at December 31, 2023 and up to the date of this annual report are set out below:

#### *Executive Directors*

Mr. Wang Zhongwu (*Chairman*)  
Mr. Shao Meng

#### *Non-executive Directors*

Ms. Li Lu  
Ms. Luo Ye  
Ms. Li Han

#### *Independent Non-executive Directors*

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

Personal particulars of the Directors are set out in the section headed “Directors, Supervisors and Senior Management” of this annual report. No relationship (including financial, business, family or other material/relevant relationship(s)) exist between any member of the Board and other directors, supervisors, and senior management.

## THE ROLE OF THE BOARD OF DIRECTORS AND THE MANAGEMENT

The Board shall be accountable to the general meeting and responsible for the Group’s governance, establishing the Group’s business and management strategies and direction, and supervising and controlling operational and financial performance to maximize long-term shareholder value. The duties of Board include but not limited to convene a general meeting and report its work to such meeting; implement the resolutions of a general meeting; decide on the operation plans and investment schemes of the Company and formulate the development strategies of the Company; prepare the annual financial budget plan and final account plan of the Company; prepare the profit distribution plan and the loss recovery plan of the Company; decide on the establishment of the internal organizations of the Company; establish a basic management system of the Company; appoint or remove the senior management and decide on their remunerations; listen to the work report of the general manager and examine such work; and exercise other duties and powers specified in relevant laws, regulations, and the Articles of Association.

Matters relating to the daily operations and management of the Group shall be handled by the management authorized by the Board. The Board provides clear guidelines on the management authority of the management team and what the management team should report, and regularly reviews the authorized functions, rights and tasks to ensure that they remain applicable.

## CORPORATE GOVERNANCE REPORT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play an essential role in the Board through their independent professional judgment, and their views play an important role in the decisions of the Board. Their extensive experience has contributed significantly to enhancing the decision-making capability of the Board and achieving a sustainable and balanced development of the Group.

For the year ended December 31, 2023, the Board has complied with the requirements of Rule 3.10A of the Listing Rules (which specified that an issuer must appoint independent non-executive directors representing at least one-third of the board), and the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules (which specify that every board of directors shall include at least three independent non-executive directors, and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise).

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

The Board has also established mechanisms to ensure independent views are available to the Board, including providing the Directors with sufficient resources to perform its duties and shall seek, at the Company's expense, independent professional advice to perform its responsibilities if necessary. For the year ended December 31, 2023, the Board reviewed the implementation of the abovementioned mechanism and considered the mechanism to be appropriate and effective.

### THE APPOINTMENT OF DIRECTORS

Code provision B.2.2 of the Corporate Governance Code provides that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The term of office of each Director shall be three years or until the expiration of the term of the first session of the Board of Directors. Their re-election shall be subject to the provisions of the Articles of Association.

## CORPORATE GOVERNANCE REPORT

**NOMINATION POLICY**

The Nomination Committee identifies suitably qualified individuals and makes recommendations to the Board for nomination as directors to ensure that the members of the Board have the skills, experience, and multiple perspectives necessary to meet the business needs of the Company. The Nomination Committee will evaluate candidates based on the Company's business model and specific needs with reference to the following factors, including but not limited to the provisions of the Articles of Association, occupation, educational background, professional title and working experience.

The procedure for nominating Directors is as follows:

- (i) To make nominations, the Nomination Committee shall comprehensively evaluate and analyse the current Directors according to the Company's development needs, put forward demand suggestions and develop a job description.
- (ii) The Nomination Committee shall then widely search for candidates according to the requirements.
- (iii) The Nomination Committee shall then confirm the candidate's occupation, educational background, professional title and work experience.
- (iv) In accordance with the provisions of laws and regulations and the Articles of Association, the Nomination Committee shall seek the consent of candidates for the nomination of Directors.
- (v) The Nomination Committee shall then hold a meeting to review the qualifications of candidates.
- (vi) The Nomination Committee shall then propose candidate suggestions and relevant materials to the Board.
- (vii) Other follow-up work in accordance with the opinion of the Board.

## CORPORATE GOVERNANCE REPORT

### BOARD DIVERSITY POLICY

The Company has adopted the Board Diversity Policy, which sets out the approach to achieve diversity on our Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and education background, ethnicity, professional experience, independence, knowledge and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time.

All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Directors have a balanced mix of knowledge, skills and experience, including property management, business management, engineering operation, construction design, audit, finance and investment. They obtained degrees in various majors, including public administration, business management, engineering, commerce and economics. We have three independent non-executive Directors who have different industry backgrounds, representing over one-third of our Board members. Furthermore, our Board has a wide age range of 35 to 66 years old. Taking into account our existing business model and specific needs as well as the different background of the Directors, the Company considers that the composition of the Board satisfies the Board Diversity Policy.

The Nomination Committee is responsible for ensuring the diversity of our Board members and will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

## CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

### Strategy and ESG Committee

The Board has established the Strategy and ESG Committee with written terms of reference. The Strategy and ESG Committee consists of three Directors, namely Mr. Wang Zhongwu (王忠武), Mr. Shao Meng (邵萌) and Ms. Chen Xiaojing (陳曉靜). Mr. Wang Zhongwu (王忠武) currently serves as the chairman of the Strategy and ESG Committee. The primary duties of the Strategy and ESG Committee include:

- reviewing and making recommendations to the Board on, our business objectives, general strategic development plan and specific strategic development plans;
- evaluating factors which may affect our strategic development plans and their implementation, in light of domestic and foreign economic and financial conditions and market development trends, and making recommendations to the Board on adjustment to our strategic development plans in a timely manner;
- evaluating the general development conditions relating to various financial businesses, and making recommendations to the Board on adjustment to our strategic development plans in a timely manner;
- reviewing our strategic capital allocation and objectives of asset and liability management, and making recommendations to the Board;
- reviewing our business development plans, major investment and financing proposals submitted by senior management, and making recommendations to the Board;
- reviewing plans for establishment or adjustment of our internal bodies, tier-1 branches, direct branches or other direct affiliates, or overseas affiliates, and making recommendations to the Board;
- supervising and inspecting the implementation of our business plans and investment plans;
- reviewing proposals for our annual financial budget and final accounts submitted by senior management, and making recommendations to the Board;
- reviewing our plans for establishment of a legal entity or merger and acquisition proposals, and making recommendations to the Board;
- reviewing our matters on external investment, acquisition of assets, disposal of assets, asset write-off and provision of guarantees, and making recommendations to the Board;
- evaluating our corporate governance and making recommendations to the Board;
- specifying and implementing ESG-related work according to the major issues, strategies and guidelines derived from the importance assessment of ESG;
- coordinating annual environmental, social and governance (ESG) reporting; and
- other matters required by laws, administrative regulations, departmental rules and authorised by the Board.

For the year ended December 31, 2023, the Strategy and ESG Committee has held one meeting.



## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES *(CONTINUED)*

#### Audit Committee

We have established the Audit Committee on June 6, 2022 pursuant to Rule 3.21 of the Listing Rules with written terms of reference in compliance with paragraph D.3 of the Corporate Governance Code.

The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

The Audit Committee consists of three members, namely Ms. Leung Bik San (梁碧珊), Ms. Li Lu (李璐) and Ms. Chen Xiaojing (陳曉靜). The chairlady of the Audit Committee is Ms. Leung Bik San (梁碧珊), who is an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise.

For the year ended December 31, 2023, the Audit Committee held four meetings and reviewed the Company's annual consolidated financial information in 2022, the interim consolidated financial information in 2023, as well as the relevant information about continuing connected transactions, etc.

#### Remuneration Committee

We have established the Remuneration Committee on June 6, 2022 pursuant to Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph E.1 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to (i) establish, review and provide advice to our Board on our policies concerning remuneration of Directors and senior management officers and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) to determine the terms of the specific remuneration package of each executive Director and senior management; (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and (iv) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee consists of three members, namely Mr. Ma Tao (馬濤), Mr. Wang Zhongwu (王忠武) and Ms. Chen Xiaojing (陳曉靜). The chairman of the Remuneration Committee is Mr. Ma Tao (馬濤).

For the year ended December 31, 2023, the Remuneration Committee held one meeting to review the remuneration policy and structure of the Company and to determine the terms of the specific remuneration package of newly appointed Director.

#### Nomination Committee

We have established the Nomination Committee on June 6, 2022 pursuant to Rule 3.27A of the Listing Rules with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The primary duties of the Nomination Committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations regarding any proposed changes to the composition of our Board; (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board; and (iii) assess the independence of our independent non-executive Directors and make recommendations on matters relating to the appointment, reappointment and removal of our Directors and succession planning.

The Nomination Committee consists of three members, namely Ms. Chen Xiaojing (陳曉靜), Mr. Ma Tao (馬濤) and Ms. Li Lu (李璐). The chairlady of the Nomination Committee is Ms. Chen Xiaojing (陳曉靜).

For the year ended December 31, 2023, the Nomination Committee held one meeting to consider and make recommendation on the nomination of new Directors candidates with reference to the Company's nomination policy and Board Diversity Policy.

## CORPORATE GOVERNANCE REPORT

## GENERAL MEETINGS, BOARD OF DIRECTORS AND THE BOARD COMMITTEES' MEETINGS

The general meeting is the highest authority of the Company. It provides an opportunity for direct communication and a sound relationship between the Shareholders and the Board and senior management. The Company attaches great importance to the general meeting. For the year ended December 31, 2023, the Company convened a total of four general meetings, namely the 2022 annual general meeting and the 2023 first extraordinary general meeting of the Company held on June 30, 2023, and the 2023 second extraordinary general meeting of the Company held on August 3, 2023, and the 2023 third extraordinary general meeting of the Company held on December 28, 2023. All the resolutions submitted at the general meetings were passed.

Regular meetings of the Board shall be held at least four times a year, and shall be convened by the Chairman of the Board. All Directors and Supervisors shall be given not less than fourteen days' notice for regular Board meetings. For other meetings of the Board and special committees under the Board, reasonable notice will be given.

For the year ended December 31, 2023, the Board of Directors convened five meetings. The following table sets out the attendance of each of our Directors at the meetings of the Board and the special committees under the Board and general meetings during the said period:

Name of Director	Number of attendance/Number of meetings held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy and ESG Committee	General meeting
Mr. Wang Zhongwu	5/5	-	1/1	-	1/1	4/4
Mr. Shao Meng	5/5	-	-	-	1/1	4/4
Mr. Yang Yunlong <sup>(Note 1)</sup>	2/2	-	-	-	-	-
Ms. Li Lu	5/5	4/4	-	1/1	-	4/4
Ms. Luo Ye	5/5	-	-	-	-	1/4
Ms. Li Han <sup>(Note 2)</sup>	3/3	-	-	-	-	4/4
Ms. Leung Bik San	5/5	4/4	-	-	-	4/4
Ms. Chen Xiaojing	5/5	4/4	1/1	1/1	1/1	4/4
Mr. Ma Tao	5/5	-	1/1	1/1	-	4/4

Notes:

1. Mr. Yang Yunlong resigned on June 30, 2023.
2. Ms. Li Han was appointed on June 30, 2023. On June 30, 2023, Ms. Li had obtained the legal advice referred to in Rule 3.09D of the Listing Rules, and had confirmed that she understood her obligations as a director of a listed issuer.

## CORPORATE GOVERNANCE REPORT

**DIRECTORS' TRAINING AND CAREER DEVELOPMENT**

Directors should participate in appropriate continuing professional development to develop and refresh their knowledge and skills. The Company has arranged training for its Directors and provided them with reading material on relevant topics. Every newly appointed Director shall receive a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company. All Directors have been trained in respect of the duties and responsibilities of Directors, the relevant laws and regulations applicable to Directors and the duty of disclosure of interests, and have read materials relevant to the Company's business or the Directors' functions and powers.

All the Directors namely, Mr. Wang Zhongwu, Mr. Shao Meng, Mr. Yang Yunlong (resigned on June 30, 2023), Ms. Li Lu, Ms. Luo Ye, Ms. Li Han (appointed on June 30, 2023), Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao have complied with code provision C.1.4 of the Corporate Governance Code and participated in continuous professional development to develop and refresh their knowledge and skills.

Training received by Directors for the year ended December 31, 2023:

Directors	Types of training <sup>(Note)</sup>
Mr. Wang Zhongwu	A,B
Mr. Shao Meng	A,B
Mr. Yang Yunlong	A,B
Ms. Li Lu	A,B
Ms. Luo Ye	A,B
Ms. Li Han	A,B
Ms. Leung Bik San	A,B
Ms. Chen Xiaojing	A,B
Mr. Ma Tao	A,B

Notes:

A: Attended training sessions, including but not limited to, briefings, seminars and conferences.

B: Read relevant news alerts, newspapers, journals, magazines and relevant publications.

## CORPORATE GOVERNANCE REPORT

**THE REMUNERATION OF SENIOR MANAGEMENT**

Details of the remuneration of the Directors, the Supervisors and chief executives and the respective remuneration of the five highest paid individuals for the year ended December 31, 2023 are set out in Note 13 to the consolidated financial statements. Their remuneration is determined and recommended based on their respective experience, qualification, position and seniority. None of the Directors and the Supervisors had waived or agreed to waive the receipt of any emoluments during the year ended December 31, 2023.

The remuneration level of the Company's senior management (excluding Directors and Supervisors) by band for the year ended December 31, 2023 is set out below:

Remuneration level (RMB)	Number of persons
0-500,000	3

**CORPORATE GOVERNANCE FUNCTION**

The Board has a duty to perform the functions set out in code provision A.2.1 of the Corporate Governance Code. During the period from the Listing Date to December 31, 2023, the Board has developed and reviewed the Company's policies and practices on corporate governance; reviewed and monitored the training and continuing professional development of Directors and senior management and the Company's policies and practices in relation to compliance with legal and regulatory requirements; developed, reviewed and monitored the code of conduct and compliance manual to employees and Directors; and reviewed the Company's compliance with the Corporate Governance Code.

**DIRECTORS' AND OFFICERS' INSURANCE**

The Company has arranged for appropriate insurance cover for Directors' and Officers' liabilities in respect of any legal actions against them arising out of the Company's business, and the insurance coverage will be reviewed annually.

**INTERNAL CONTROL AND RISK MANAGEMENT**

We have implemented various risk management policies and measures to identify, assess, manage and monitor risks arising from our operations. Risks identified by our management team, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies.

To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted, among others, the following risk management and internal control measures:

- we have adopted various quality control and supervision measures and procedures to prevent risks relating to our services;
- we have established the Audit Committee responsible for overseeing our financial records and risk management and internal control procedures and policies; and
- our human resources department is responsible for monitoring compliance with our internal rules and procedures by our employees to ensure that we comply with the relevant regulatory requirements and the applicable laws so as to reduce our legal risks.

## CORPORATE GOVERNANCE REPORT

### INTERNAL CONTROL AND RISK MANAGEMENT *(CONTINUED)*

We strive to foster a strong compliance culture among our employees. To achieve such compliance culture and set the expectations for individual behaviour across the Group, we adopted procedures and policies to ensure strict accountability of individual employees, and regularly conduct internal compliance checks and inspections and conduct compliance training.

The Group has each department and subsidiaries of the Company to collect risk information and conduct risk identification, analysis and assessment. Secondly, the risk assessment results from the above-mentioned units are summarized and submitted to the lead department of the Company for risk management, and a list of significant risks of the Group (or a database of significant risks) is formed upon sorting. Upon approval by the general manager, such significant risks will be listed as the focus of internal control of the Group. The six major risks, namely strategic risk, financial risk, market risk, operating risk, compliance risk and legal risk are the main targets for the Group's risk management and also serve as a guide and direction for the construction of the internal control system. The Group adopts a policy that manages risks from multiple dimensions of risk avoidance, control and acceptance according to the level of risk ranging from significant to slight.

By implementing the internal control system, the Group controls risks associated with its business operations and subject to management from dimensions of risk control and acceptance. Each business department of the Company and its subsidiaries are the first line of defense for the above risk management, which implement risk control measures in business processing and operations. The Company's legal and compliance department, as a comprehensive risk management functional department, forms the second line of defense together with other functional departments, responsible for professional risk management and playing a role in addressing gaps in risk control by enhancing and monitoring risk management. The Company has also established an internal audit mechanism for risk management, which is also an internal control monitoring and evaluation mechanism, i.e. the audit department is responsible for monitoring and evaluating risk management and internal control. This is the third line of defense for the Group's risk management.

In respect of financial risk, the Company has formulated and implemented a financial reporting management system, and adopted a series of control measures such as internal approval and external audit to reasonably ensure the effective internal control over financial reporting and the financial reporting risks within control. Regarding the safety production management risks, by establishing a safety production management system and formulating safety accident prevention and control measures, the Company strictly implements the main body responsibility of the enterprise. For the non-compliance risk associated with property management services, a service standard system has been set in place to clarify compliance obligations and effectuate compliance operation.

The Board is of the view that the Group's risk management and internal control systems were effective and adequate in 2023 and thus the overall risk level was within the tolerable range of the Group.

## CORPORATE GOVERNANCE REPORT

**INTERNAL CONTROL AND RISK MANAGEMENT** (CONTINUED)

The Board confirms that it is responsible for the Group's risk management and internal control systems and regularly reviews the effectiveness of such systems at least annually; acknowledges that such risk management and internal control systems are designed to manage the risks associated with the achievement of business objectives but not to eliminate the risk of failure to achieve business objectives; and can only make reasonable rather than absolute assurance that no material misstatement or loss will result.

The Company also maintains strict anti-corruption policies to recognize and deal with bribery and corruption and to handle corporate donation and sponsorship activities of the Group, which applies to all employees and related third parties who deal with the Group. The Company has a whistle-blowing policy that serves the purpose of establishing whistle-blowing procedures for employees and other relevant external parties of our Company, in order to report and escalate any suspicious misconducts. In accordance with the policy, we protect all whistle-blowers from any kind of retaliation. All the information provided by the whistle-blowers will be strictly confidential.

**PROCEDURES FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION**

The Company maintains a policy on disclosure of inside information with reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. The policy sets out procedures and internal controls for handling and disseminating inside information in an appropriate and timely manner, such as taking steps to determine sufficient details, conducting internal assessment of the matter and its possible impact on the Company, seeking professional advice when required and verifying the facts. Anyone in possession of the information must ensure such information is kept in strict confidentiality and is not allowed to buy or sell any securities of the Company until the information is fully disclosed to the public.

**DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RELATION TO FINANCIAL STATEMENTS**

The Directors understand their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023, which give a true and fair view of the condition of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Directors were not aware of any material uncertainties which may cast significant doubt upon the Group's ability to continue as a going concern.

The auditor's statement on its reporting responsibilities in respect of the Group's consolidated financial statements is set out in the Independent Auditor's Report in this annual report.

**PRINCIPAL RISKS AND UNCERTAINTIES**

A review of the Group's business during the Year, which includes a discussion of the principal risks and uncertainties facing by the Group, particulars of important events affecting the Group during the Year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of the Report of the Board.

## CORPORATE GOVERNANCE REPORT

### AUDITOR'S REMUNERATION

For the year ended December 31, 2023, the Company's remuneration to the external auditor of the Company, Da Hua, for audit services for 2023 was RMB0.45 million. Apart from this, the external auditor of the Company, Da Hua, did not provide non-audit services to the Company.

### JOINT COMPANY SECRETARIES

Mr. Yang Zhen and Mr. Wong Wai Chiu (associate director of our external service provider: SWCS Corporate Services Group (Hong Kong) Limited) have been appointed as the joint company secretaries of the Company.

Mr. Yang Zhen has been designated as the principal contact person of the Company and will cooperate and communicate with Mr. Wong Wai Chiu on corporate governance matters of the Company.

During the year ended December 31, 2023, Mr. Yang Zhen and Mr. Wong Wai Chiu have received relevant professional training of not less than 15 hours respectively in accordance with Rule 3.29 of the Listing Rules.

### SHAREHOLDERS' RIGHTS

In order to safeguard the interests and rights of Shareholders, the Company proposes separate resolutions on significant events (including the election of individual director) at general meetings. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules, and the poll results will be published on the websites of the Company and the Stock Exchange upon the conclusion of each general meeting.

#### Convening of general meetings

Pursuant to the Articles of Association, the general meetings are generally convened by the Board.

Two or more of independent non-executive Directors shall be entitled to propose to the Board to convene an extraordinary general meeting. Regarding the proposal requesting to convene an extraordinary general meeting by the independent non-executive Directors, the Board shall, in accordance with laws, administrative regulations and the Articles of Association, inform in writing whether it agrees or disagrees to convene an extraordinary general meeting within ten days upon receipt of the proposal.

The Supervisory Committee shall be entitled to propose to the Board to convene an extraordinary general meeting, and shall put forward its proposal to the Board in writing. The Board shall, in accordance with laws, administrative regulations and the Articles of Association, inform in writing whether it agrees or disagrees to convene an extraordinary general meeting within ten days upon receipt of the proposal.

Shareholder(s) severally or jointly holding more than ten percent of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, in accordance with laws, administrative regulations and the Articles of Association, inform in writing whether it agrees or disagrees to convene an extraordinary general meeting within ten days upon receipt of the request.

## CORPORATE GOVERNANCE REPORT

**SHAREHOLDERS' RIGHTS** (CONTINUED)**Proposals of general meetings**

When a general meeting is convened by the Company, the Board, Supervisory Committee and Shareholder(s) who severally or jointly hold(s) more than three percent of the shares of the Company shall be entitled to make proposals to the general meetings.

Shareholder(s), who severally or jointly hold(s) more than three percent of the shares of the Company, may submit ad hoc proposals in writing to the convener ten days before the convening of the general meeting. The convener shall issue a supplemental notice of the general meeting within two days upon receipt of the proposals and announce the contents of the ad hoc proposals, and place the proposals on the agenda for the general meeting and submit the proposals for consideration at the general meeting if such proposals fall within the scope of duties of general meetings. Except for circumstances provided in the above paragraph, the convener, after issuing the notice of the general meeting, shall neither modify the proposals stated in the notice of general meetings nor add new proposals.

**Enquiries to the Board**

The Company maintains a website at [www.lushangfuwu.com](http://www.lushangfuwu.com), where information on the Company's businesses and projects, key corporate governance policies and announcements, financial reports and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company by the following ways:

Address: Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, PRC  
Email: [lsfwlx@163.com](mailto:lsfwlx@163.com)

**COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS**

The Company believes that effective communication with shareholder is essential to enhance investor relations and to keep investors informed of the Group's business performance and strategies. The Company has established various and a wide range of communication channels with Shareholders, including general meeting, annual results and interim results, annual and interim reports, announcements and circulars and performance conference. To facilitate the communication between the Company and investors, the Company holds meetings, briefings and roadshows with investors and analysts from time to time. Apart from that, the Company invites investors and business stakeholders to visit our management site every now and then, giving them the opportunities to meet with the local management and visit our facilities. During their visits, the Company collects feedback from visitors on our performance and learns about their expectations. Shareholders may make enquires with the Company through channels mentioned above, and provide comments and recommendations to the Directors or managements at any time. Upon receipt of written enquiries from Shareholders, the Company will make actual responses to the Shareholders as soon as possible.

In addition, the Company updates its website from time to time to keep the Shareholders updated of the recent development of the Company. The Company endeavors to maintain an ongoing dialogue with shareholders. At the annual general meeting, the Directors (or their delegates as appropriate) will be available to meet with the Shareholders and answer their enquiries. Having considered the multiple channels of communication in place as described above, the Company considers the implementation of the Shareholders' communication policy during 2023 was effective.



## CORPORATE GOVERNANCE REPORT

**DIVIDEND POLICY**

The Company currently does not set any pre-determined dividend payout ratio. The payment and amounts of dividends (if any) depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividend paid by us, future prospects and other factors which we consider relevant. The declaration, payment and amount of dividends will be subject to our discretion. The proposed payment of dividends is also subject to the absolute discretion of our Board, and any declaration of final dividend for the year will be subject to the approval of our Shareholders.

**EMPLOYEE DIVERSITY**

The Group insists on the principle of fairness and voluntariness in recruitment, and does not impose any restrictive requirements on gender, ethnicity, nationality and region. In order to avoid child labour and forced labour, we, in strict compliance with the provision of Article 15 of the Labour Law of the People's Republic of China, ban the employer from recruiting juveniles under the age of 16, and strictly check whether the actual age of the candidates meets the employment criteria by checking their identity card, etc. By the end of December 31, 2023, the Group had 1,437 employees in total.

The indicators on employees of the Group in 2023 are as follows:

Name of indicator	At the end of 2023 (persons)	Percentage of total number of employees at the end of 2023
Male employees	770	53.6
Female employees	667	46.4
Employees aged 30 and under	341	23.7
Employees aged from 31 to 50	887	61.7
Employees aged 51 or above	209	14.6

The Group encourages gender diversity across its workplace. We maintain a 54:46 ratio of males to females in the workforce as at December 31, 2023. The Board considers that gender diversity in respect of both the Board and the workforce (including senior management) has been achieved.

**ARTICLES OF ASSOCIATION**

For the year ended December 31, 2023, the Company has adopted the amended Articles of Association of the Company at the extraordinary general meeting held on August 3, 2023. The latest version of the Articles of Association is available on the Company's website ([www.lushangfuwu.com](http://www.lushangfuwu.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

# REPORT OF THE BOARD

The Board is pleased to present its directors' report and the audited consolidated financial statements of the Company for the year ended December 31, 2023.

## GENERAL INFORMATION AND INITIAL PUBLIC OFFERING

The Company was established in the PRC on March 24, 2006 and converted into a joint stock company with limited liability on March 12, 2021. 33,340,000 H Shares with a nominal value of RMB1.00 each were listed on the Main Board of Stock Exchange on July 8, 2022, with an offer price of HK\$5.92 per H Share. After deduction of underwriting fees and related expenses, the Net Proceeds from the Listing were approximately HK\$138 million. Accordingly, the net price per H Share was approximately HK\$4.14.

## PRINCIPAL ACTIVITIES

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.

## FINAL DIVIDEND

The Board resolved not to recommend payment of any final dividend for the Year (for the year ended December 31, 2022: RMB0.1074 per share of the Company (before tax)).

## SHARE CAPITAL

The Company issued 33,340,000 H Shares at HK\$5.92 per H Share on July 8, 2022 for the Listing. The H Shares have a nominal value of RMB1.00 each and the aggregate nominal value of the H Shares issued at the time of the Listing was RMB33,340,000.

For the year ended December 31, 2023, details of the changes in share capital of the Company are set out in Note 5.26 to the financial statements.

## DEBENTURES

The Company did not issue any debentures for the year ended December 31, 2023.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Company. For the year ended December 31, 2023, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

## REPORT OF THE BOARD

### CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

For the year ended December 31, 2023 and up to the date of this annual report, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group for the year ended December 31, 2023 are set out in the consolidated statement of changes in equity and in the section headed “Consolidated Statement of Changes in Equity” of this annual report.

As at December 31, 2023, our aggregate amount of reserve available for distribution to equity Shareholders of the Company was approximately RMB164.6 million.

### THE DIRECTORS

Details of our Board composition as at December 31, 2023 and up to the date of this annual report are set out below:

Executive Directors: Mr. Wang Zhongwu, Mr. Shao Meng

Non-executive Directors: Ms. Li Lu, Ms. Luo Ye, Ms. Li Han

Independent

Non-executive Directors: Ms. Leung Bik San, Ms. Chen Xiaojing, Mr. Ma Tao

Personal particulars of the Directors are set out in the section headed “Directors, Supervisors and Senior Management” of this annual report.

### PROCEEDS FROM THE LISTING

The H Shares were successfully listed on the Main Board on 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 and the net price per H Share was approximately HK\$4.14.

## REPORT OF THE BOARD

Save as disclosed below, the Group intends to use the Net Proceeds in accordance with the method and percentage set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus:

Proposed use of Net Proceeds as set out in the Prospectus		Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds as of December 31, 2023 (HK\$ million)	Unutilised Net Proceeds as of December 31, 2023 (HK\$ million)	Expected time of full utilisation <sup>(1)</sup>
Major categories	Sub-categories and specific plans					
<i>Strategic cooperation, acquisitions and investments to expand business scale and diversify property portfolio</i>		60.0	82.80	0	82.80	December 31, 2025
	(i) Strategic acquisitions and investments in property management companies with a focus on managing residential projects	48.0	66.24	0	66.24	
	(ii) Strategic acquisitions and investments in property management companies with a focus on managing nonresidential projects to further diversify our managed property portfolio	12.0	16.56	0	16.56	
<i>Enhance property management services and further develop our diversified community value-added services to improve our customers' experience and satisfaction</i>		15.0	20.70	0	20.70	December 31, 2026
	(i) Further improve our traditional property management services to enhance customer experiences:	10.0	13.80	0	13.80	
	– For training programs, among which:		5.06	0	5.06	

## REPORT OF THE BOARD

## PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus	Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds as of December 31, 2023 (HK\$ million)	Unutilised Net Proceeds as of December 31, 2023 (HK\$ million)	Expected time of full utilisation <sup>(1)</sup>
(a) to provide occupational training programs for our employees to obtain necessary qualifications and licenses for, among others, fire safety, security services, human resources, financial management and greening and gardening;		0.43	0	0.43	
(b) to hold training classes targeting different levels of our employees, including our management trainees, entry level employees and senior employees, to create a highly professional workforce and ensure the smooth implementation of our standardized operation procedures;		3.60	0	3.60	
(c) to organize internal competitions to further incentivize our employees and therefore align our employees' interests with ours;		0.17	0	0.17	
(d) to the training of our internal instructors of our training programs;		0.43	0	0.43	

## REPORT OF THE BOARD

## PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus	Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds as of December 31, 2023 (HK\$ million)	Unutilised Net Proceeds as of December 31, 2023 (HK\$ million)	Expected time of full utilisation <sup>(1)</sup>
(e) to provide to training sessions relating to property management industry to help our employees and management team stay abreast of industry development trends.		0.43	0	0.43	
– For brand promotions, among which:		8.76	0	8.76	
(a) to improve the content of our online platforms such as our official website, TikTok account and WeChat official account to increase the publicity of our brand;		0.26	0	0.26	
(b) to hold press conferences and public relation campaigns to further enhance our brand awareness;		0.95	0	0.95	
(c) to hold publicity campaigns that features our brand ambassadors and our services and products to create more opportunities to interact with our customers and further enhance our social influence;		3.86	0	3.86	

## REPORT OF THE BOARD

## PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus	Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds as of December 31, 2023 (HK\$ million)	Unutilised Net Proceeds as of December 31, 2023 (HK\$ million)	Expected time of full utilisation <sup>(1)</sup>
(d) to advertisement on both traditional media and new media platforms; and		2.74	0	2.74	
(e) to unify our firmwide VI designs to consolidate and streamline our brand promotion management.		0.95	0	0.95	
(ii) Further develop our diversified community value-added services	5.0	6.90	0	6.90	
<i>Invest in technology systems and standardized business operations</i>	15.0	20.70	8.53	12.17	December 31, 2026
(i) Develop our online service platforms to improve interactions with our customers	2.2	3.04	0.45	2.59	
<i>Develop technology-supported community platform</i>					
(ii) Procure and upgrade intelligent devices and facilities at our managed properties, among which:	9.8	13.52	0.85	12.67	
(a) to monitoring and communication equipment and personnel that manage the smart systems;		1.28	0	1.28	
(b) to parking lot renovation; and		3.08	0.70	2.38	
(c) to the smart system assuming that developing and upgrading such systems in each community.		9.14	0.15	8.99	

## REPORT OF THE BOARD

## PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus		Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds as of December 31, 2023 (HK\$ million)	Unutilised Net Proceeds as of December 31, 2023 (HK\$ million)	Expected time of full utilisation <sup>(1)</sup>
	(iii) Develop and upgrade our internal management systems, among which:	3.0	4.14	0.61	3.53	
	(a) to internal management system operation and data protection; and		2.50	0.61	1.89	
	(b) to human resource for internal management.		1.64	0	1.64	
<i>Working capital</i>	<i>Working capital and other general corporate purposes.</i>	10.0	13.80	6.62	7.18	December 31, 2024
<b>Total</b>		100.0	138			

Note:

- (1) The Company expects to fully utilise the unutilised Net Proceeds (i) for strategic cooperation, acquisitions and investments to expand business scale and diversity property portfolio by December 31, 2025, representing a one-year delay in its expected timeline as disclosed in its 2022 Annual Report and its 2023 Interim Report; (ii) to enhance property management services and further develop our diversified community value-added services to improve our customers' experience and satisfaction by December 31, 2026, representing a three-year delay in its expected timeline as disclosed in its 2022 Annual Report and its 2023 Interim Report; (iii) to invest in technology systems and standardized business operations and develop technology supported community platform by December 31, 2026, representing a three-year delay in its expected timeline as disclosed in its 2022 Annual Report and its 2023 Interim Report and (iv) for working capital by December 31, 2024, representing a one-year delay in its expected timeline as disclosed in its 2022 Annual Report and its 2023 Interim Report. Such delays are primarily due to the adjustment of the Company's business development strategy as affected by the social, economic and environmental impacts on the macroeconomic environment in China.

Save as disclosed above regarding update of the expected timeline for the unutilised Net Proceeds, as of 31 December 2023, the Directors are not aware of any material change in the planned use of the Net Proceeds. The remaining Net Proceeds which had not been utilized were deposited with licensed financial institution in mainland China. The unutilised Net Proceeds and the above timeline of intended utilization will be applied in the manners disclosed by the Company. However, the expected timeline for the unutilised Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

As disclosed in the announcement of the Company dated July 17, 2023, as the Company has pre-paid part of such listing expenses by using its internal resources, the Company intends to convert the corresponding part of the gross proceeds (being the remaining amount of gross proceeds originally intended for payment of listing expenses in the amount of HK\$46.1 million) (taking into account the interests and exchange revenues) as general working capital of the Company.



## REPORT OF THE BOARD

### INVESTMENT PROPERTIES

Details of the investment properties of the Group during the year ended December 31, 2023 are set out in Note 5.10 to the consolidated financial statements.

### RIGHTS OF PRE-EMPTION

According to the PRC laws and the Articles of Association, there is no arrangement for the rights of pre-emption.

### TAX RELIEF AND EXEMPTION TO HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company due to their holding of the Company's securities.

### EQUITY-LINKED AGREEMENTS

For the year ended December 31, 2023, no equity-linked agreement was entered into by the Group or still in effect.

### SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company and the principal particulars of the service contracts of the Directors and Supervisors comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

The appointment of all the Directors is effective from the respective appointment date until the expiry of the term of the first session of the Board.

The appointment of all the Supervisors is effective from the respective appointment date until the expiry of the term of the first session of the Supervisory Committee.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

### MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

For the year ended December 31, 2023, no Director, Supervisor or any entity connected with the Directors or Supervisors of the Company is materially interested in, either directly or indirectly, any material transactions, arrangements or contracts relating to the business of the Company to which the Company or any of its subsidiaries is a party.

## REPORT OF THE BOARD

**INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS**

For the year ended December 31, 2023, no Directors, the Supervisors or any of their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete with the Company's business as required to be disclosed under Rule 8.10 of the Listing Rules.

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

As at December 31, 2023, the interests and short positions of the Directors, Supervisors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company's associated corporation (within the meaning of Part XV of SFO), which will be required to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name	Name of associated corporation	Nature of interest	Number of Shares interested	Approximate percentage of shareholding
Mr. Wang Zhongwu	Lushang Freda	Beneficial owner	100,000 <sup>(1)</sup>	0.0099%
Ms. Li Lu	Lushang Freda	Beneficial owner	200,000 <sup>(2)</sup>	0.0197%
Mr. Wang Hongtao	Lushang Freda	Beneficial owner	78,000 <sup>(3)</sup>	0.0077%
Mr. Zhang Xiangqian	Lushang Freda	Beneficial owner	26,667 <sup>(4)</sup>	0.0026%

Notes:

(1) Mr. Wang Zhongwu was interested in 100,000 shares of Lushang Freda.

(2) Ms. Li Lu was interested in 200,000 shares of Lushang Freda.

(3) Mr. Wang Hongtao was interested in 78,000 shares of Lushang Freda.

(4) Mr. Zhang Xiangqian was interested in 26,667 shares of Lushang Freda.

Save as disclosed above, as at December 31, 2023, 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.

## REPORT OF THE BOARD

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

So far as is known to the Directors, as of December 31, 2023, 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 <sup>(1)</sup>	Approximate percentage of shareholding in the relevant class of Shares <sup>(2)</sup>	Approximate percentage of shareholding in the total Shares <sup>(3)</sup>
Lushang Freda	Beneficial owner	Domestic Shares	95,100,000 (L)	95.10%	71.32%
Shandong Commercial <sup>(4)</sup>	Interest in controlled corporation	Domestic Shares	100,000,000 (L)	100%	75.0%
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)	19.48%	4.87%
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)	19.48%	4.87%
HWABAO TRUST CO., LTD	Trustee	H Shares	6,495,000 (L)	19.48%	4.87%
CHINA INTERNATIONAL ECONOMIC TRADING LIMITED	N/A <sup>(5)</sup>	H Shares	4,680,000 (L)	14.04%	3.51%
LU DUNKE <sup>(6)</sup>	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) <sup>(6)</sup>	Beneficial owner	H Shares	3,650,000 (L)	10.95%	2.74%

\* For identification purposes only

## REPORT OF THE BOARD

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

Name	Nature of interest	Class of Shares	Number of Shares interested <sup>(1)</sup>	Approximate percentage of shareholding in the relevant class of Shares <sup>(2)</sup>	Approximate percentage of shareholding in the total Shares <sup>(3)</sup>
FAN QINYUAN <sup>(7)</sup>	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) <sup>(7)</sup>	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) <sup>(7)</sup>	Beneficial owner	H Shares	2,254,500 (L)	6.76%	1.69%

## Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Calculated based on the Company's 100,000,000 Domestic Shares or 33,340,000 H Shares in issue as at December 31, 2023.
- (3) Calculated based on the total number of 133,340,000 Shares in issue as at December 31, 2023.
- (4) Lushang Freda is owned as to 51.62% by Shandong Commercial and 1.69% by Lushang Group Co., Ltd., a company owned as to 68.15% by Shandong Commercial. By virtue of the SFO, Shandong Commercial is deemed to be interested in the Shares held by Lushang Freda. Green Development holds 4,900,000 Shares, representing 3.67% of the total Shares in issue. As of December 31, 2023, Green Development was wholly-owned by Shandong Urban and Rural Development Group Co., Ltd. (山東省城鄉發展集團有限公司), which is wholly-owned by Shandong Commercial. By virtue of the SFO, Shandong Commercial is deemed to be interested in the Shares held by Green 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.

Save as disclosed above, as at December 31, 2023, 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.

## REPORT OF THE BOARD

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended December 31, 2023 were there any rights to acquire benefits by means of the purchase of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no subsisting arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

### PERMITTED INDEMNITY PROVISION

The Company has maintained liability insurance for the Directors, Supervisors and senior management to protect them from any legal liability to any third party arising from corporate activities.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2023.

### CHARITABLE DONATIONS

During the year ended December 31, 2023, the Group did not make charitable donations.

### COMPLIANCE WITH DEED OF NON-COMPETITION

Each of Shandong Commercial, Lushang Freda and Green Development, all being controlling shareholders of the Company, entered into a deed of non-competition dated June 22, 2022 in favor of the Company. Please refer to the section headed "Relationship with Our Controlling Shareholders – Deed of Non-competition" in the Prospectus for more details.

For the year ended December 31, 2023, each of the abovementioned controlling shareholders, confirmed that it had complied with the non-competition undertaking. The independent non-executive Directors have reviewed the confirmation letter in relation to their compliance with the non-competition undertaking for the year ended December 31, 2023.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2023, the revenue attributable to the Group's five largest customers and the largest customer accounted for 31.3% and 24.2%, respectively, of the Group's total revenue for the year ended December 31, 2023. Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 21.1% and 6.3%, respectively, of the Group's total purchases for the year ended December 31, 2023.

None of the Directors, Supervisors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for the year ended December 31, 2023.

## REPORT OF THE BOARD

**CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS**

Saved as disclosed under "Continuing Connected Transaction", neither the Company nor any of its subsidiaries entered into any significant contracts with the controlling shareholders of the Company or any of its subsidiaries for the year ended December 31, 2023.

**CONTINUING CONNECTED TRANSACTIONS**

For the year ended December 31, 2023, the Group entered into the following non-exempted continuing connected transactions with its connected persons:

**1. Master Engineering Services Agreement**

On June 22, 2022, the Company entered into the Master Engineering Services Agreement with Shandong Commercial, pursuant to which we agreed to provide to Lushang Freda Group and the Lushang Freda Associates and Shandong Commercial and Shandong Commercial Associates certain engineering services, including but not limited to (i) landscape construction engineering services; (ii) maintenance engineering services; and (iii) landscape technology engineering services (the "**Engineering Services**"). The Master Engineering Services Agreement has a term commencing from the Listing Date to December 31, 2023, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate engineering agreements setting out the specific terms and conditions based on the principles provided in the Master Engineering Services Agreement.

The maximum annual amounts payable by Lushang Freda Associates and Shandong Commercial Associates to the Group under the Master Engineering Services Agreement for each of the two years ending December 31, 2023 are as follows:

	For the year ended December 31, 2022 (RMB' million)	For the year ended December 31, 2023 (RMB' million)
Lushang Freda Associates	64.4	<b>72.0</b>
Shandong Commercial Associates	7.6	<b>8.0</b>
<b>Total</b>	<b>72.0</b>	<b>80.0</b>

## REPORT OF THE BOARD

**CONTINUING CONNECTED TRANSACTIONS** (CONTINUED)**1. Master Engineering Services Agreement (continued)***Revision of Annual Caps*

On November 20, 2023 (after trading hours), the Company has entered into the Supplemental Master Engineering Services Agreement to revise the existing annual caps for the year ended December 31, 2023 and expand the service scope to include decoration engineering services under the Master Engineering Services Agreement.

Pursuant to the Supplemental Master Engineering Services Agreement, the annual cap of the Engineering Services provided to Shandong Commercial Associates for the year ending December 31, 2023 is revised to RMB87.0 million. The revised annual caps under the Supplemental Master Engineering Services Agreement are set out as follows:

	<b>For the year ended December 31, 2023 (RMB' million)</b>
Lushang Freda Associates	<b>72.0</b>
Shandong Commercial Associates	<b>87.0</b>
<b>Total</b>	<b>159.0</b>

For details, please refer to the announcement of the Company dated November 20, 2023, the circular of the Company dated December 11, 2023 and the announcement of the Company dated December 28, 2023.

*Renewal of Annual Caps*

On November 20, 2023 (after trading hours), the Company has also entered into the New Master Engineering Services Agreement for a term commencing from January 1, 2024 to December 31, 2025.

The annual caps under the New Master Engineering Services Agreement for the two years ending December 31, 2025 are as follows:

	<b>For the year ending December 31, 2024 (RMB' million)</b>	<b>For the year ending December 31, 2025 (RMB' million)</b>
Lushang Freda Associates	10.0	10.0
Shandong Commercial Associates	100.0	110.0
<b>Total</b>	<b>110.0</b>	<b>120.0</b>

For details, please refer to the announcement of the Company dated November 20, 2023, the circular of the Company dated December 11, 2023 and the announcement of the Company dated December 28, 2023.

The actual transaction amounts for the Engineering Services provided by the Group to Lushang Freda Associates and Shandong Commercial Associates for the year ended December 31, 2023 were RMB15.4 million and RMB59.1 million, respectively, which have not exceeded the aforesaid annual caps.

## REPORT OF THE BOARD

**CONTINUING CONNECTED TRANSACTIONS** (CONTINUED)**2. Master Design Services Agreement**

On June 22, 2022, the Company entered into the Master Design Services Agreement with Shandong Commercial, pursuant to which we agreed to provide to Lushang Freda Associates and Shandong Commercial Associates certain design services, including but not limited to (i) architectural design services; (ii) landscape design services; (iii) decorative design services; and (iv) decoration management services (the “**Design Services**”). The Master Design Services Agreement has a term commencing from the Listing Date to December 31, 2023, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate design agreements setting out the specific terms and conditions based on the principles provided in the Master Design Services Agreement.

The maximum annual amounts payable by Lushang Freda Associates and Shandong Commercial Associates to the Group under the Master Design Services Agreement for each of the two years ending December 31, 2023 are as follows:

	For the year ended December 31, 2022 (RMB' million)	For the year ended December 31, 2023 (RMB' million)
Lushang Freda Associates	53.9	70.0
Shandong Commercial Associates	14.5	19.3
<b>Total</b>	<b>68.4</b>	<b>89.3</b>

**Revision of Annual Caps**

On November 20, 2023 (after trading hours), the Company has entered into the Supplemental Master Design Services Agreement to revise the annual caps for the year ending December 31, 2023 under the Master Design Services Agreement.

Pursuant to the Supplemental Master Design Services Agreement, the annual cap of the Design Services provided to Shandong Commercial Associates for the year ending December 31, 2023 is revised to RMB36.0 million. The total annual caps of the Design Services under the Supplemental Master Design Services Agreement are set out as follows:

	For the year ended December 31, 2023 (RMB' million)
Lushang Freda Associates	70.0
Shandong Commercial Associates	36.0
<b>Total</b>	<b>106.0</b>

For details, please refer to the announcement of the Company dated November 20, 2023, the circular of the Company dated December 11, 2023 and the announcement of the Company dated December 28, 2023.



## REPORT OF THE BOARD

**CONTINUING CONNECTED TRANSACTIONS** (CONTINUED)**2. Master Design Services Agreement** (continued)*Renewal of Annual Caps*

On November 20, 2023 (after trading hours), the Company has also entered into the New Master Design Services Agreement for a term commencing from January 1, 2024 to December 31, 2025.

The annual caps under the New Master Design Services Agreement for the two years ending December 31, 2025 are as follows:

	For the year ending December 31, 2024 (RMB' million)	For the year ending December 31, 2025 (RMB' million)
Lushang Freda Associates	4.0	5.0
Shandong Commercial Associates	42.0	48.0
<b>Total</b>	<b>46.0</b>	<b>53.0</b>

For details, please refer to the announcement of the Company dated November 20, 2023, the circular of the Company dated December 11, 2023 and the announcement of the Company dated December 28, 2023.

The actual transaction amounts for the Design Services provided by the Group to Lushang Freda Associates and Shandong Commercial Associates for the year ended December 31, 2023 were RMB3.7 million and RMB11.9 million, respectively, which have not exceeded the aforesaid annual caps.

**3. Master Property Agency Services Agreement**

On June 22, 2022, the Company entered into the Master Property Agency Services Agreement with Lushang Freda, pursuant to which we agreed to provide sales assistance services (the “**Property Agency Services**”) in respect of the sales of the unsold properties and car parks to Lushang Freda Associates.

The Master Property Agency Services Agreement has a term commencing from the Listing Date to December 31, 2023, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate property agency services agreements setting out the specific terms and conditions based on the principles provided in the Master Property Agency Services Agreement.

*Material Change of Terms*

On November 20, 2023 (after trading hours), Lushang Freda, Shandong Commercial and the Company has entered into the Supplemental Master Property Agency Services Agreement, pursuant to which Lushang Freda (as novator) has agreed to novate its rights and liabilities under the Master Property Agency Services Agreement to Shandong Commercial (as novatee).

For details, please refer to the announcement of the Company dated November 20, 2023, the circular of the Company dated December 11, 2023 and the announcement of the Company dated December 28, 2023.

## REPORT OF THE BOARD

**CONTINUING CONNECTED TRANSACTIONS** (CONTINUED)**3. Master Property Agency Services Agreement (continued)***Renewal of Annual Caps*

On November 20, 2023 (after trading hours), the Company has also entered into the New Master Property Agency Services Agreement for a term commencing from January 1, 2024 to December 31, 2025.

The annual caps under the New Master Property Agency Services Agreement for the two years ending December 31, 2025 are RMB6.2 million and RMB6.2 million, respectively.

For details, please refer to the announcement of the Company dated November 20, 2023, the circular of the Company dated December 11, 2023 and the announcement of the Company dated December 28, 2023.

The actual transaction amounts for the Property Agency Services provided by the Group to Lushang Freda Associates and Shangdong Commercial Associates for the year ended December 31, 2023 were nil and nil, which have not exceeded the aforesaid annual cap.

**4. Master Parking Lots Entrusted Management Services Agreement**

On June 22, 2022, the Company entered into the Master Parking Lots Entrusted Management Services Agreement with Lushang Freda, pursuant to which we agreed to provide operational management services to certain parking lots owned by Lushang Freda Associates (the "**Parking Lots Entrusted Management Services**"). Under such arrangement, we are entrusted with full authority to operate and manage the parking lots and entitled to receive the income generated from the Parking Lots Entrusted Management Services and will pay to Lushang Freda Associates an amount equal to a pre-agreed percentage of the income generated from the Parking Lots Entrusted Management Services (after deducting the operating costs). The Master Parking Lots Entrusted Management Services Agreement has a term commencing from the Listing Date to December 31, 2023, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate parking lots entrusted management services agreements setting out the specific terms and conditions based on the principles provided in the Master Parking Lots Entrusted Management Services Agreement.

The maximum annual amounts payable by the Group to Lushang Freda Associates for the Parking Lots Entrusted Management Services under the Master Parking Lots Entrusted Management Services Agreement for each of the two years ended December 31, 2023 shall not exceed RMB1.8 million and RMB2.2 million, respectively.

*Material Change of Terms*

On November 20, 2023 (after trading hours), Lushang Freda, Shangdong Commercial and the Company has entered into the Supplemental Master Parking Lots Entrusted Management Services Agreement, pursuant to which Lushang Freda (as novator) has agreed to novate its rights and liabilities under the Master Parking Lots Entrusted Management Services Agreement to Shangdong Commercial (as novatee).

For details, please refer to the announcement of the Company dated November 20, 2023, the circular of the Company dated December 11, 2023 and the announcement of the Company dated December 28, 2023.

## REPORT OF THE BOARD

**CONTINUING CONNECTED TRANSACTIONS** (CONTINUED)**4. Master Parking Lots Entrusted Management Services Agreement (continued)***Renewal of Annual Caps*

On November 20, 2023 (after trading hours), the Company has also entered into the New Master Parking Lots Entrusted Management Services Agreement for a term commencing from January 1, 2024 to December 31, 2025.

The annual caps under the New Master Parking Lots Entrusted Management Services Agreement for the two years ending December 31, 2025 are RMB0.8 million and RMB0.8 million, respectively.

For details, please refer to the announcement of the Company dated November 20, 2023, the circular of the Company dated December 11, 2023 and the announcement of the Company dated December 28, 2023.

The actual transaction amounts for the Parking Lots Entrusted Management Services provided by Lushang Freda Associates and Shandong Commercial Associates to the Group to for the year ended December 31, 2023 were nil and nil, which have not exceeded the aforesaid annual cap.

**5. Master Property Management and Related Services Agreement**

On June 22, 2022, the Company entered into the Master Property Management and Related Services Agreement with Shandong Commercial, pursuant to which we agreed to provide to Lushang Freda Associates and Shandong Commercial Associates certain property management and related services, including but not limited to (i) property pre-delivery services, including but not limited to (a) management services for the on-site sales offices and display units; (b) house inspection services; (c) pre-delivery cleaning services; and (d) pre-delivery preparation; (ii) property management services for the properties owned or used by Lushang Freda Associates and Shandong Commercial Associates, including but not limited to the unsold residential property units, office buildings, schools and commercial properties; and (iii) other related services (the "**Property Management and Related Services**"). The Master Property Management and Related Services Agreement has a term commencing from the Listing Date to December 31, 2023, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the Master Property Management and Related Services Agreement.

The maximum annual amounts payable by Lushang Freda Associates and Shandong Commercial Associates to the Group under the Master Property Management and Related Services Agreement for each of the two years ended December 31, 2023 are as follows:

	For the year ended December 31, 2022 (RMB' million)	For the year ended December 31, 2023 (RMB' million)
Lushang Freda Associates	78.0	<b>82.4</b>
Shandong Commercial Associates	14.0	<b>16.0</b>
Total	92.0	<b>98.4</b>

## REPORT OF THE BOARD

**CONTINUING CONNECTED TRANSACTIONS** (CONTINUED)**5. Master Property Management and Related Services Agreement (continued)***Revision of Annual Caps*

On November 20, 2023 (after trading hours), the Company has entered into the Supplemental Master Property Management and Related Services Agreement to revise the annual caps for the year ended December 31, 2023 under the Master Property Management and Related Services Agreement.

Pursuant to the Supplemental Master Property Management and Related Services Agreement, the annual cap of the Property Management and Related Services provided to Shandong Commercial Associates for the year ended December 31, 2023 is revised to RMB52.0 million. The total annual caps under the Supplemental Master Property Management and Related Services Agreement are set out as follows:

	For the year ended December 31, 2023 (RMB' million)
Lushang Freda Associates	82.4
Shandong Commercial Associates	52.0
<b>Total</b>	<b>134.4</b>

For details, please refer to the announcement of the Company dated November 20, 2023, the circular of the Company dated December 11, 2023 and the announcement of the Company dated December 28, 2023.

*Renewal of Annual Caps*

On November 20, 2023 (after trading hours), the Company has also entered into the New Master Property Management and Related Services Agreement for a term commencing from January 1, 2024 to December 31, 2025.

The annual caps under New Master Property Management and Related Services Agreement for the two years ending December 31, 2025 are as follows:

	For the year ending December 31, 2024 (RMB' million)	For the year ending December 31, 2025 (RMB' million)
Lushang Freda Associates	5.0	6.0
Shandong Commercial Associates	75.0	86.0
<b>Total</b>	<b>80.0</b>	<b>92.0</b>

For details, please refer to the announcement of the Company dated November 20, 2023, the circular of the Company dated December 11, 2023 and the announcement of the Company dated December 28, 2023.

The actual transaction amounts for the Property Management and Related Services provided by the Group to Lushang Freda Associates and Shandong Commercial Associates for the year ended December 31, 2023 were RMB17.4 million and RMB43.0 million, respectively, which have not exceeded the aforesaid annual caps.

## REPORT OF THE BOARD

**CONTINUING CONNECTED TRANSACTIONS** (CONTINUED)**6. Master Deposit Services Agreement**

On June 22, 2022, our Company entered into the Master Deposit Services Agreement with Commercial Finance, pursuant to which we agreed to use the deposit services provided by Commercial Finance. The Master Deposit Services Agreement has a term commencing from the Listing Date to the earlier of (i) one year after the Listing Date; or (ii) the date of our first annual general meeting after Listing (the “**Deposit Waiver Term**”), which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Pursuant to the Master Deposit Services Agreement, we may deposit our funds in Commercial Finance from time to time. For avoidance of doubt, the Master Deposit Services Agreement does not restrict our use of services provided by other commercial banks or independent financial institutions in China. Our Group may make choices at our discretion based on our business needs and the costs and quality of relevant services. Our Group may (but is not obliged to) use the deposit services provided by Commercial Finance in order to deploy and manage our financial resources in a more flexible and efficient manner.

The maximum daily deposit balances (including paid interests) to deposit with Commercial Finance for the year ending December 31, 2022 and the period from January 1, 2022 until the expiry of the Deposit Waiver Term pursuant to the Master Deposit Services Agreement shall not exceed RMB250.0 million and RMB250.0 million, respectively.

**Renewal of Annual Caps**

On June 9, 2023 (after trading hours), the Company has entered into the New Master Deposit Services Agreement for a term commencing from July 1, 2023 being the date immediately following the 2023 first extraordinary general meeting of the Company which was convened and held on June 30, 2023 (the “**Effective Date**”) to December 31, 2025.

The annual caps under the New Master Deposit Services Agreement for the period from the Effective Date to December 31, 2023 and the two years ending December 31, 2025, respectively are as follows:

	For the period from the Effective Date to December 31, 2023 (RMB'000)	For the year ending December 31, 2024 (RMB'000)	For the year ending December 31, 2025 (RMB'000)
Maximum daily deposit balance	350,000	350,000	350,000
Maximum interest income	7,040	7,040	7,040

## REPORT OF THE BOARD

**CONTINUING CONNECTED TRANSACTIONS** (CONTINUED)**6. Master Deposit Services Agreement (continued)**

For details, please refer to the announcement of the Company dated June 9, 2023, the circular of the Company dated June 15, 2023 and the announcement of the Company dated June 30, 2023.

The actual maximum daily deposit balances (including paid interests) our Group deposited in Commercial Finance during the year ended December 31, 2023 was approximately RMB277.5 million, which has not exceeded the aforesaid annual cap.

Commercial Finance is a wholly-owned subsidiary of Shandong Commercial, one of the controlling shareholders of the Company, and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Deposit Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

**CONTINUING CONNECTED TRANSACTIONS REVIEWED BY INDEPENDENT NON-EXECUTIVE DIRECTORS**

According to Rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the continuing connected transactions and confirmed that they are:

- (1) entered into in the ordinary and usual business of our Group;
- (2) conducted on normal commercial terms or better; and
- (3) conducted pursuant to the agreement of the related transaction, on fair and reasonable terms and in the interests of our Company and our Shareholders as a whole.

**CONFIRMATION FROM THE AUDITOR**

Pursuant to Chapter 14A.56 of the Listing Rules, the Company's auditor, Da Hua, was engaged by the Board to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised), "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the work performed, the auditor of the Company confirmed to the board of directors of the Company that:

- (1) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions have not been approved by the Board;
- (2) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions did not provide goods or services in all material respects in accordance with the pricing strategy of the Company;
- (3) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) with respect to the aggregate amount of the above continuing connected transactions, nothing has come to the attention of the auditor that causes the auditor to believe that the continuing connected transactions disclosed above have exceeded the annual cap as set by the Company.

## REPORT OF THE BOARD

### RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended December 31, 2023 are set out in Note 27 to the consolidated financial statements. Save as disclosed above, the related party transactions set out in the note above do not fall within the definition of “connected transaction” or “continuing connected transaction” under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

### MATERIAL LITIGATION

During the year ended December 31, 2023, the Group was not engaged in any material litigation or arbitration which could have a material effect on its financial condition or results of operations. So far as our Directors are aware, no such litigation or arbitration of material importance is pending or threatened against the Group.

### CHANGE OF ACCOUNTING STANDARDS

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Stock Exchange in December 2010, issuers listed in Hong Kong and incorporated in mainland China have been approved to adopt the CASBE to prepare their financial statements, and domestic accounting firms recognised by the Ministry of Finance of the PRC and the China Securities Regulatory Commission are permitted to provide services to such issuers adopting the CASBE.

The Company is incorporated in the PRC and its overseas listed foreign shares have been listed on the Stock Exchange since the Listing Date. It has adopted the IFRS for the preparation of the accountant reports in its Prospectus and its subsequent financial statements.

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 IFRS, 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 of the Company for the six months ended June 30, 2023.

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 at the EGM by way of a special resolution.

The Board is of the view that the preparation of the Company’s financial statements in accordance with the CASBE will not have any material impacts on the financial position and operating results of the Company.

## REPORT OF THE BOARD

## AUDITOR

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 as the new auditor of the Company. The relevant resolution was approved by the Shareholders by way of an ordinary resolution at the EGM. The Board and the Audit Committee confirmed that there are no disagreements or unresolved matters between the Company and KPMG, and there are no other matters or circumstances in respect of the retirement of KPMG which should be brought to the attention of the Shareholders and the Company's creditors.

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

The consolidated financial statements for the year ended December 31, 2023 have been audited by Da Hua.

## PUBLIC FLOAT

Based on the published information and to the knowledge of the Directors, for the year ended December 31, 2023 and as at the date of this annual report, the Company maintained sufficient public float in compliance with the Listing Rules.

## RELATIONSHIPS WITH STAKEHOLDERS

The Company deeply believes that our employees, customers and business partners are key to our sustainable development. The Company strives to achieve corporate sustainability through engaging our employees, providing customers with quality services, collaborating with business partners and supporting public welfare.

The Company places significant emphasis on human resources. The Company provides a fair workplace to employees and embraces inclusiveness and multi-cultural backgrounds. Employees are also provided with competitive remuneration packages and a wide range of opportunities for career advancement based on their performance. The Company administers its health and safety management system for employees and ensures the implementation of the principles adopted by the Company. Regular training is provided to employees to keep them abreast of the latest development in the market and industry, in the form of both internal training and training courses provided by external professional organizations.

The Company values the feedback from customers which is obtained through daily communication and other surveys. Moreover, the Company has also established a mechanism for customer service and support. The Company sees rendering services to customers as a valuable opportunity to improve its relationship with customers and will respond promptly.

The Company understands that the role of suppliers is equally important for providing quality services, therefore it has actively cooperated with business partners to provide premium and sustainable services.

## REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors, the Supervisors and the five highest paid individuals for the Relevant Year are set out in Note 13 to the consolidated financial statements.



## REPORT OF THE BOARD

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to the long-term sustainability of the environment and community in which it operates. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations.

To demonstrate the Group's commitment to transparency and accountability to its stakeholders, the Company will issue separately an Environmental, Social and Governance Report under the Environmental, Social and Governance Reporting Guide as specified in Appendix C2 to the Listing Rules. The report will present the Company's commitment to sustainable development during the year under review, and it will cover the significant economic, environmental and social achievements and impacts arising from the activities of the Company and its joint ventures.

### 2023 AGM

The 2023 AGM will be convened and held on Friday, June 21, 2024. The notice of the 2023 AGM will be published on the Company's website ([www.lushangfuwu.com](http://www.lushangfuwu.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and despatched to the Shareholders in the manner prescribed under the Listing Rules in due course.

### CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, June 18, 2024 to Friday, June 21, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify the Shareholders to attend and vote at the 2023 AGM, all the completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H shareholders) or to the registered office of the Company at Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road, Lixia District, Jinan, Shandong, PRC (for domestic shareholders) no later than 4:30 p.m. on Monday, June 17, 2024 for registration. Shareholders whose names appear on the register of members of the Company on Friday, June 21, 2024 are entitled to attend and vote at the 2023 AGM.

By order of the Board

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

**Mr. Wang Zhongwu**

*Chairman and executive Director*

Jinan, the PRC, March 22, 2024

# REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company is pleased to present the Report of the Supervisory Committee of the Group for the year ended December 31, 2023.

During 2022, the Supervisory Committee fulfilled its duties and obligations in a serious manner by various ways including convening Supervisory Committee meetings, participating in Shareholders' general meetings, meetings of the Board in accordance with the provisions of the Listing Rules, the Articles of Association and the Rules of Procedure of the Supervisory Committee for the interests of the Shareholders. The Supervisory Committee reviewed the Company's financial accounts, and monitored its management and operation, implementation of resolutions of the shareholders' general meeting, directors' and management's compliance with laws, administrative regulations and the Articles of Association when performing their respective duties.

The Supervisory Committee is of the view that, during 2023, the Company operated strictly in accordance with the requirements of relevant laws and regulations, such as the Listing Rules, and the internal control management system, such as the Articles of Association, and the Directors, senior management of the Company performed their duties diligently and faithfully in accordance with laws, regulations and the Articles of Association, thereby effectively protecting the interests of the Company and the Shareholders.

## MEMBERS OF THE SUPERVISORY COMMITTEE

The Supervisors of the Company for the year ended December 31, 2023 and up to the date of this report include:

Mr. Wang Hongtao (王洪濤)

Mr. Zhang Xiangqian (張向乾)

Ms. Wang Pin (王品) (*resigned on February 27, 2023*)

Ms. Pan Meng (潘萌) (*appointed on February 27, 2023*)

## MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2023

### Convening meetings of the Supervisory Committee according to laws, and earnestly performing supervisory duties

During the year ended December 31, 2023, the Company convened three meetings of the Supervisory Committee, which reviewed the financial positions of the Company and reviewed the rules of procedure of the Supervisory Committee of the Company. Supervisors carefully reviewed meeting materials and fully studied and discussed the proposals before attending the meetings of the Supervisory Committee. They attended all meetings of the Supervisory Committee in person and earnestly performed supervisory duties.

During the year ended December 31, 2023, the members of the Supervisory Committee supervised the procedures and content of the meetings by attending Shareholders' general meetings and meetings of the Board, and effectively monitored the Company's decision-making procedures, operation of the Company according to laws, financial condition, and supervised the Directors and the management in the performance of their duties during the course of daily operations of the Company, which safeguarded the legitimate interests of the Company and the Shareholders.

## REPORT OF THE SUPERVISORY COMMITTEE

### **MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2023** *(CONTINUED)*

#### **Evaluation on behaviours of the Board and the senior management in 2023**

During 2023, the Board and the senior management of the Company performed their duties diligently, operated business in compliance with laws, thoroughly learnt about the operation of the Company and conducted adequate discussions so as to make collective decisions on relevant matters of the Company and facilitate the implementation of various resolutions passed by the Board.

During 2023, procedures for making major operating decisions of the Company were legal and valid. The Directors and senior management of the Company were able to conscientiously perform their duties with a pioneering spirit in strict compliance with national laws and regulations, relevant provisions of the Articles of Association and resolutions of shareholders' general meetings and the Board; no Directors or senior management of the Company were found by the Supervisory Committee to have committed any acts in contravention of laws, regulations or the Articles of Association or detrimental to the interests of the Shareholders and the Company.

### **INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE COMPANY'S OPERATION**

#### **Lawful operation of the Company**

The Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There has been gradual improvement in its internal control management, and the internal control system was reasonable and effective. The Company's operational decision-making processes were legitimate. The Directors and senior management were cautious, conscientious and diligent in the business operations and management processes, and they were not found to have breached any laws, regulations, or the Articles of Association or harmed the interests of the Shareholders.

#### **Financial report of the Company**

The Supervisory Committee of the Company conducted a careful and detailed inspection of the Company's financial condition, and reviewed the Group's audited financial report for the year ended December 31, 2023 and other financial information. It believed that the financial report has reflected the Company's operating results and financial condition in a comprehensive, truthful and objective manner. Financial accounts were unambiguous, accounting and financial management were in compliance with relevant regulations, and no problem was found, and they were not aware of any violation of the relevant accounting standards and legal requirements by the personnel who were involved in the preparation and review of the annual report; the unqualified opinion on financial report issued by the audit firm was objective and fair.

### **MAJOR INITIATIVES OF THE SUPERVISORY COMMITTEE FOR 2024**

In 2024, the Supervisory Committee will work diligently and faithfully under relevant requirements of the Listing Rules, the Articles of Association and the Rules of Procedure of the Supervisory Committee, implement effective supervision on the Company, Directors and senior management, closely monitor the operation and management of the Company, pay attention to any significant development of the Company to promote sustainable development of the Company, and faithfully safeguard the interests of the Shareholders and the Company as a whole. Meanwhile, the Supervisory Committee will further integrate supervision resources, procure improvement in management, assist in and ensure successful realization of the Company's work targets for 2024.

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lushang Life Services Co., Ltd.:

## I. Audit Opinion

We have audited the accompanying financial statements of Lushang Life Services Co., Ltd. (Herein after "**Lushang Services Company**"), Which comprise the consolidated and the parent company's balance sheet as at 31 December 2023, the consolidated and the parent company's statement of comprehensive income, the consolidated and the parent company's cash flows statement and the consolidated and the parent company's statement of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present in all material respects in accordance with the requirements of Accounting Standards for Business Enterprises, and fairly reflect Lushang Services Company's financial position at 31 December 2023 and the financial performance and cash flows for the year then ended.

## II. Basis for Audit Opinion

We conducted our audit in accordance with CICPA Standards on Auditing ("**CSAs**"). In 'IX. Certified Public Accountant's Responsibilities for the Audit of Financial Statements' of this report, our responsibilities under these standards are described. Those standards require that we comply with CICPA professional ethical requirements, that we are independent from Lushang Services Company and have fulfilled all other ethical obligations. We believe that we have obtained sufficient and appropriate audit evidence as basis of for our opinion.

## III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the expected credit loss allowance for trade receivables (ECLs) as key audit matters that need to be communicated in the audit report.

### 1 Description

Please refer to notes 3.12 to the financial statements of Lushang Services Company and note 5.3.

As at 31 December 2023, the balance of Lushang Service trade receivables is 314.5981 million, and ECL is 19.1637 million.

The trade receivable is materials to Lushang Service, and when the management evaluates the ECL based on the loss patterns for different customers grouped according to the shared credit risk characteristics, ageing of trade receivables, historical loss rates, current economic conditions and forward-looking information at the end of each reporting period. As a result, we have identified ECL as a key audit matters.

## INDEPENDENT AUDITOR'S REPORT

### III. Key Audit Matters (CONTINUED)

#### 2 Audit response

Our audit procedures to assess the ECL allowance for trade receivables included the following:

- (1) Obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal controls relating to credit control, segmentation of trade receivables, ageing analysis review, and the assessment of the ECL allowance;
- (2) Evaluating the Group's policy for estimating the ECL allowance with reference to the requirements of the prevailing accounting standard;
- (3) Obtaining an understanding on the key data and assumptions of the ECL model adopted by management, including the basis of segmentation of trade receivables, historical default data and management's estimation of loss rate;
- (4) Assessing the appropriateness of management's estimation of loss allowance and examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;
- (5) Assessing whether items in the trade receivables ageing report were categorised in the appropriate time band by comparing with the demand notes, invoices and other relevant underlying documentation, on a sample basis;

Based on the audit work that has been performed, we believe that the assumptions and methods adopted by the management in ELC are acceptable.

### IV. Other Information

Management of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of Lushang Services Company is responsible for the preparation and present these financial statements fairly in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management of Lushang Services Company is also responsible for assessing Lushang Services Company's ability to continue as a going concern, disclosing matters related to going concern, and using going concern assumption, unless the management either intends to liquidate the Company or to cease operations or has no realistic option to comply.

Those charged with governance are responsible for overseeing the Lushang Services Company's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT

**VI. Certified Public Accountant's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions the users taken on the basis of these Financial Statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatements of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of such internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting. Based on the audit evidence obtained, conclude on whether a material uncertainty exists related to events or conditions that may cast significant doubt on Lushang Services Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Lushang Services Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Financial Statements, and evaluate whether Financial Statements fairly reflected the underlying transactions and events.
6. Obtain sufficient appropriate audit evidence regarding Lushang Services Company's financial information of the entities or business activities within the Group to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance on audit scope, time schedule and significant audit findings, including internal control flaws that worth attention.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants (Special General Partnership)  
Beijing, China

CICPA: Wangxin (The engagement partner)  
CICPA: Zhudongmei

22 March 2024

# CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2023  
(Expressed in Renminbi ("RMB"))

Assets	Notes	Closing Balance	Opening Balance
<b>Current assets:</b>			
Cash and bank	5.1	411,624,018.91	428,811,504.41
Financial assets held for trading		–	–
Derivative financial assets		–	–
Notes receivable	5.2	17,917,933.62	23,585,685.07
Accounts receivable	5.3	295,434,336.15	260,421,279.00
Accounts receivable financing	5.4	200,000.00	–
Prepayments	5.5	1,897,975.45	3,041,904.12
Other receivables	5.6	3,767,892.22	5,314,816.95
Inventories	5.7	3,424,031.97	43,129,891.14
Contract assets	5.8	61,128,423.11	26,264,353.23
Held-for-sale assets		–	–
Current portion of non-current assets		–	–
Other current assets	5.9	2,840,033.47	2,497,073.14
<b>Total current assets</b>		<b>798,234,644.90</b>	<b>793,066,507.06</b>
<b>Non-current assets:</b>			
Debt investments		–	–
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments		–	–
Investment in other equity instruments		–	–
Other non-current financial assets		–	–
Investment properties	5.10	39,504,900.36	–
Fixed assets	5.11	50,711,300.46	52,838,522.26
Construction in progress		–	–
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets	5.12	1,758,722.04	2,540,376.24
Intangible assets	5.13	1,083,758.01	1,458,966.80
Development expenditure		–	–
Goodwill		–	–
Long-term deferred expenses	5.14	2,898,728.72	600,609.43
Deferred tax assets	5.15	6,611,673.12	8,732,203.31
Other non-current assets		–	–
<b>Total non-current assets</b>		<b>102,569,082.71</b>	<b>66,170,678.04</b>
<b>Total assets</b>		<b>900,803,727.61</b>	<b>859,237,185.10</b>

## CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2023  
(Expressed in Renminbi ("RMB"))

Liability and Equity	Notes	Closing Balance	Opening Balance
<b>Current liabilities:</b>			
Short-term borrowings		–	–
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable	5.16	201,696,808.99	177,027,304.04
Payments received in advance	5.17	336,976.79	–
Contract liabilities	5.18	71,800,943.11	54,971,683.36
Employee benefits payable	5.19	25,395,648.20	35,222,573.33
Tax payables	5.20	2,957,855.94	9,303,595.09
Other payables	5.21	60,213,944.23	55,307,310.07
Held-for-sale liabilities		–	–
Current portion of non-current liabilities	5.22	952,518.46	2,402,744.17
Other current liabilities	5.23	12,002,961.85	18,961,830.51
<b>Total current liabilities</b>		<b>375,357,657.57</b>	353,197,040.57
<b>Non-current liabilities:</b>			
Long-term borrowings		–	–
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual debt		–	–
Lease liabilities	5.24	1,740,952.23	2,553,478.24
Long-term payables	5.25	–	139,992.44
Long-term employee benefits payable		–	–
Provisions		–	–
Deferred income		–	–
Deferred tax liabilities		–	–
Other non-current liabilities		–	–
<b>Total non-current liabilities</b>		<b>1,740,952.23</b>	2,693,470.68
<b>Total liabilities</b>		<b>377,098,609.80</b>	355,890,511.25
<b>Equity:</b>			
Paid-in capital	5.26	133,340,000.00	133,340,000.00
Other equity instruments		–	–
Including: Preferred stock		–	–
Perpetual debt		–	–
Capital reserves	5.27	208,802,523.38	214,329,955.14
Less: Treasury stock		–	–
Other comprehensive income		–	–
Special reserves		–	–
Surplus reserve	5.28	13,003,776.37	9,755,021.62
Retained earnings	5.29	164,609,236.80	142,800,857.91
Equity attributable to parent company		519,755,536.55	500,225,834.67
Non-controlling interests		3,949,581.26	3,120,839.18
<b>Total owners' equity</b>		<b>523,705,117.81</b>	503,346,673.85
<b>Total liabilities and owners' equity</b>		<b>900,803,727.61</b>	859,237,185.10



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023  
(Expressed in RMB)

Items	Notes	Current Period	Prior Period
<b>1. Operating revenue</b>	5.30	<b>621,021,864.07</b>	627,733,930.87
Less: Operating costs	5.30	<b>503,956,096.60</b>	478,322,257.56
Taxes and surcharges	5.31	<b>5,039,986.85</b>	4,712,466.30
Selling expenses		–	–
Administrative expenses	5.32	<b>55,298,315.39</b>	50,199,458.88
Research and development expenses	5.33	<b>4,225,020.70</b>	5,122,298.21
Finance expenses	5.34	<b>-4,576,744.30</b>	-13,152,856.50
Including: Interest expenses	5.34	<b>168,474.84</b>	-154,812.46
Interest income	5.34	<b>6,724,090.70</b>	4,915,716.76
Add: Other income	5.35	<b>2,806,605.97</b>	3,767,798.42
Income from investments		–	–
Including: Investment income from associates and joint ventures		–	–
Derecognition of financial assets at amortised cost		–	–
Gains or losses from net exposure hedging		–	–
Gains or losses from changes in fair values		–	–
Credit impairment losses	5.36	<b>-8,341,428.45</b>	-5,282,915.45
Impairment losses	5.37	<b>-202,129.34</b>	–
Gains or losses from asset disposals		–	–
<b>2. Operating profit</b>		<b>51,342,237.01</b>	101,015,189.39
Add: Non-operating income	5.38	<b>78,087.87</b>	217,432.05
Less: Non-operating expenses	5.39	<b>362,097.78</b>	63,761.99
<b>3. Profit before tax</b>		<b>51,058,227.10</b>	101,168,859.45
Less: Income tax	5.40	<b>10,797,975.76</b>	22,736,736.11
<b>4. Net profit</b>		<b>40,260,251.34</b>	78,432,123.34
Including: Net profit realised before business combinations under common control			
I. Net profit classified by going concern			
Net profit from continuing operations		<b>40,260,251.34</b>	78,432,123.34
Net profit from discontinuing operations		–	–
II. Net profit classified by ownership			
Net profit attributable to parent company		<b>39,431,509.26</b>	76,877,759.38
Net profit attributable to non-controlling interests		<b>828,742.08</b>	1,554,363.96

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023  
(Expressed in Renminbi ("RMB"))

Items	Notes	Current Period	Prior Period
<b>5. Other comprehensive income after tax</b>		–	–
<b>Other comprehensive income after tax attributable to parent company</b>		–	–
<b>I. Items of other comprehensive income that will not be reclassified to profit or loss</b>		–	–
i. Changes in remeasurement of defined benefit plans		–	–
ii. Other comprehensive income that cannot be transferred to profit or loss under the equity method		–	–
iii. Changes in fair value of investments in equity instruments		–	–
iv. Changes in fair value of the Company's own credit risk		–	–
<b>II. Items of other comprehensive income that will be reclassified to profit or loss</b>		–	–
i. Other comprehensive income that can be transferred to profit or loss under the equity method		–	–
ii. Changes in fair value of other debt investments		–	–
iii. Amount of financial assets reclassified into other comprehensive income		–	–
iv. Provisions for credit impairment of other debt investments		–	–
v. The effective portion of gains or losses arising from cash flow hedging		–	–
vi. Translation differences arising from financial statements in foreign currencies		–	–
<b>Other comprehensive income attributable to non-controlling interests after tax</b>		–	–
<b>6. Total comprehensive income</b>		<b>40,260,251.34</b>	78,432,123.34
Total comprehensive income attributable to parent company		<b>39,431,509.26</b>	76,877,759.38
Total comprehensive income attributable to non-controlling interests		<b>828,742.08</b>	1,554,363.96
<b>7. Earnings per share:</b>			
I. Basic earnings per share		<b>0.30</b>	0.66
II. Diluted earnings per share		<b>0.30</b>	0.66

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023  
(Expressed in RMB)

Items	Notes	Current Period	Prior Period
<b>1. Cash flows from operating activities:</b>			
Cash received from sales and services		644,495,311.70	487,118,351.63
Tax and surcharge refunds		480,579.23	1,117,886.93
Other cash receipts related to operating activities	5.41	65,457,687.52	64,521,609.72
Total cash inflows from operating activities		710,433,578.45	552,757,848.28
<hr/>			
Cash paid for goods and services		442,913,480.26	237,816,642.09
Cash paid to and for employees		160,505,605.80	180,260,865.49
Taxes and surcharges paid		51,202,426.83	54,619,538.46
Other cash payments related to operating activities	5.41	61,737,903.24	84,253,049.17
Total cash outflows from operating activities		716,359,416.13	556,950,095.21
<b>Net cash flows from operating activities</b>		<b>-5,925,837.68</b>	<b>-4,192,246.93</b>
<hr/>			
<b>2. Cash flows from investing activities:</b>			
Cash received from withdrawal of investments		-	-
Cash received from investment income		-	-
Net proceeds from disposals of fixed assets, intangible assets and other long-term assets		30,025.00	473,010.58
Net proceeds from disposal of subsidiaries and other business units		-	-
Other cash receipts related to investing activities	5.41	-	5,196,408.00
Total cash inflows from investing activities		30,025.00	5,669,418.58
<hr/>			
Cash paid for fixed assets, intangible assets and other long-term assets		5,603,625.29	5,880,972.39
Cash paid for investments		-	-
Net cash paid for acquiring subsidiaries and other business units		-	-
Other cash payments related to investing activities		-	-
Total cash outflows from investing activities		5,603,625.29	5,880,972.39
<b>Net cash flows from investing activities</b>		<b>-5,573,600.29</b>	<b>-211,553.81</b>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023  
(Expressed in RMB)

Items	Notes	Current Period	Prior Period
<b>3. Cash flows from financing activities:</b>			
Cash received from investments by others		–	168,743,875.36
Including: Cash received by subsidiaries from non-controlling investors		–	–
Cash received from borrowings		–	–
Other cash receipts related to other financing activities	5.41	–	1,521,202.64
Total cash inflows from financing activities			170,265,078.00
Cash repayments for debts		–	1,432,039.92
Cash paid for distribution of dividends and profit and for interest expenses		<b>3,634,375.62</b>	394,371.93
Including: Dividends or profit paid by subsidiaries to non-controlling investors		–	–
Other cash payments related to financing activities	5.41	<b>2,615,413.48</b>	20,015,138.34
Total cash outflows from financing activities			21,841,550.19
<b>Net cash flows from financing activities</b>			<b>-6,249,789.10</b>
<b>4. Effect of changes in foreign exchange rates on cash and cash equivalents</b>		<b>33.24</b>	9,306,214.94
<b>5. Net increase in cash and cash equivalents</b>		<b>-17,749,193.83</b>	153,325,942.01
Add: Opening balance of cash and cash equivalents		<b>428,811,504.41</b>	275,485,562.40
<b>6. Closing balance of cash and cash equivalents</b>		<b>411,062,310.58</b>	428,811,504.41

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023  
(Expressed in RMB)

Items	Current Period											Non-controlling interests	Total owners' equity
	Equity attributable to parent company												
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings			
<b>1. Closing balance of last year</b>	133,340,000.00	-	-	-	214,329,955.14	-	-	-	9,755,021.62	142,683,276.13	3,120,839.18	503,229,092.07	
Add: Increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	117,581.78	-	117,581.78	
Increase/decrease due to corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-	-	
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	
<b>2. Opening balance of current year</b>	133,340,000.00	-	-	-	214,329,955.14	-	-	-	9,755,021.62	142,800,857.91	3,120,839.18	503,346,673.85	
<b>3. Increase/decrease for current year</b>	-	-	-	-	-5,527,431.76	-	-	-	3,248,754.75	21,808,378.89	828,742.08	20,358,443.96	
I. Total comprehensive income	-	-	-	-	-	-	-	-	-	39,431,509.26	828,742.08	40,260,251.34	
II. Owner's contributions to and withdrawals of capital	-	-	-	-	-5,527,431.76	-	-	-	-	-	-	-5,527,431.76	
i. Common stock contributed/paid-in capital by shareholders/owners	-	-	-	-	-	-	-	-	-	-	-	-	
ii. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-	
iii. Share-based payments to owners' equity	-	-	-	-	-5,527,431.76	-	-	-	-	-	-	-5,527,431.76	
iv. Others	-	-	-	-	-	-	-	-	-	-	-	-	
III. Profits distribution	-	-	-	-	-	-	-	-	3,248,754.75	-17,623,130.37	-	-14,374,375.62	
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	3,248,754.75	-3,248,754.75	-	-	
ii. Distribution to owners	-	-	-	-	-	-	-	-	-	-14,374,375.62	-	-14,374,375.62	
iii. Others	-	-	-	-	-	-	-	-	-	-	-	-	
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	
i. Capital reserves transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-	-	
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	
vi. Others	-	-	-	-	-	-	-	-	-	-	-	-	
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-	-	
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Others	-	-	-	-	-	-	-	-	-	-	-	-	
<b>4. Closing balance of current year</b>	133,340,000.00	-	-	-	208,802,523.38	-	-	-	13,003,776.37	164,609,236.80	3,949,581.26	523,705,117.81	

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in RMB)

Items	Prior Period											Total owners' equity
	Equity attributable to parent company										Non-controlling interests	
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings		
Preferred stock		Perpetual debt	Others									
<b>1. Closing balance of last year</b>	100,000,000.00	-	-	-	123,180,204.28	-	-	-	4,648,389.40	71,052,339.24	1,566,475.22	300,447,408.14
Add: Increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-22,608.49	-	-22,608.49
Increase/decrease due to corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Opening balance of current year</b>	100,000,000.00	-	-	-	123,180,204.28	-	-	-	4,648,389.40	71,029,730.75	1,566,475.22	300,424,799.65
<b>3. Increase/decrease for current year</b>	33,340,000.00	-	-	-	91,149,750.86	-	-	-	5,106,632.22	71,771,127.16	1,554,363.96	111,772,123.34
I. Total comprehensive income	-	-	-	-	-	-	-	-	-	76,877,759.38	1,554,363.96	78,432,123.34
II. Owner's contributions to and withdrawals of capital	33,340,000.00	-	-	-	91,149,750.86	-	-	-	-	-	-	124,489,750.86
i. Common stock contributed/paid-in capital by shareholders/owners	33,340,000.00	-	-	-	91,117,311.15	-	-	-	-	-	-	124,457,311.15
ii. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-
iii. Share-based payments to owners' equity	-	-	-	-	32,439.71	-	-	-	-	-	-	32,439.71
iv. Others	-	-	-	-	-	-	-	-	-	-	-	-
III. Profits distribution	-	-	-	-	-	-	-	-	5,106,632.22	-5,106,632.22	-	-
i. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	5,106,632.22	-5,106,632.22	-	-
ii. Distribution to owners	-	-	-	-	-	-	-	-	-	-	-	-
iii. Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
i. Capital reserves transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-
iii. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-	-
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
v. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
vi. Others	-	-	-	-	-	-	-	-	-	-	-	-
V. Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriated during current year	-	-	-	-	-	-	-	-	-	-	-	-
ii. Used during current year	-	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>4. Closing balance of current year</b>	133,340,000.00	-	-	-	214,329,955.14	-	-	-	9,755,021.62	142,800,857.91	3,120,839.18	503,346,673.85

# NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 1. Basic information of the company

### 1.1. The company's registered place, organizational form and headquarters address

Lushang Life Services Co., LTD. (The “**Company**”, formerly known as Shandong Lushang Property Services Co., LTD.) was established as a limited liability company in the People's Republic of China (“**China**”) on March 24, 2006 in accordance with the PRC Company Law, and was restructured into a limited liability company on March 12, 2021. The registered office of the company is Room 202, Building 2, Lushang Guoao City, No.9777 Jingshi Road, Lixia District, Jinan City, Shandong Province, China. The Company's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 8 July 2022 under the stock code 2376.HK.

As of Dec 31, 2023, the share capital of the Company was 133.34 million yuan, the controlling shareholder was Lushang Freida Pharmaceutical Co., LTD., the parent company of the Group was Shandong Commercial Group Co., LTD., and the ultimate actual controller of the Group was the State-owned Assets Supervision and Administration Commission of the Shandong Provincial People's Government.

### 1.2. The nature of the company's business and main business activities

The Company is in the property services and management industry, providing property management services, community value added services and non-owner value added services primarily in the PRC.

### 1.3. Scope of consolidated financial statements

The company has 5 subsidiaries included in the consolidation scope in the current period. For details, please refer to Note 7. Interests in other entities. Compared with the previous period, the number of entities included in the consolidated financial statements in the current period has increased by one. For the specific information of the entities that have changed the scope of consolidation, please refer to Note 6. Changes in the scope of consolidation.

### 1.4. Approval of financial statements

This financial statement has been approved for publication by the company's board of directors on March 22, 2024.

## 2. Basis for Preparation of Financial Statements

### 2.1. Compilation basis

The Company is incorporated in the People's Republic of China and its overseas listed foreign shares have been listed on the Main Board of the Stock Exchange since July 8, 2022, and adopts the International Financial Reporting Standards (IFRS) to prepare its financial statements for the period ending December 31, 2022. In order to improve work efficiency and reduce the cost of preparing two financial statements in accordance with Chinese Accounting Standards for Business Enterprises and International Financial Reporting Standards, on 17 July 2023, the Board considered and approved the preparation of the Company's financial statements and disclosure of related financial information in accordance with Chinese Accounting Standards for Business Enterprises starting from the interim report for the period ended 30 June 2023. An extraordinary General meeting was held on 3 August 2023 and approved the consequential changes to the Articles of Association.

The Company recognizes and measures the actual transactions and events in accordance with the “Accounting Standards for Business Enterprises - Basic Standards” promulgated by the Ministry of Finance and the specific Accounting Standards for Business Enterprises, the Guidelines for the Application of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other relevant provisions (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”). In preparing the financial statements, the Company also discloses relevant financial information as required by the Hong Kong Companies Ordinance and the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Company's data for the same period 2022 do not differ from the net assets and net profits in the financial reports disclosed in accordance with accounting standards for Business Enterprises and IFRS.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**2. Basis for Preparation of Financial Statements (CONTINUED)****2.2. Going concern**

The Company has evaluated its ability to continue as a going concern for 12 months from the end of the reporting period, and has not found any matters or circumstances that raise significant doubts about its ability to continue as a going concern. Therefore, the financial statements have been prepared on the assumption of going concern.

**2.3. Accounting basis and pricing principles**

The Company's accounting is based on the accrual basis. Except for certain financial instruments measured at fair value, these financial statements are measured on a historical cost basis. If the asset is impaired, the corresponding impairment provision shall be made in accordance with the relevant provisions.

**3. Significant Accounting Policies and Accounting Estimates****3.1. Statement of Compliance with Accounting Standards for Business Enterprises**

The financial statements prepared by the company comply with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the company's financial status, operating results, changes in shareholders' equity and cash flow during the reporting period.

**3.2. Accounting period**

A fiscal year begins on January 1 and ends on December 31 of the Gregorian calendar.

**3.3. Business cycle**

The operating cycle refers to the period from the time a business purchases assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as an operating cycle and uses it as the liquidity classification standard for assets and liabilities.

**3.4. Accounting standard currency**

Renminbi is used as the standard currency for bookkeeping.

**3.5. Accounting treatment of business combinations under common control and not under common control**

**3.5.1. *The terms, conditions and economic impact of each transaction in the process of business combination are realized step by step in accordance with one or more of the following situations, and multiple transactions are accounted for as a package transaction***

- (1) These transactions were entered into at the same time or taking into account the influence of each other;
- (2) These transactions as a whole can achieve a complete commercial outcome;
- (3) The occurrence of one transaction is dependent on the occurrence of at least one other transaction;
- (4) A transaction is uneconomical on its own, but economical when considered together with other transactions.

**3.5.2. *Business combinations under the same control***

The enterprises participating in the merger are ultimately controlled by the same party or the same parties before and after the merger, and the control is not temporary, and it is a business combination under the same control.

The assets and liabilities acquired by the Company in a business combination are measured at the book value of the assets and liabilities of the merged party (including the goodwill formed by the acquisition of the merged party by the ultimate controlling party) in the consolidated financial statements of the ultimate controlling party on the merger date. The difference between the book value of the net assets obtained in the merger and the book value of the combined consideration paid (or the total face value of the issued shares) shall be adjusted to the share capital premium in the capital reserve. If the share capital premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted.



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates *(CONTINUED)*

#### 3.5. Accounting treatment of business combinations under common control and not under common control *(continued)*

##### 3.5.2. Business combinations under the same control *(continued)*

If there is contingent consideration and estimated liabilities or assets need to be recognized, the difference between the estimated amount of liabilities or assets and the subsequent contingent consideration settlement amount shall be adjusted to the capital reserve (capital premium or equity premium). If the capital reserve is insufficient, the retained earnings shall be adjusted.

For a business combination that is finally achieved through multiple transactions, if it is a package transaction, each transaction will be accounted for as a transaction to obtain control; if it is not a package transaction, on the date of obtaining control, the initial investment cost of the long-term equity investment and the difference between the book value of the long-term equity investment before the merger and the sum of the new consideration paid for further acquisition of shares on the merger date shall be adjusted to the capital reserve; If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For equity investments held before the merger date, other comprehensive income recognized by the equity method or financial instrument recognition and measurement standards will not be accounted for for the time being, until the investment is disposed of on the same basis as the related assets or liabilities directly disposed of by the investee; Other changes in owners' equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the investee recognized by the equity method shall not be accounted for temporarily until the investment is disposed of and transferred to the current profit and loss.

##### 3.5.3. Business combinations not under common control

The Purchase date means the date on which the Company actually obtains the control over the purchaser, that is, the date on which the control over the purchaser's net assets or production and operation decisions is transferred to the Company. When the following conditions are met at the same time, the Company generally considers that the transfer of control is achieved:

- (1) The business combination contract or agreement has been approved by the internal authority of the Company.
- (2) Enterprise merger matters that need to be examined and approved by the relevant competent authorities of the State have been approved.
- (3) The necessary transfer of property rights has been completed.
- (4) The Company has paid the majority of the merger price and has the ability and plans to pay the remainder.
- (5) The Company actually controls the financial and operating policies of the purchaser, and enjoys the corresponding benefits and assumes the corresponding risks.

The enterprises participating in the merger are not ultimately controlled by the same party or the same multiple parties before and after the merger, which is a business merger not under the same control.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates** (CONTINUED)**3.5. Accounting treatment of business combinations under common control and not under common control** (continued)**3.5.3. Business combinations not under common control** (Continued)

The assets paid for and liabilities incurred or assumed by the Company as consideration for business combination are measured at fair value at the purchase date, and the difference between fair value and carrying value is included in current profit or loss.

The Company recognizes as goodwill the difference between the merger cost and the acquiree's share of the fair value of identifiable net assets obtained in the merger; If the merger cost is less than the fair value share of the purchaser's identifiable net assets acquired in the merger, the fair value of the acquired purchaser's identifiable assets, liabilities and contingent liabilities and the measurement of the merger cost shall be reviewed first, and if the merger cost is still less than the fair value share of the purchaser's identifiable net assets acquired in the merger, it shall be recorded in the current profit or loss.

If a business combination under different control is realized step by step through multiple exchange transactions, and if it is a package transaction, each transaction shall be accounted for as one transaction that has acquired control. If the equity investment held before the merger date is accounted for by the equity method, the sum of the book value of the equity investment held by the purchaser before the purchase date and the new investment cost on the purchase date shall be taken as the initial investment cost of the investment. Other comprehensive income recognized as a result of the equity method of accounting for equity investments held prior to the purchase date is accounted for on the same basis as the direct disposal of the relevant assets or liabilities by the investee. If the equity investment held before the merger date is accounted for using financial instruments recognition and measurement standards, the sum of the fair value of the equity investment on the merger date plus the cost of new investment is taken as the initial investment cost on the merger date. The difference between the fair value of the original equity holdings and the carrying value, as well as the cumulative fair value changes originally included in other comprehensive income, shall be fully transferred to investment income for the period at the merger date.

**3.5.4. Related expenses incurred for the merger**

Intermediary fees such as auditing, legal services, evaluation and consulting, and other directly related expenses incurred for a business combination are included in the current profit and loss when incurred; transaction costs of issuing equity securities for a business combination can be directly attributable to equity transactions and deducted from equity.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3.6. Method of preparing consolidated financial statements

#### 3.6.1. Scope of consolidation

The scope of consolidation of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including separate entities controlled by the Company) are included in the consolidated financial statements.

#### 3.6.2. Consolidation procedures

The Company prepares consolidated financial statements based on the financial statements of itself and its subsidiaries and other relevant information. The company prepares consolidated financial statements, regards the entire enterprise group as an accounting entity, and reflects the overall financial status, operating results and cash flows of the enterprise group in accordance with the recognition, measurement and presentation requirements of the relevant enterprise accounting standards and in accordance with unified accounting policies.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements are consistent with those of the Company. If the accounting policies and accounting periods adopted by the subsidiaries are inconsistent with those of the Company, necessary adjustments shall be made in accordance with the accounting policies and accounting periods of the Company when preparing the consolidated financial statements.

The impact of internal transactions between the Company and its subsidiaries and each other on the Consolidated Balance Sheets, consolidated income statement, consolidated cash flow statement, and consolidated statement of changes in shareholders' equity is offset in the consolidated financial statements. If the identification of the same transaction from the perspective of the consolidated financial statements of the enterprise group is different from that of the company or its subsidiary as the accounting entity, the transaction shall be adjusted from the perspective of the enterprise group.

The owner's equity of the subsidiary, the current net profit and loss and the share of minority shareholders in the current comprehensive income are respectively listed under the owner's equity item in the Consolidated Balance Sheets, the net profit item in the consolidated income statement and the total comprehensive income item. The current loss shared by the minority shareholders of the subsidiary exceeds the balance formed by the minority shareholders' share in the initial owner's equity of the subsidiary, and the minority shareholders' equity is offset.

For a subsidiary acquired through a business combination under the same control, the financial statements shall be adjusted on the basis of the book value of its assets and liabilities (including the goodwill formed by the acquisition of the subsidiary by the ultimate controlling party) in the financial statements of the ultimate controlling party.

For subsidiaries acquired through business combinations not under the same control, the financial statements shall be adjusted on the basis of the fair value of the identifiable net assets on the purchase date.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.6. Method of preparing consolidated financial statements (continued)****3.6.2. Consolidation procedures (continued)****(1) Increase of subsidiary or business**

During the reporting period, if a subsidiary or business is added due to a business combination under the same control, the opening balance of the Consolidated Balance Sheets shall be adjusted; the income, expenses and profits of the subsidiary or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated income statement; The cash flow of the subsidiary or business combination from the beginning of the current period to the end of the reporting period is included in the consolidated cash flow statement, and the relevant items in the comparative statement are adjusted at the same time, as if the consolidated reporting entity has been in existence since the time when the ultimate controlling party began to control it.

If the investee under the same control can be controlled due to additional investment and other reasons, the parties involved in the merger shall be deemed to be adjusted in their current state when the ultimate controlling party begins to control. For equity investments held before the acquisition of the control of the merged party, the relevant gains and losses, other comprehensive income and changes in other net assets have been recognized from the date of acquisition of the original equity and the date when the merging party and the merged party are under the same control to the date of merger, and the retained earnings at the beginning of the comparative statement period or the current gains and losses shall be offset respectively.

During the reporting period, if a subsidiary or business is added due to a business combination not under the same control, the opening balance of the consolidated balance sheet will not be adjusted; the income, expenses and profits of the subsidiary or business from the purchase date to the end of the reporting period will be included in the consolidated income statement; the cash flow of the subsidiary or business from the purchase date to the end of the reporting period will be included in the consolidated cash flow statement.

If the investee not under the same control can be controlled due to additional investment and other reasons, the company will re-measure the equity of the acquiree held before the purchase date according to the fair value of the equity on the purchase date, and the difference between the fair value and its book value is included in the current investment income. If the equity of the acquiree held before the purchase date involves other comprehensive income accounted for by the equity method and other changes in owners' equity other than net profit and loss, other comprehensive income and changes in other owners' equity, the related other comprehensive income and changes in other owners' equity are converted into investment income for the current period on the purchase date, except for other comprehensive income arising from the remeasurement of the net liabilities or changes in net assets of the defined benefit plan by the investee.

**(2) Disposal of subsidiaries or businesses****1) General treatment**

During the reporting period, when the Company disposes of a subsidiary or business, the income, expenses and profits of the subsidiary or business from the beginning of the period to the disposal date are included in the consolidated income statement; the cash flow of the subsidiary or business from the beginning of the period to the disposal date is included in the consolidated cash flow statements.

When the control of the investee is lost due to the disposal of part of the equity investment or other reasons, the Company will re-measure the remaining equity investment after disposal at its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus the difference between the share of the net assets of the original subsidiary and the sum of the goodwill calculated continuously from the purchase date or the merger date based on the original shareholding ratio, is included in the investment income in the current period of loss of control. Other comprehensive income related to the equity investment of the original subsidiary or other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution shall be converted into investment income in the current period when control is lost, except for other comprehensive income arising from the remeasurement of the net liabilities or changes in net assets of the defined benefit plan by the investee.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

#### 3.6. Method of preparing consolidated financial statements (continued)

##### 3.6.2. Consolidation procedures (continued)

##### (2) Disposal of subsidiaries or businesses (continued)

##### 2) Step-by-step disposal of subsidiaries

Where the equity investment in a subsidiary is disposed of step by step through multiple transactions until control is lost, the terms, conditions and economic effects of each transaction of the disposal of the equity investment in the subsidiary meet one or more of the following circumstances, usually indicating that multiple transactions should be treated as a package transaction Accounting treatment:

- A. These transactions were entered into at the same time or taking into account the influence of each other;
- B. These transactions as a whole can achieve a complete commercial outcome;
- C. The occurrence of one transaction is dependent on the occurrence of at least one other transaction;
- D. A transaction is uneconomical on its own, but economical when considered together with other transactions.

If the transactions of disposing of the equity investment in a subsidiary until the loss of control belong to a package transaction, the Company will account for each transaction as a transaction of disposing of the subsidiary and losing control; however, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposal investment before the loss of control is recognized as other comprehensive income in the consolidated financial statements and transferred to the profit and loss for the period when the control is lost.

If the disposal of the equity investment in the subsidiary until the loss of control is not a package transaction, before the loss of control, the accounting treatment shall be carried out according to the relevant policies for the partial disposal of the equity investment in the subsidiary without the loss of control; when the control is lost, the accounting treatment shall be carried out according to the general treatment method for the disposal of the subsidiary.

##### (3) Purchase of minority stakes in subsidiaries

The difference between the long-term equity investment newly acquired by the Company due to the purchase of minority shares and the net asset share of the subsidiary that should be calculated continuously from the date of purchase (or merger date) according to the newly added shareholding ratio shall be adjusted for the share capital premium in the capital reserve in the Consolidated Balance Sheets. If the share capital premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

##### (4) Partial disposal of equity investment in subsidiary without losing control

Without losing control, the difference between the disposal price obtained from the partial disposal of the long-term equity investment in the subsidiary and the corresponding share of the net assets of the subsidiary from the purchase date or the merger date shall be adjusted for the share premium in the capital reserve in the Consolidated Balance Sheets. If the share premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

**NOTES TO THE FINANCIAL STATEMENT**

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.7. Classification of joint venture arrangements and accounting treatment of joint operations****3.7.1. Classification of joint arrangements**

The Company divides the joint venture arrangement into joint venture and joint venture according to the structure, legal form, terms agreed in the joint venture arrangement, other relevant facts and circumstances and other factors. Joint operation means a joint venture arrangement in which the parties enjoy the assets related to the arrangement and bear the liabilities related to the arrangement. A joint venture is a joint venture arrangement in which the parties have rights only to the net assets of the arrangement.

**3.7.2. Accounting treatment of joint operations**

The company confirms the following items related to the company in the share of interests in joint operations, and conducts accounting treatment in accordance with the relevant accounting standards for enterprises:

- (1) Recognize assets held individually and jointly held assets by their share;
- (2) Recognize the liabilities borne individually and the liabilities borne jointly by their shares;
- (3) Recognize the income from the sale of its share of the output of the joint operation;
- (4) Recognize the income generated by the joint operation from the sale of output according to its share;
- (5) Recognize the expenses incurred separately, and recognize the expenses incurred in joint operations according to their shares.

The Company invests or sells assets to a joint operation (except where the assets constitute a business), and only recognizes the part of the profit and loss arising from the transaction attributable to other participants in the joint operation before the assets are sold by the joint operation to a third party. If the assets invested or sold incur asset impairment losses in compliance with the "Accounting Standards for Business Enterprises No. 8 - Asset Impairment", etc., the Company shall recognize the loss in full.

The Company purchases assets from a joint operation (except where the assets constitute a business), and only recognizes the portion of the profit and loss arising from the transaction attributable to other participants in the joint operation before selling the assets to a third party. If the purchased assets incur asset impairment losses in compliance with the "Accounting Standards for Business Enterprises No. 8 - Asset Impairment" and other provisions, the Company shall recognize this part of the loss according to the share assumed.

The Company does not have joint control over the joint operation. If the Company enjoys the related assets of the joint operation and assumes the related liabilities of the joint operation, the accounting treatment shall still be carried out according to the above principles. Otherwise, the accounting treatment shall be carried out according to the relevant accounting standards for enterprises.

**3.8. Criteria for determining cash and cash equivalents**

When preparing the cash flow statement, the company's cash on hand and deposits that can be used for payment at any time are recognized as cash. Investments with short maturity (generally due within three months from the date of purchase), strong liquidity, easy conversion into cash of known amount, and low risk of value change are determined as cash equivalents.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates *(CONTINUED)*

#### 3.9. Foreign currency business and foreign currency statement translation

When foreign currency business transactions are initially confirmed, the spot exchange rate on the transaction date is used as the conversion rate to convert them into RMB for accounting.

On the balance sheet date, foreign currency monetary items are converted at the spot exchange rate on the balance sheet date, and the resulting exchange differences are included in the current profit and loss, except for the exchange differences arising from special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization. Foreign currency non-monetary items measured at historical cost are still converted at the spot exchange rate on the transaction date, and the amount in the functional currency is not changed.

Foreign currency non-monetary items measured at fair value are converted at the spot exchange rate on the date when the fair value is determined. The difference between the converted amount in the functional currency and the original functional currency is treated as a change in fair value (including exchange rate changes) and included in the current profit and loss or recognized as other comprehensive income.

#### 3.10. Financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

The effective interest method refers to the method of calculating the amortized cost of financial assets or financial liabilities and apportioning interest income or interest expenses into each accounting period.

The actual interest rate refers to the interest rate used to discount the estimated future cash flows of a financial asset or financial liability over the expected duration into the book balance of the financial asset or the amortized cost of the financial liability. When determining the actual interest rate, the expected cash flow is estimated on the basis of considering all the contractual terms of the financial asset or financial liability (such as prepayment, rollover, call option or other similar options, etc.), but not the expected credit loss.

The amortized cost of a financial asset or financial liability is the accumulated amortization amount formed by deducting the repaid principal from the initial recognized amount of the financial asset or financial liability, plus or minus the difference between the initial recognized amount and the amount on the maturity date using the effective interest method, and then deducting the accumulated loss provision (only applicable to financial assets).

##### 3.10.1. Classification, recognition and measurement of financial assets

According to the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the Company classifies financial assets into the following three categories:

- (1) Financial assets measured at amortized cost.
- (2) Financial assets measured at fair value with changes included in other comprehensive income.
- (3) Financial assets that are measured at fair value and whose changes are included in the current profit and loss.

Financial assets are measured at fair value at the time of initial recognition, but if the accounts receivable or notes receivable arising from the sale of goods or the provision of services do not contain a significant financing component or do not consider the financing component of less than one year, the initial measurement is based on the transaction price.

For financial assets that are measured at fair value and whose changes are included in the current profit and loss, the relevant transaction costs are directly included in the current profit and loss, and the relevant transaction costs of other types of financial assets are included in their initial recognition amount.

Subsequent measurement of financial assets depends on their classification, and all affected related financial assets are reclassified when and only when the Company changes its business model for managing financial assets.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates** (CONTINUED)**3.10. Financial instruments** (continued)**3.10.1. Classification, recognition and measurement of financial assets** (continued)

- (1) Classified as financial assets measured at amortized cost

The contractual terms of a financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount, and the business model for managing the financial asset is to collect contractual cash flow, so the Company classifies the financial asset as a financial asset measured at amortized cost. The financial assets classified by the Company as measured at amortized cost include monetary funds, notes receivable, accounts receivable, other receivables etc.

The Company uses the effective interest method to recognize interest income for such financial assets, which is subsequently measured at amortized cost. When impairment occurs or the gains or losses arising from derecognition or modification are included in the current profit and loss. Except for the following circumstances, the Company determines interest income based on the book balance of financial assets multiplied by the actual interest rate:

- (1) For purchased or originated financial assets that have experienced credit impairment, the Company shall determine the interest income based on the amortized cost of the financial assets and the credit-adjusted effective interest rate from the initial recognition.
- (2) For the purchased or originated financial assets that have not suffered credit impairment but have become credit impairment in subsequent periods, the Company shall determine the interest income according to the amortized cost and effective interest rate of the financial assets in subsequent periods. If the financial instrument no longer has credit impairment due to its credit risk improvement in the subsequent period, the Company will calculate and determine the interest income by multiplying the effective interest rate by the book balance of the financial asset.

- (2) Classified as financial assets measured at fair value with changes included in other comprehensive income

The contractual terms of a financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount, and the business model of managing the financial asset aims at both collecting contractual cash flow and selling the financial asset, so the Company classifies the financial asset as a financial asset measured at fair value with changes included in other comprehensive income.

The Company recognizes interest income using the effective interest method for such financial assets. Except for interest income, impairment losses and exchange differences, which are recognized as current profit and loss, the remaining changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in the current profit and loss.

Notes receivable and accounts receivable measured at fair value and whose changes are included in other comprehensive income are reported as receivables financing, and other such financial assets are reported as other debt investments. Among them, other debt investments due within one year from the balance sheet date are reported as non-current assets due within one year, and other debt investments with original maturity within one year are reported as Other Current Assets.



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

#### 3.10. Financial instruments (continued)

##### 3.10.1. Classification, recognition and measurement of financial assets (continued)

- (3) Designated as financial assets measured at fair value with changes included in other comprehensive income  
At the time of initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income on the basis of individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income, and no impairment provision is required. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in retained earnings. During the period when the company holds the equity instrument investment, when the company's right to receive dividends has been established, the economic benefits related to dividends are likely to flow into the company, and the amount of dividends can be reliably measured, dividend income is recognized and included in the current profit and loss. The Company reports such financial assets under other equity instrument investment projects.

Equity instrument investments that meet one of the following conditions are financial assets that are measured at fair value and whose changes are included in the current profit and loss: the purpose of acquiring the financial asset is mainly to sell in the near future; it is part of the portfolio of identifiable financial asset instruments under centralized management at the time of initial recognition, and there is objective evidence that there is actually a short-term profit model in the near future; it is a derivative instrument (except for derivatives that meet the definition of financial guarantee contracts and are designated as effective hedging instruments).

- (4) Classified as financial assets measured at fair value and whose changes are included in the current profit and loss

Financial assets that do not meet the conditions of being classified as measured at amortized cost or measured at fair value and whose changes are included in other comprehensive income, nor are financial assets designated as being measured at fair value and whose changes are included in other comprehensive income are classified as financial assets measured at fair value and whose changes are included in current profit and loss.

The Company adopts fair value for subsequent measurement of such financial assets, and includes the gains or losses arising from changes in fair value and dividends and interest income related to such financial assets in the current profit and loss.

The Company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

- (5) Designated as financial assets measured at fair value and whose changes are included in the current profit and loss

At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company may irrevocably designate financial assets as financial assets measured at fair value and whose changes are included in current profits and losses on the basis of individual financial assets.

If a hybrid contract contains one or more embedded derivatives, and the main contract does not belong to the above financial assets, the Company may designate it as a whole as a financial instrument measured at fair value and whose changes are included in the current profit and loss. Except in the following cases:

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.10. Financial instruments (continued)****3.10.1. Classification, recognition and measurement of financial assets (continued)**

- (5) Designated as financial assets measured at fair value and whose changes are included in the current profit and loss (continued)
- 1) Embedded derivatives do not materially change the cash flow of hybrid contracts.
  - 2) When it is first determined whether a similar hybrid contract needs to be split, it is clear with little analysis that the embedded derivatives it contains should not be split. If the prepayment right of the embedded loan allows the holder to prepay the loan at an amount close to the amortized cost, the prepayment right does not need to be split.

The Company adopts fair value for subsequent measurement of such financial assets, and includes the gains or losses arising from changes in fair value and dividends and interest income related to such financial assets in the current profit and loss.

The Company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

**3.10.2. Classification, recognition and measurement of financial liabilities**

The Company classifies financial instruments or their components as financial liabilities or equity instruments at initial recognition based on the contractual terms of the financial instruments issued and the economic substance they reflect, not only in legal form, combined with the definitions of financial liabilities and equity instruments. Financial liabilities are classified at the time of initial recognition as: financial liabilities measured at fair value and whose changes are included in the current profit and loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities measured at fair value and whose changes are included in the current profit and loss, the relevant transaction costs are directly included in the current profit and loss; for other types of financial liabilities, the relevant transaction costs are included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

- (1) Financial liabilities measured at fair value with changes included in current profit and loss

Such financial liabilities include transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities that are designated at fair value at the time of initial recognition and whose changes are included in the current profit and loss.

If one of the following conditions is met, it is a transactional financial liability: the purpose of assuming the relevant financial liabilities is mainly to sell or repurchase in the near future; it is part of a portfolio of identifiable financial instruments under centralized management, and there is objective evidence that the enterprise has adopted a short-term profit-making model in the near future; it is a derivative instrument, except for derivatives that are designated and effective hedging instruments and derivatives that comply with financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, and all changes in fair value are included in the current profit and loss except those related to hedge accounting.

At the time of initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities that are measured at fair value and whose changes are included in the current profit and loss:

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates *(CONTINUED)*

#### 3.10. Financial instruments *(continued)*

##### 3.10.2. Classification, recognition and measurement of financial liabilities *(continued)*

- (1) Financial liabilities measured at fair value with changes included in current profit and loss *(continued)*
  - 1) Can eliminate or significantly reduce accounting mismatches.
  - 2) According to the enterprise risk management or investment strategy stated in the official written document, the management and performance evaluation of the financial liability portfolio or the financial asset and financial liability portfolio are carried out on the basis of fair value, and reported to key management personnel within the enterprise on this basis.

The Company adopts fair value for subsequent measurement of such financial liabilities. Except for changes in fair value caused by changes in the Company's own credit risk, which are included in other comprehensive income, other changes in fair value are included in current profit and loss. Unless the changes in fair value caused by changes in the company's own credit risk are included in other comprehensive income, which will cause or amplify the accounting mismatch in profit and loss, the company will include all changes in fair value (including the amount affected by changes in its own credit risk) in the current profit and loss.

- (2) Other financial liabilities

In addition to the following items, the company classifies financial liabilities as financial liabilities measured at amortized cost, adopts the effective interest method for such financial liabilities, and subsequently measures them at amortized cost, and the gains or losses arising from derecognition or amortization are included in the current profit and loss:

- 1) Financial liabilities that are measured at fair value and whose changes are included in the current profit and loss.
- 2) The transfer of financial assets does not meet the conditions for derecognition or continues to be involved in the financial liabilities formed by the transferred financial assets.
- 3) Financial guarantee contracts that do not fall into the first two categories of this article, and loan commitments that do not fall into category 1) of this article to lend at a lower than market interest rate.

A financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered a loss when the specific debtor is unable to repay the debt in accordance with the terms of the original or modified debt instrument at maturity. Financial guarantee contracts that are not designated as financial liabilities measured at fair value and whose changes are included in current profits and losses are measured at the higher of the amount of loss reserves and the balance of the initial recognized amount after deducting the accumulated amortization amount during the guarantee period after initial recognition.

##### 3.10.3. Derecognition of financial assets and financial liabilities

- (1) If a financial asset meets one of the following conditions, the financial asset shall be derecognized, that is, it shall be written off from its account and balance sheet:
  - 1) The contractual right to receive the cash flow of the financial asset is terminated.
  - 2) The financial asset has been transferred, and the transfer meets the requirements for derecognition of financial assets.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates** (CONTINUED)**3.10. Financial instruments** (continued)**3.10.3. Derecognition of financial assets and financial liabilities** (continued)

## (2) Conditions for derecognition of financial liabilities

If the current obligation of a financial liability (or part of it) has been discharged, the financial liability (or part of the financial liability) shall be derecognized.

If the Company and the lender sign an agreement to replace the original financial liabilities by assuming new financial liabilities, and the contract terms of the new financial liabilities are substantially different from the original financial liabilities, or if the contract terms of the original financial liabilities (or part of them) are substantially modified, the original financial liabilities shall be terminated and a new financial liability shall be recognized at the same time. The difference between the book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) shall be included in the current profit and loss.

If the Company repurchases a part of the financial liability, the book value of the financial liability as a whole shall be allocated according to the proportion of the respective fair value of the continued recognition part and the derecognition part on the repurchase date to the overall fair value. The difference between the book value allocated to the derecognized portion and the consideration paid (including non-cash assets transferred out or liabilities assumed) shall be included in the current profit and loss.

**3.10.4. Recognition basis and measurement method of financial asset transfer**

In the event of a transfer of financial assets, the Company shall assess the extent to which it retains the risks and rewards of the ownership of the financial assets, and deal with the following situations respectively:

- (1) If almost all the risks and rewards of the ownership of the financial asset are transferred, the financial asset shall be terminated, and the rights and obligations arising or retained during the transfer shall be separately recognized as assets or liabilities.
- (2) If almost all the risks and rewards of the ownership of the financial asset are retained, the financial asset shall continue to be recognized.
- (3) If almost all risks and rewards of ownership of a financial asset are neither transferred nor retained (that is, in cases other than (1) and (2) of this Article), it shall be dealt with in the following cases according to whether it retains control of the financial asset:
  - 1) If the control of the financial asset is not retained, the recognition of the financial asset shall be terminated, and the rights and obligations arising or retained during the transfer shall be separately recognized as assets or liabilities.
  - 2) If the control of the financial asset is retained, the relevant financial asset shall continue to be recognized according to the extent to which it continues to be involved in the transferred financial asset, and the relevant liability shall be recognized accordingly. The degree of continued involvement in the transferred financial assets refers to the degree to which the company bears the risk or reward of changes in the value of the transferred financial assets.

When judging whether the transfer of financial assets meets the above-mentioned conditions for derecognition of financial assets, the principle of substance over form is adopted. The company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates *(CONTINUED)*

#### 3.10. Financial instruments *(continued)*

##### 3.10.4. *Recognition basis and measurement method of financial asset transfer (continued)*

- (1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts shall be included in the current profits and losses:
- 1) The book value of the transferred financial asset on the date of derecognition.
  - 2) The consideration received from the transfer of financial assets is the sum of the amount of the corresponding derecognition part of the accumulated amount of changes in fair value that was directly included in other comprehensive income (the financial assets involved in the transfer are financial assets that are measured at fair value and whose changes are included in other comprehensive income).
- (2) If a part of the financial asset is transferred and the transferred part meets the conditions for derecognition as a whole, the book value of the whole financial asset before the transfer will be apportioned according to the relative fair value of each of the following two amounts between the derecognized part and the continued recognized part (in this case, the retained service asset shall be regarded as part of the continued recognized financial asset), and the difference between the following two amounts shall be included in the current profit and loss:
- 1) The book value of the derecognition portion on the derecognition date.
  - 2) The consideration received for the derecognition part is the sum of the amount of the corresponding derecognition part of the accumulated fair value changes originally included in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

If the transfer of financial assets does not meet the conditions for derecognition, the financial asset shall continue to be recognized, and the consideration received shall be recognized as a financial liability.

##### 3.10.5. *How to determine the fair value of financial assets and financial liabilities*

The fair value of an active market financial asset or financial liability is determined at an active market price, unless there is a restricted period for the asset itself. For a restricted financial asset against the asset itself, the amount of compensation claimed by the market participant for the risk of not being able to sell the financial asset on the open market during the specified period is determined at the price quoted in the active market. Active market quotes include quotes that are readily and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulatory authorities and represent actual and recurring market transactions on a fair trading basis.

The fair value of initially acquired or derived financial assets or assumed financial liabilities is determined on the basis of market transaction prices.

The fair value of financial assets or financial liabilities for which there is no active market is determined using valuation techniques. In valuation, the Company uses valuation techniques that are applicable in the current circumstances and are supported by sufficient available data and other information, selects input values that are consistent with the characteristics of the asset or liability considered by market participants in the transaction of the underlying asset or liability, and gives priority to the relevant observable input values whenever possible. Unobservable input values are used when the relevant observable input values are unavailable or impractical to obtain.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates** (CONTINUED)**3.10. Financial instruments** (continued)**3.10.6. Impairment of financial instruments**

For financial assets measured at amortized cost, financial assets classified as fair value and whose changes are included in other comprehensive income, and financial guarantee contracts, the Company performs impairment accounting treatment on the basis of expected credit losses and recognizes loss provisions.

Expected credit loss refers to the weighted average of the credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all cash flows expected to be collected by the company discounted at the original effective interest rate, that is, the present value of the total cash shortage. Among them, for financial assets purchased by the company or originated by the company that have experienced credit impairment, they shall be discounted according to the credit-adjusted actual interest rate of the financial assets.

The Company measures loss provisions for all contract assets, notes receivable and accounts receivable formed by transactions regulated by the income standard at an amount equivalent to expected credit losses over the entire lifetime.

For purchased or originated financial assets that have experienced credit impairment, only the cumulative change in expected credit losses over the entire duration after initial recognition is recognized as a loss provision on the balance sheet date. On each balance sheet date, the change in the expected credit loss over the entire duration is included in the current profit and loss as an impairment loss or gain. Favorable changes in expected credit losses are recognized as impairment gains even if the expected credit losses for the entire lifetime determined on the balance sheet date are less than the amount of expected credit losses reflected in the estimated cash flows at initial recognition.

In addition to the above-mentioned financial assets other than the credit impairment that has occurred using the simplified measurement method and purchased or originated, the Company assesses at each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition, and measures its loss allowance, recognizes expected credit losses and their changes according to the following circumstances:

- (1) If the credit risk of the financial instrument has not increased significantly since its initial recognition and is in the first stage, the loss allowance shall be measured at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and interest income shall be calculated according to the book balance and effective interest rate.
- (2) If the credit risk of the financial instrument has increased significantly since its initial recognition but credit impairment has not yet occurred, and it is in the second stage, the loss allowance shall be measured at an amount equivalent to the expected credit loss during the entire life of the financial instrument, and the interest income shall be calculated according to the book balance and the effective interest rate.
- (3) If the financial instrument has suffered credit impairment since its initial recognition, it is in the third stage, and the Company measures its loss provision at an amount equivalent to the expected credit loss during the entire life of the financial instrument, and calculates interest income at amortized cost and effective interest rate.

The amount of increase or reversal of the credit loss provision of a financial instrument is included in the current profit and loss as an impairment loss or gain. Except for financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the provision for credit losses is offset against the carrying balance of financial assets. For financial assets that are classified as measured at fair value and whose changes are included in other comprehensive income, the Company recognizes its credit loss allowance in other comprehensive income without reducing the carrying value of the financial asset shown in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

#### 3.10. Financial instruments (continued)

##### 3.10.6. Impairment of financial instruments (continued)

In the previous accounting period, the Company has measured the loss provision at an amount equivalent to the expected credit loss of the financial instrument during the entire lifetime, but on the current balance sheet date, if the financial instrument is no longer in a situation where the credit risk has increased significantly since the initial recognition, the Company measures the loss provision of the financial instrument at an amount equivalent to the expected credit loss within the next 12 months on the current balance sheet date. The reversal amount of the resulting loss provision is included in the current profit and loss as an impairment gain.

##### (1) Significant increase in credit risk

Using reasonable and evidence-based forward-looking information available, the Company compares the risk of a financial instrument defaulting on the balance sheet date with the risk of defaulting on the initial recognition date to determine whether the credit risk of the financial instrument has increased significantly since initial recognition. For financial guarantee contracts, when the Company applies the provisions on impairment of financial instruments, the date when the Company becomes the party making the irrevocable undertaking shall be regarded as the initial confirmation date.

The Company considers the following factors when assessing whether credit risk has increased significantly:

- 1) Whether the actual or expected business results of the debtor have changed significantly;
- 2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor is located;
- 3) Whether there is a significant change in the value of the collateral used as debt collateral or the quality of the guarantee or credit enhancement provided by a third party, which is expected to reduce the economic motivation of the debtor to repay within the contractual period or affect the probability of default;
- 4) Whether the debtor's expected performance and repayment behavior have changed significantly;
- 5) Whether the company's credit management methods for financial instruments have changed, etc.

At the balance sheet date, if the Company judges that the financial instrument has only low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since its initial recognition. If the default risk of a financial instrument is low, the borrower's ability to fulfill its contractual cash flow obligations is strong in the short term, and even if there are adverse changes in the economic situation and business environment over a longer period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations, the financial instrument is considered to have low credit risk.

##### (2) Financial assets that have experienced credit impairment

When one or more events occur that adversely affect the expected future cash flows of a financial asset, the financial asset becomes a financial asset for which credit impairment has occurred. Evidence that a financial asset has experienced credit impairment includes the following observable information:

- 1) The issuer or debtor has major financial difficulties;
- 2) Breach of contract by the debtor, such as default or overdue payment of interest or principal, etc.;
- 3) The creditor gives concessions that the debtor would not make in any other case out of economic or contractual considerations related to the debtor's financial difficulties;
- 4) The debtor is likely to go bankrupt or undergo other financial restructuring;

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates** (CONTINUED)**3.10. Financial instruments** (continued)**3.10.6. Impairment of financial instruments** (continued)

- (2) Financial assets that have experienced credit impairment (continued)
- 5) The financial difficulties of the issuer or debtor lead to the disappearance of the active market for the financial asset;
  - 6) Purchase or originate a financial asset at a substantial discount that reflects the fact that a credit loss has occurred.

The credit impairment of financial assets may be caused by the combined effect of multiple events, not necessarily by events that can be individually identified.

- (3) Determination of expected credit losses

The Company evaluates the expected credit losses of financial instruments on a single and combined basis. When evaluating expected credit losses, it considers reasonable and evidence-based information about past events, current conditions and forecasts of future economic conditions.

The Company divides financial instruments into different combinations based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include: type of financial instrument, credit risk rating, aging portfolio, overdue aging portfolio, contract settlement cycle, debtor's industry, etc. For the individual evaluation criteria and combined credit risk characteristics of relevant financial instruments, please refer to the accounting policies of relevant financial instruments.

The Company determines the expected credit loss of the relevant financial instruments according to the following methods:

- 1) For financial assets, credit losses are the present value of the difference between the contractual cash flows that the Company should receive and the cash flows that are expected to be received.
- 2) For lease receivables, credit losses are the present value of the difference between the contractual cash flows due to the Company and the expected cash flows to be collected.
- 3) For a financial guarantee contract, credit loss is the present value of the difference between the amount the Company expects to collect from the contract holder, debtor or any other party in respect of the credit loss incurred by the Company to the contract holder.
- 4) For financial assets that have suffered credit impairment on the balance sheet date but are not purchased or originated, the credit loss is the difference between the book balance of the financial asset and the present value of the estimated future cash flows discounted at the original effective interest rate.

The factors reflected in the Company's method of measuring expected credit losses on financial instruments include: unbiased probability-weighted average amount determined by evaluating a range of possible outcomes; time value of money; reasonable and evidence-based information on past events, current conditions and forecasts of future economic conditions that can be obtained at the balance sheet date without unnecessary additional costs or efforts.

- (4) Write-down of financial assets

When the company no longer reasonably expects that the contractual cash flow of the financial asset can be fully or partially recovered, the book balance of the financial asset shall be directly written down. Such write-downs constitute the derecognition of the underlying financial assets.



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates** (CONTINUED)**3.10. Financial instruments** (continued)**3.10.7. Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are listed separately in the balance sheet without offsetting each other. However, if the following conditions are met at the same time, the net amount after offsetting each other is listed in the balance sheet:

- (1) The Company has the legal right to offset the confirmed amount, and such legal right is currently enforceable;
- (2) The Company plans to settle on a net basis, or to realize the financial asset and settle the financial liability at the same time.

**3.11. Notes receivable**

For details of the determination method and accounting treatment method of the Company's expected credit loss on bills receivable, please refer to this Note 10.6. Impairment of Financial Instruments.

For notes receivable where the credit risk is significantly different from the combined credit risk, the Company provides for expected credit losses on an individual basis.

The Company refers to historical credit loss experience, combined with current conditions and judgments on future economic conditions, divides notes receivable into several combinations based on credit risk characteristics, and calculates expected credit losses on a combined basis. The basis for determining the combination is as follows:

Combination name	The basis for determining the combination	Withdrawal method
Bank acceptance bill portfolio	This portfolio is characterized by the acceptor of the bill as a credit risk	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, the expected credit loss is calculated by default risk exposure and the expected credit loss rate for the entire duration.
Related party portfolio	The portfolio features commercial acceptance receivables from related parties as a credit risk feature	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, calculate expected credit losses through default risk exposure and lifetime expected credit loss rate
Aging portfolio	The portfolio is characterized by the aging of third party commercial acceptances receivable as a credit risk feature	With reference to the accounting estimate of expected credit loss of accounts receivable, by aging and life expectancy of credit loss rate comparison

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.12.Accounts receivable**

For details of the determination method and accounting treatment method of the Company's expected credit loss on accounts receivable, please refer to this Note 10.6 Impairment of financial instruments.

The Company separately determines credit losses for accounts receivable for which there is sufficient evidence to assess expected credit losses at a reasonable cost at the level of individual instruments.

For notes receivable where the credit risk is significantly different from the combined credit risk, the Company provides for expected credit losses on an individual basis.

When sufficient evidence of expected credit losses cannot be assessed at a reasonable cost at the level of individual instruments, the Company refers to historical credit loss experience, combined with current conditions and judgments on future economic conditions, and divides accounts receivable into several combinations based on credit risk characteristics, and calculates expected credit losses on a combined basis. The basis for determining the combination is as follows:

Combination name	The basis for determining the combination	Withdrawal method
Related party portfolio	The portfolio features credit risk on payments receivable from related parties	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, calculate expected credit losses through default risk exposure and lifetime expected credit loss rate
Aging portfolio	The portfolio is characterized by the age of amounts receivable from non-related parties as a credit risk	With reference to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, the provision is made according to the comparison table between the aging and the expected credit loss rate of the entire duration

**3.13.Receivables financing**

Notes and accounts receivable classified as measured at fair value and whose changes are included in other comprehensive income are listed as receivables financing if their maturities are within one year (including one year) from the initial recognition date; if the maturity period is more than one year from the initial confirmation date, it is listed as other debt investment. The relevant accounting policies are referred to in this note 10.

For details of the determination method and accounting treatment method of the Company's expected credit loss on accounts receivable financing, please refer to this Note 10.6. Impairment of financial instruments.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates *(CONTINUED)*

#### 3.14. Other receivables

For details of the determination method and accounting treatment method of the Company's expected credit losses on other receivables, please refer to this Note 10.6 Impairment of Financial Instruments.

For notes other receivable where the credit risk is significantly different from the combined credit risk, the Company provides for expected credit losses on an individual basis.

The Company separately determines the credit loss of other receivables for which there is sufficient evidence to assess the expected credit loss at a reasonable cost at the level of individual instruments.

When sufficient evidence of expected credit losses cannot be assessed at a reasonable cost at the level of individual instruments, the Company refers to historical credit loss experience, combined with current conditions and judgments on future economic conditions, and divides other receivables into several combinations based on credit risk characteristics, and calculates expected credit losses on a combined basis. The basis for determining the combination is as follows:

Combination name	The basis for determining the combination	Withdrawal method
Related party portfolio	The portfolio features credit risk on payments receivable from related parties	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, Provision for expected credit losses in the next 12 months or the entire duration
Low risk portfolio	The portfolio is all kinds of deposits, deposits, imprest funds, advances, etc. that should be collected in daily and regular activities, and has the same credit risk characteristics	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, Provision for expected credit losses in the next 12 months or the entire duration
Aging portfolio	Receivables other than the above combinations, receivables of the same age have similar credit risk characteristics	According to the comparison table of aging and expected credit loss rate in the next 12 months or the entire duration

#### 3.15. Inventory

##### 3.15.1. Classification of inventory

Inventory refers to the finished products or commodities that the company holds for sale in its daily activities, the products in the production process, the materials and materials consumed in the production process or the provision of labor services, etc. Mainly include raw materials, turnover materials, stock goods etc.

##### 3.15.2. Inventory valuation method

Inventory is initially measured at cost when acquired, including purchase cost, processing cost and other costs. Inventory is valued using the first in, first out method when shipped out.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates** (CONTINUED)**3.15. Inventory** (continued)**3.15.3. The basis for determining the net realizable value of inventories and the method of accruing inventory depreciation reserves**

After a comprehensive inventory check is carried out at the end of the period, the inventory depreciation reserve shall be withdrawn or adjusted according to the lower of the cost of the inventory and the net realizable value. The net realizable value of the inventory of goods directly used for sale, such as finished goods, inventory goods and materials for sale, shall be determined by the estimated selling price of the inventory minus the estimated selling expenses and relevant taxes during the normal production and operation process; For the inventory of materials that need to be processed, in the normal production and operation process, the net realizable value shall be determined based on the estimated selling price of the finished product produced minus the estimated cost to be incurred at the time of completion, the estimated selling expenses and relevant taxes; The net realizable value of the inventory held for the execution of the sales contract or labor service contract is calculated on the basis of the contract price. If the quantity of the inventory held is more than the quantity ordered in the sales contract, the net realizable value of the excess inventory is calculated on the basis of the general selling price.

At the end of the period, the inventory depreciation reserve is made according to a single inventory item; but for inventories with a large quantity and a low unit price, the inventory depreciation reserve is made according to the inventory category; for inventories related to product series produced and sold in the same region, with the same or similar end use or purpose, and difficult to be measured separately from other items, the inventory depreciation reserve is made together.

If the factors affecting the previous write-down of the inventory value have disappeared, the write-down amount shall be restored and reversed within the amount of the original inventory depreciation reserve that has been withdrawn, and the reversed amount shall be included in the current profit and loss.

**3.15.4. Inventory system**

The inventory system is a perpetual inventory system.

**3.15.5. Amortization method of low-value consumables and packaging**

- (1) Low-value consumables are amortized using the one-off write-off method;
- (2) The packaging materials are amortized using the one-off write-off method;
- (3) Other revolving materials are amortized using the one-off write-off method.

**3.16. Contract assets**

The company has transferred the goods to the customer and has the right to receive the consideration, and the right depends on other factors other than the passage of time, it is recognized as a contract asset. The Company's unconditional (that is, subject only to the passage of time) right to receive consideration from customers is presented separately as a receivable.

The company's method of determining the expected credit loss of contract assets and its accounting treatment method are detailed in this Note 10.6 Impairment of financial instruments.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

#### 3.17. Assets held for sale

##### 3.17.1. Hold for sale confirmation standard

The Company recognizes non-current assets or disposal groups that meet the following conditions as components held for sale:

- (1) According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current conditions;
- (2) The sale is very likely to happen, that is, the company has made a resolution on a sale plan and obtained a confirmed purchase commitment. The sale is expected to be completed within one year.

A confirmed purchase commitment refers to a legally binding purchase agreement signed between the company and other parties. The agreement contains important terms such as transaction price, time, and sufficiently severe penalties for breach of contract, so that the possibility of major adjustments or cancellation of the agreement is extremely small.

##### 3.17.2. Accounting method for holding for sale

When the Company does not depreciate or amortize non-current assets or disposal groups held for sale, and its book value is higher than the net amount after fair value minus selling expenses, and then the book value shall be written down to the net amount of fair value minus selling expenses, furthermore, the written down amount shall be recognized as an asset impairment loss and included in the current profit and loss. At the same time, provision for impairment of assets held for sale shall be made.

For a non-current asset or disposal group classified as held-for-sale on the date of acquisition, compare the initial measurement amount and the net amount after deducting selling costs from the fair value under the assumption that it is not classified as held-for-sale at the time of initial measurement, and shall be measured at the lower of the above two amount.

The above principles apply to all non-current assets, but do not include investment real estate that uses the fair value model for subsequent measurement, biological assets that are measured by the net amount of fair value minus selling expenses, assets formed by employee compensation, and deferred tax assets, financial assets regulated by the relevant accounting standards of financial instruments, and rights arising from insurance contracts regulated by the relevant accounting standards of insurance contracts.

#### 3.18. Long-term equity investment

##### 3.18.1. Determination of initial investment cost

- (1) For long-term equity investments formed by business combinations, please refer to this Note 5.5. Accounting treatment methods for business combinations under common control and not under common control for specific accounting policies.

- (2) Long-term equity investment obtained by other means

For long-term equity investments obtained by paying cash, the actual purchase price paid shall be used as the initial investment cost. The initial investment cost includes expenses, taxes and other necessary expenses directly related to obtaining long-term equity investment.

The long-term equity investment obtained by issuing equity securities is based on the fair value of the issued equity securities as the initial investment cost; the transaction costs incurred when issuing or acquiring its own equity instruments can be directly attributed to the equity transaction and deducted from the equity.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.18. Long-term equity investment (continued)****3.18.1. Determination of initial investment cost (continued)**

## (2) Long-term equity investment obtained by other means (continued)

On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the assets exchanged in or out can be reliably measured, the initial investment cost of long-term equity investments exchanged for non-monetary assets is determined on the basis of the fair value of the exchanged assets, unless there is conclusive evidence that the fair value of the exchanged assets is more reliable. For the exchange of non-monetary assets that do not meet the above prerequisites, the book value of the exchanged assets and the relevant taxes and fees payable shall be used as the initial investment cost for the exchange into the long-term equity investment.

For long-term equity investments obtained through debt restructuring, the initial investment cost is determined on the basis of fair value.

**3.18.2. Subsequent measurement and profit and loss recognition**

## (1) Cost method

The long-term equity investment that the Company can control over the investee adopts the cost method, and is priced according to the initial investment cost, and the cost of the long-term equity investment is adjusted by adding or recovering the investment.

Except for the declared but not yet distributed cash dividends or profits included in the price actually paid or the consideration when the investment is obtained, the Company shall recognize the cash dividends or profits declared and distributed by the investee as investment income for the current period.

## (2) Equity method

The Company's long-term equity investments in associates and joint ventures are accounted for using the equity method; for some of the equity investments in associates indirectly held by venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, they are measured at fair value and their changes are included in profit or loss.

The initial investment cost of a long-term equity investment is greater than the difference between the fair value share of the investee's identifiable net assets at the time of investment, and the initial investment cost of the long-term equity investment is not adjusted; the difference between the initial investment cost and the fair value share of the investee's identifiable net assets at the time of investment is included in the current profit and loss.

After the Company obtains the long-term equity investment, it shall recognize the investment income and other comprehensive income respectively according to the share of the net profit and loss and other comprehensive income realized by the investee that it should enjoy or should share, and adjust the book value of the long-term equity investment at the same time; and calculate the attributable part according to the profit or cash dividend declared by the investee, and reduce the book value of the long-term equity investment accordingly; For other changes in the owner's equity of the investee except for net profit and loss, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and included in the owner's equity.

When the Company recognizes the share of the net profit and loss of the investee, it is recognized after adjusting the net profit of the investee based on the fair value of the identifiable assets of the investee when the investment is obtained. The unrealized internal transaction gains and losses between the Company and associates and joint ventures shall be offset according to the proportion attributable to the Company, and the investment gains and losses shall be recognized on this basis.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

#### 3.18. Long-term equity investment (continued)

##### 3.18.2. Subsequent measurement and profit and loss recognition

###### (2) Equity method

When the Company confirms that it should share the losses incurred by the investee, it shall deal with it in the following order: First, offset the book value of the long-term equity investment. Secondly, if the book value of the long-term equity investment is not enough to offset, the investment loss shall be recognized within the limit of the book value of other long-term equity that actually constitutes the net investment in the investee, and the book value of long-term receivables shall be offset. Finally, after the above treatment, if the enterprise still undertakes additional obligations according to the investment contract or agreement, the estimated liabilities shall be recognized according to the expected obligations and included in the current investment loss.

If the investee realizes profit in the subsequent period, after deducting the unrecognized loss share, the company will deal with it in the opposite order to the above, write down the book balance of the recognized estimated liabilities, restore other long-term equity that substantially constitutes the net investment in the investee and the book value of the long-term equity investment, and resume the recognition of investment income.

##### 3.18.3. Conversion of long-term equity investment accounting method

###### (1) Fair value measurement converted to equity method accounting

If the equity investment originally held by the Company that does not control, jointly control or have significant influence on the investee is accounted for according to the financial instrument recognition and measurement standards, and can exert significant influence or exercise common control over the investee due to additional investment and other reasons, but does not constitute control, the fair value of the equity investment originally held plus the sum of the additional investment cost determined in accordance with the Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. As the initial investment cost calculated by the equity method.

The initial investment cost calculated by the equity method is less than the difference between the investee's share of the fair value of the identifiable net assets on the date of the additional investment, which is determined according to the new shareholding ratio after the additional investment. The book value of the long-term equity investment is adjusted and included in the current non-operating income.

###### (2) Fair value measurement or equity method accounting is converted to cost method accounting

If the company originally held equity investments that do not control, jointly control or have significant influence on the investee and are accounted for according to the financial instrument recognition and measurement standards, or the long-term equity investments originally held in associates or joint ventures can control the investee not under the same control due to additional investments, etc., when preparing individual financial statements, the book value of the equity investment originally held plus the sum of the additional investment costs. As the initial investment cost calculated by the cost method.

Other comprehensive income recognized by the equity investment held before the purchase date due to the use of the equity method shall be accounted for on the same basis as the direct disposal of the relevant assets or liabilities by the investee when disposing of the investment.

If the equity investment held before the purchase date is accounted for in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the accumulated fair value changes originally included in other comprehensive income will be transferred to the current profit and loss when the cost method is used for accounting.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.18. Long-term equity investment (continued)****3.18.3. Conversion of long-term equity investment accounting method (continued)**

## (3) Equity method accounting is converted to fair value measurement

If the company loses joint control or significant influence on the investee due to the disposal of part of the equity investment, etc., the remaining equity after disposal shall be accounted for in accordance with "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments", and the difference between the fair value and the book value on the date of loss of joint control or significant influence shall be included in the current profit and loss.

Other comprehensive income recognized by the original equity investment due to the use of the equity method of accounting shall be accounted for on the same basis as the direct disposal of the relevant assets or liabilities by the investee when the equity method of accounting is terminated.

## (4) Cost method to equity method

If the company loses control of the investee due to the disposal of part of the equity investment, etc., when preparing individual financial statements, if the remaining equity after disposal can exercise joint control or exert a significant influence on the investee, it shall be accounted for according to the equity method, and the remaining equity shall be adjusted according to the equity method upon acquisition.

## (5) Conversion of cost method to fair value measurement

If the company loses control of the investee due to the disposal of part of the equity investment, etc., when preparing individual financial statements, if the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted for according to the relevant provisions of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the difference between the fair value and the book value on the date of loss of control shall be included in the current profit and loss.

**3.18.4. Disposal of long-term equity investments**

When disposing of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. For a long-term equity investment accounted for by the equity method, when disposing of the investment, the part originally included in other comprehensive income shall be accounted for on the same basis as the direct disposal of the relevant assets or liabilities by the investee.

The terms, conditions and economic impact of the disposal of each transaction of the equity investment in the subsidiary shall be subject to one or more of the following circumstances, and the multiple transactions shall be accounted for as a package transaction:

- (1) These transactions were entered into at the same time or taking into account the influence of each other;
- (2) These transactions as a whole can achieve a complete commercial outcome;
- (3) The occurrence of one transaction is dependent on the occurrence of at least one other transaction;
- (4) A transaction is uneconomical on its own, but economical when considered together with other transactions.



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates *(CONTINUED)*

#### 3.18. Long-term equity investment *(continued)*

##### 3.18.4. Disposal of long-term equity investments *(continued)*

If the control of the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, and it is not a package transaction, the relevant accounting treatment shall be carried out according to the individual financial statements and the consolidated financial statements:

- (1) In the individual financial statements, for the disposed equity, the difference between the book value and the actual acquisition price is included in the current profit and loss. If the remaining equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted for according to the equity method, and the remaining equity shall be adjusted according to the equity method when it is acquired; If the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the difference between the fair value and the book value on the date of loss of control shall be included in the current profit and loss.
- (2) In the consolidated financial statements, for each transaction before the loss of control of the subsidiary, the difference between the disposal price and the corresponding share of the net assets of the subsidiary from the date of purchase or merger, the capital reserve (share premium) is adjusted, and if the capital reserve is insufficient to offset, the retained earnings are adjusted; when the control of the subsidiary is lost, the remaining equity is remeasured according to its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus the difference between the original shareholding ratio and the share of the net assets of the original subsidiary that should be continuously calculated from the date of purchase, is included in the investment income in the current period of loss of control, and goodwill is offset at the same time. Other comprehensive income related to the equity investment of the original subsidiary, etc., shall be converted into investment income of the current period when the control is lost.

If the disposal of the equity investment in the subsidiary until the loss of control is a package transaction, each transaction shall be accounted for as a transaction in which the equity investment in the subsidiary is disposed of and the control is lost, and the relevant accounting treatment shall be carried out according to the individual financial statements and the consolidated financial statements:

- (1) In the individual financial statements, the difference between the disposal price and the book value of the long-term equity investment corresponding to the disposed equity before the loss of control is recognized as other comprehensive income and transferred to the profit and loss for the current period when the control is lost.
- (2) In the consolidated financial statements, the difference between the disposal price and the share of the subsidiary's net assets corresponding to the disposal investment before the loss of control is recognized as other comprehensive income, and transferred to the profit and loss for the period when the control is lost.

##### 3.18.5. Judgment criteria for joint control and significant influence

If the company collectively controls an arrangement with other participants in accordance with the relevant agreement, and an activity decision that has a significant impact on the return of the arrangement exists only with the unanimous consent of the participants who share the control, it is deemed that the company and other participants jointly control an arrangement, and the arrangement is a joint venture arrangement.

If the joint venture arrangement is reached through a single entity, when it is judged that the company has rights to the net assets of the single entity according to the relevant agreement, the single entity shall be regarded as a joint venture and shall be accounted for using the equity method. If it is judged according to the relevant agreement that the company does not have rights to the net assets of the separate entity, the separate entity is a joint operation, and the company recognizes the items related to the share of joint operating interests and conducts accounting treatment in accordance with the relevant enterprise accounting standards.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates** (CONTINUED)**3.18. Long-term equity investment** (continued)**3.18.5. Judgment criteria for joint control and significant influence**

Significant influence means that the investor has the power to participate in decision-making on the financial and operating policies of the invested entity, but cannot control or jointly control the formulation of these policies with other parties. The Company determines that it has a significant impact on the investee through one or more of the following circumstances, and after comprehensively considering all the facts and circumstances: (1) having representatives on the board of directors or similar authorities of the investee; (2) participating in the process of formulating financial and operating policies of the investee; (3) having important transactions with the investee; (4) sending management personnel to the investee; and (5) providing key technical information to the investee.

**3.19. Investment properties**

Investment property is property held to earn rentals or for capital appreciation or both, including a land use right that is leased out; a land use right held for transfer upon capital appreciation; a building that is leased out. In addition, vacant buildings held by the Company for operational rental are also reported as investment real estate if the Board of Directors has made a written resolution expressly stating that they will be used for operational rental and that the intention to hold them will not change in the short term.

An investment property shall be measured initially at its cost. (a) the cost of a purchased investment property comprises its purchase price, related taxes and fee, and other directly attributable expenditures. (b) the cost of a self-constructed investment property is its cost at the date when the construction or development is complete.

An investment property shall be measured initially at its cost. Depreciation or amortization of buildings and land use rights based on their expected useful life and net salvage value rates. The estimated useful life, net salvage value rate and annual depreciation (amortization) rate of investment real estate are shown below:

Category	Depreciation method	Depreciation life (years)	Residual value rate
Houses and buildings	Life average method	20-40	5.00

For a transfer from investment property carried at the cost model to owner-occupied property, or a transfer from owner-occupied property or inventories to investment property carried at the cost model. The carrying amount of a property before its transfer shall be regarded as the recorded amount after its transfer.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When an investment property is sold, transferred, retired or damaged, the enterprise shall recognize the amount of any proceeds on disposal net of the carrying amount and related taxes and fee in profit or loss for the current period.

**3.20. Fixed assets****3.20.1. Confirmation conditions for fixed assets**

Fixed assets refer to tangible assets held for the production of goods, provision of labor services, leasing or operation and management, and with a useful life of more than one fiscal year. Fixed assets are recognized when the following conditions are met at the same time:

- (1) The economic benefits related to the fixed asset are likely to flow into the enterprise;
- (2) The cost of the fixed asset can be reliably measured.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

## 3.20. Fixed assets (continued)

## 3.20.2. Initial measurement of fixed assets

The company's fixed assets are initially measured at cost.

- (1) The cost of purchased fixed assets includes the purchase price, import duties and other related taxes and fees, as well as other expenses that can be directly attributed to the asset before the fixed assets reach the expected usable state.
- (2) The cost of self-constructed fixed assets consists of the necessary expenses incurred before the construction of the asset reaches its intended usable state.
- (3) The fixed assets invested by investors shall be recorded at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, it shall be recorded at the fair value.
- (4) If the purchase price of fixed assets exceeds the normal credit conditions and the payment is delayed, and it is essentially of a financing nature, the cost of the fixed assets shall be determined on the basis of the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price, except for those that should be capitalized, shall be included in the current profit and loss during the credit period.

## 3.20.3. Subsequent measurement and disposal of fixed assets

- (1) Depreciation of fixed assets

Depreciation of fixed assets is accrued over the estimated useful life based on their recorded value minus the estimated net residual value. For fixed assets with impairment provision, the depreciation amount shall be determined according to the book value after deducting the impairment provision and the remaining useful life in the future period; fixed assets that have been fully depreciated and are still in use shall not be depreciated.

The company determines the useful life and estimated net residual value of fixed assets according to the nature and usage of fixed assets. And at the end of the year, the useful life, estimated net residual value and depreciation method of the fixed assets are reviewed, and if there is a difference with the original estimate, corresponding adjustments will be made.

The depreciation method, depreciation period and annual depreciation rate of various types of fixed assets are as follows:

Category	Depreciation method	Depreciation life (years)	Residual value rate	Annual depreciation rate
Houses and buildings	Life average method	20-40	5.00	2.38-4.75
Transport equipment	Life average method	4	5.00	23.75
Machinery and other equipment	Life average method	3-10	5.00	9.5-31.67

- (2) Subsequent expenditure on fixed assets

Subsequent expenditures related to fixed assets, if they meet the conditions for the recognition of fixed assets, are included in the cost of fixed assets; if they do not meet the conditions for the recognition of fixed assets, they are included in the current profits and losses when incurred.

- (3) Disposal of fixed assets

When a fixed asset is disposed of, or it is expected that no economic benefit can be generated through use or disposal, the recognition of the fixed asset is terminated. The disposal income from the sale, transfer, scrapping or destruction of fixed assets after deducting its book value and relevant taxes is included in the current profit and loss.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

#### 3.21. Construction in progress

##### 3.21.1. Initial measurement of construction in progress

The construction in progress built by the company is priced at the actual cost. The actual cost consists of the necessary expenses incurred before the construction of the asset reaches the expected usable state, including the cost of construction materials, labor costs, relevant taxes and fees paid, borrowing costs that should be capitalized, and overhead costs that should be apportioned.

##### 3.21.2. The standard and time point for the construction in progress to be carried over to fixed assets

A construction in progress project shall be regarded as the recorded value of fixed assets according to all the expenditures incurred before the construction of the asset reaches the expected usable state. If the constructed construction in progress has reached the expected usable state, but the final accounts for completion have not been processed, from the date of reaching the expected usable state, it will be transferred to fixed assets according to the estimated value according to the project budget, cost or actual cost of the project, etc., and the depreciation of fixed assets will be accrued according to the company's fixed asset depreciation policy. After the final accounts are completed, the original estimated value will be temporarily adjusted according to the actual cost, but the original accrued depreciation will not be adjusted.

#### 3.22. Borrowing costs

##### 3.22.1. Recognition principles for capitalization of borrowing costs

Borrowing costs incurred by the Company that can be directly attributable to the acquisition, construction or production of assets that meet the capitalization conditions shall be capitalized and included in the cost of the relevant assets; other borrowing costs shall be recognized as expenses based on the amount incurred when incurred and included in the current profit and loss.

Assets that meet the conditions for capitalization refer to assets such as fixed assets, investment real estate, and inventories that require a long period of acquisition, construction or production activities to reach the intended usable or saleable state.

Borrowing costs are capitalized when the following conditions are met:

- (1) Asset expenditure has been incurred, and asset expenditure includes expenditure in the form of paying cash, transferring non-cash assets or assuming interest-bearing debts for the purchase, construction or production of assets eligible for capitalization;
- (2) Borrowing costs have been incurred;
- (3) The acquisition, construction or production activities necessary to bring the asset to its intended usable or saleable state have begun.

##### 3.22.2. Period of capitalization of borrowing costs

The capitalization period refers to the period from the time when the capitalization of borrowing costs begins to the time when the capitalization ceases. The period when the capitalization of borrowing costs is suspended is not included.

When the acquisition, construction or production of assets that meet the capitalization conditions reaches the intended usable or saleable state, the capitalization of borrowing costs shall cease.

When some of the projects in the acquisition, construction or production of assets that meet the capitalization conditions are completed and can be used separately, the capitalization of the borrowing costs of those assets shall cease.

If each part of the asset purchased, constructed or produced is completed separately, but cannot be used or sold until the entire asset is completed, the capitalization of borrowing costs shall be stopped when the asset is completed as a whole.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

#### 3.22. Borrowing costs (continued)

##### 3.22.3. Suspension of capitalization period

If an asset eligible for capitalization is interrupted abnormally during the acquisition, construction or production process, and the interruption lasts for more than 3 consecutive months, the capitalization of borrowing costs shall be suspended; if the interruption is a necessary procedure for the acquired, constructed or produced assets eligible for capitalization to reach the intended usable state or saleable state, the borrowing costs shall continue to be capitalized. Borrowing costs incurred during the interruption period are recognized as current profits and losses, and the borrowing costs continue to be capitalized until the acquisition and construction of assets or the restart of production activities.

##### 3.22.4. Calculation method of capitalized amount of borrowing costs

The interest expense of the special loan (deducting the interest income obtained by depositing the unused borrowed funds in the bank or the investment income obtained by making a temporary investment) and its auxiliary expenses shall be capitalized before the assets purchased, constructed or produced that meet the capitalization conditions reach the expected usable or saleable state.

The amount of interest that should be capitalized for general borrowings is calculated and determined based on the weighted average number of accumulated asset expenditures exceeding the portion of special borrowings multiplied by the capitalization rate of the occupied general borrowings. The capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings.

If there is a discount or premium on the loan, the amount of discount or premium that should be amortized in each accounting period shall be determined according to the effective interest method, and the amount of interest in each period shall be adjusted.

#### 3.23. Right-of-use assets

The Company initially measures the right-of-use assets at cost, which includes:

1. The initial measurement amount of the lease liability;
2. For lease payments made on or before the start date of the lease term, if there is a lease incentive, the relevant amount of the lease incentive already enjoyed shall be deducted;
3. The initial direct expenses incurred by the company;
4. Costs (excluding costs incurred to produce inventory) expected to be incurred by the Company for dismantling and removing the leased asset, restoring the site where the leased asset is located, or restoring the leased asset to the state agreed upon in the lease terms.

After the start date of the lease term, the Company adopts the cost model for subsequent measurement of the right-of-use assets.

If it can be reasonably determined that the ownership of the leased asset is obtained at the expiration of the lease term, the Company shall accrue depreciation within the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be obtained upon the expiration of the lease term, the Company shall make depreciation within the shorter of the lease term and the remaining useful life of the leased asset. For right-of-use assets with provision for impairment, depreciation shall be accrued at the book value after deducting the provision for impairment in future periods with reference to the above principles.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.24. Intangible assets and development**

Intangible assets refer to identifiable non-monetary assets without physical form owned or controlled by the company.

**3.24.1. Initial measurement of intangible assets**

The cost of outsourcing intangible assets includes the purchase price, relevant taxes and other expenses directly attributable to making the asset achieve its intended purpose. If the purchase price of the intangible asset exceeds the normal credit conditions and the payment is delayed, and it is essentially of a financing nature, the cost of the intangible asset shall be determined on the basis of the present value of the purchase price.

Debt restructuring obtains intangible assets used by the debtor to repay the debt, and its entry value is determined based on the fair value of the intangible asset, and the difference between the book value of the restructured debt and the fair value of the intangible asset used to repay the debt is included in the current profit and loss.

On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the exchanged assets can be reliably measured, the intangible assets exchanged for non-monetary assets shall be determined on the basis of the fair value of the exchanged assets, unless there is conclusive evidence that the fair value of the exchanged assets is more reliable; For the exchange of non-monetary assets that do not meet the above prerequisites, the book value of the exchanged assets and the relevant taxes and fees payable shall be used as the cost of the exchanged intangible assets, and no profit or loss shall be recognized.

Intangible assets acquired through absorption and merger of enterprises under the same control are recorded at the book value of the merged party; intangible assets acquired through absorption and merger of enterprises not under the same control are recorded at fair value.

Internally developed intangible assets, the cost includes: materials consumed in the development of the intangible asset, labor costs, registration fees, amortization of other patents and concessions used in the development process, interest expenses that meet the capitalization conditions, and other direct expenses incurred before the intangible asset reaches its intended use.

**3.24.2. Subsequent measurement of intangible assets**

When the company acquires intangible assets, it analyzes and judges their useful life, and classifies them into intangible assets with limited useful life and uncertain useful life.

**(1) Intangible assets with limited useful life**

For intangible assets with a limited useful life, they are amortized on a straight-line basis over the period that brings economic benefits to the enterprise. The expected life and basis of intangible assets with limited useful life are as follows:

Projects	Expected service life	In accordance with
Software	3-10	Earning period

At the end of each period, the useful life and amortization method of intangible assets with limited useful life are reviewed, and if there is a difference from the original estimate, corresponding adjustments will be made.

After review, the useful life and amortization method of intangible assets at the end of the current period are not different from previous estimates.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates *(CONTINUED)*

#### 3.24. Intangible assets and development *(continued)*

##### 3.24.2. *Subsequent measurement of intangible assets*

(2) Intangible assets with indefinite useful life

If it is impossible to foresee the period for which intangible assets will bring economic benefits to the enterprise, it shall be regarded as intangible assets with uncertain service life. Intangible assets with indefinite useful lives are not amortized. At the end of the period, the useful life of intangible assets with indefinite useful life is reviewed. If it remains uncertain after a re-review at the end of the period, the impairment test will continue in each accounting period.

For the impairment test of intangible assets, see this note (26) for the impairment of long-term assets.

##### 3.24.3. *Divide the specific standards for the research phase and development phase of the company's internal research and development projects*

Research phase: The phase of original planned investigation and research activities to acquire and understand new scientific or technical knowledge, etc.

Development stage: The stage in which research results or other knowledge are applied to a plan or design to produce new or substantially improved materials, devices, products, etc., prior to commercial production or use.

Expenses in the research phase of internal research and development projects are included in the current profit and loss when incurred.

##### 3.24.4. *Expenditures in the development phase meet specific criteria for capitalization*

Expenditures in the development phase of internal research and development projects are recognized as intangible assets when the following conditions are met:

- (1) It is technically feasible to complete the intangible asset so that it can be used or sold;
- (2) Has the intention to complete the intangible asset and use or sell it;
- (3) The way in which the intangible asset generates economic benefits, including the ability to prove that the product produced by the intangible asset exists in the market or the intangible asset itself exists in the market, and the intangible asset will be used internally, which can prove its usefulness;
- (4) It is supported by sufficient technical, financial and other resources to complete the development of the intangible asset and has the ability to use or sell the intangible asset;
- (5) The expenditure attributable to the development stage of the intangible asset can be reliably measured.

Expenditures in the development stage that do not meet the above conditions are included in the current profit and loss when incurred. Development expenditures that have been recorded in profit or loss in previous periods are not recognized as assets in subsequent periods. Expenditures in the development stage that have been capitalized are listed as development expenditures on the balance sheet and are converted into intangible assets from the date the project reaches its intended use.

#### 3.25. Impairment of long-term assets

The company judges whether there are signs of possible impairment of long-term assets on the balance sheet date. If there are signs of impairment of long-term assets, the recoverable amount is estimated on the basis of a single asset; if it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.25. Impairment of long-term assets (continued)**

The recoverable amount of an asset is estimated based on the higher of its fair value less disposal costs and the present value of the asset's expected future cash flows.

The measurement result of the recoverable amount shows that if the recoverable amount of the long-term asset is lower than its book value, the book value of the long-term asset is written down to the recoverable amount, and the written down amount is recognized as an asset impairment loss, which is included in the current profit and loss, and the corresponding asset impairment provision is made at the same time. Once an asset impairment loss is recognized, it cannot be reversed in subsequent accounting periods.

After the asset impairment loss is recognized, the depreciation or amortization expenses of the impaired asset are adjusted accordingly in future periods, so that the adjusted book value of the asset (after deducting the estimated net residual value) is systematically apportioned over the remaining useful life of the asset.

Goodwill formed by business combinations and intangible assets with uncertain useful lives are tested for impairment every year, regardless of whether there are signs of impairment.

When performing impairment tests on goodwill, the book value of goodwill is apportioned to the asset group or combination of asset groups that are expected to benefit from the synergies of the business combination. When conducting an impairment test on the relevant asset group or combination of asset groups that contains goodwill, if there are signs of impairment in the asset group or combination of asset groups related to goodwill, first conduct an impairment test on the asset group or combination of asset groups that does not contain goodwill, calculate the recoverable amount, and compare it with the relevant book value to recognize the corresponding impairment loss. Then conduct an impairment test on the asset group or combination of asset groups that contain goodwill, and compare the book value of these relevant asset groups or combination of asset groups (including the portion of the book value of the apportioned goodwill) with their recoverable amount. If the recoverable amount of the relevant asset group or combination of asset groups is lower than its book value, an impairment loss of goodwill is recognized.

**3.26. Long-term deferred expenses****3.26.1. Amortization method**

Long-term deferred expenses refer to the various expenses that the Company has incurred but should be borne by the current and subsequent periods with amortization period of more than one year. Long-term deferred expenses are amortized in installments based on the straight-line method during the benefit period.

**3.26.2. Amortization period**

Category	Amortization period	remark
Fit-up cost	3	Earning period

**3.27. Contract liabilities**

The Company recognizes the portion of the obligation to transfer the goods to the customer for the consideration received or receivable from the customer as a contract liability.

**3.28. Employee compensation**

Employee compensation refers to various forms of remuneration or compensation given by the Company for obtaining the services provided by the employee or removing the labor relationship. Employee compensation includes short-term compensation, post-employment benefits, dismissal benefits and other long-term employee benefits.



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

#### 3.28. Employee compensation (continued)

##### 3.28.1. Short-term compensation

Short-term compensation refers to the employee compensation that the Company needs to pay in full within 12 months after the end of the annual reporting period for employees to provide relevant services, except for post-employment benefits and termination benefits. During the accounting period when the employees provide services, the Company recognizes the short-term compensation payable as a liability, and includes it in the relevant asset costs and expenses according to the beneficiaries of the services provided by the employees.

##### 3.28.2. Post-employment benefits

Post-employment benefits refer to the various forms of remuneration and benefits provided by the company in order to obtain the services provided by the employees after the employees retire or terminate the labor relationship with the enterprise, except for short-term compensation and dismissal benefits.

The Company's post-employment benefit plans are classified into defined contribution plans and defined benefit plans.

The post-employment defined contribution plan is mainly to participate in the social basic endowment insurance, unemployment insurance, etc., organized and implemented by labor and social security institutions in various places; during the accounting period when employees provide services to the company, the payable deposit amount calculated according to the defined contribution plan is recognized as a liability and included in the current profit and loss or the cost of related assets.

After the company regularly pays the above payments in accordance with the standards and annuity plans stipulated by the state, it will no longer have other payment obligations.

The defined benefit Scheme for post-employment benefits mainly consists of clear standard out-of-pool benefits paid to retirees and living expenses paid to survivors of deceased employees. The obligations incurred in defined benefit plans are actuarial at the balance sheet date by an independent actuary using the expected cumulative benefit unit method, and the benefit obligations arising from defined benefit plans are attributed to the period during which employees provide services and are included in current profit or loss or related asset costs, among which: Unless other accounting standards require or allow the cost of employee benefits to be included in the cost of assets, the cost of defined benefit plan services and net interest on net liabilities or net assets of defined benefit plan are included in current profit or loss in the period in which they are incurred; Changes resulting from the remeasurement of net liabilities or net assets of defined benefit plans are recognised in other comprehensive income in the period in which they occur and are not allowed to be carried back to profit or loss in subsequent accounting periods

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.28. Employee compensation (continued)****3.28.3. Dismissal benefits**

Dismissal benefits refer to the compensation given to employees by the Company to terminate the labor relationship with the employees before the expiration of the labor contract of the employees, or to encourage the employees to voluntarily accept the reduction. When the Company cannot unilaterally withdraw the termination labor relationship plan or the reduction proposal and confirm the costs and expenses related to the reorganization involving the payment of dismissal benefits, the liabilities arising from the compensation for the termination of the labor relationship with the employees shall be recognized and included in the current profits and losses.

The company provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement benefits refer to the wages paid and social insurance premiums paid to employees who have not reached the retirement age stipulated by the state and who have voluntarily quit their jobs with the approval of the company's management. The Company shall pay internal retirement benefits to inward retired employees from the date of the start of the internal retirement arrangement until the employees reach the normal retirement age. For internal retirement benefits, the company conducts accounting treatment according to dismissal benefits. When the relevant confirmation conditions for dismissal benefits are met, the wages and social insurance premiums to be paid for internal retirement employees from the date when the employees stop providing services to the normal retirement date are recognized as liabilities and included in the current profits and losses at one time. Differences arising from changes in actuarial assumptions for early retirement benefits and adjustments to benefit standards are included in the current profit and loss when they occur.

**3.28.4. Other long-term employee benefits**

Other long-term employee benefits refer to all employee benefits except short-term compensation, post-employment benefits, and termination benefits.

For other long-term employee benefits that meet the conditions of the defined contribution plan, during the accounting period when the employees provide services to the company, the amount payable is recognized as a liability and included in the current profit and loss or the cost of related assets; Other long-term employee benefits, other than those described above, are actuarial at the balance sheet date by an independent actuary using the expected cumulative benefit unit method, and the benefit obligations arising from the defined benefit plan are attributed to the period during which the employee provides service and are included in the current profit or loss or related asset cost.

**3.29. Projected liabilities****3.29.1. Recognition criteria for estimated liabilities**

When the obligation relating to the contingent is a current obligation of the Company, the fulfilment of the obligation is likely to result in an outflow of economic benefits, and the amount of the obligation can be reliably measured, it is recognised as a projected liability.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates *(CONTINUED)*

#### 3.29. Projected liabilities

##### 3.29.2. Measurement of projected liabilities

The Company expects liabilities to be initially measured based on the best estimate of the expenses required to satisfy the relevant current obligations.

When determining the best estimate, the Company takes into account factors such as risks, uncertainties and the time value of money related to contingencies. If the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash.

The best estimates are dealt with in the following cases:

If there is a continuous range (or interval) of the required expenditure, and the probability of various outcomes within this range is the same, the best estimate is determined according to the middle value of the range, that is, the average of the upper and lower limits.

If there is no continuous range (or interval) of the required expenditure, or although there is a continuous range, the probability of various outcomes within the range is different. If the contingency involves a single item, the best estimate is determined according to the most likely amount; if the contingency involves multiple items, the best estimate is determined according to the calculation of various possible outcomes and related probabilities.

If all or part of the expenses required by the Company to settle the estimated liabilities are expected to be compensated by a third party, the compensation amount shall be recognized separately as an asset when it is basically certain that it can be received, and the recognized compensation amount shall not exceed the book value of the estimated liabilities.

#### 3.30. Lease liabilities

The Company initially measures lease liabilities based on the present value of unpaid lease payments at the start date of the lease term. When calculating the present value of the lease payment, the Company uses the embedded interest rate of the lease as the discount rate; if the embedded interest rate of the lease cannot be determined, the incremental borrowing rate of the Company is used as the discount rate. Lease payments include:

1. The fixed payment amount and the actual fixed payment amount after deducting the relevant amount of the lease incentive;
2. Variable lease payments depending on the index or ratio;
3. Where the Company is reasonably certain that the option will be exercised, the lease payment includes the exercise price of the purchase option;
4. In the case that the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment includes the amount to be paid for exercising the option to terminate the lease;
5. The amount expected to be paid based on the residual value of the guarantee provided by the company.

**NOTES TO THE FINANCIAL STATEMENT**

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.30. Lease liabilities (continued)**

The Company calculates the interest expense of the lease liability for each period of the lease term at a fixed discount rate and includes it in the current profit and loss or the cost of the relevant asset.

Variable lease payments that are not included in the measurement of lease liabilities shall be included in the current profit and loss or the cost of the relevant asset when actually incurred.

**3.31. Share-based payment****3.31.1. Types of share payments**

The Company's share payments are divided into equity based share payments and cash based share payments.

**3.31.2. Method of determining fair value of equity instruments**

The fair value of equity instruments such as options granted in active markets is determined at the quoted price in active markets. For equity instruments such as options granted without active market, the fair value is determined by option pricing model, etc. The selected option pricing model takes into account the following factors: (1) the exercise price of the option; (2) the validity period of the option; (3) the current price of the underlying shares; (4) Expected volatility of stock price; (5) the expected dividends of the shares; (6) The risk-free rate during the term of the option.

In determining the fair value of the equity instrument at the grant date, the effect of market conditions and non-vesting conditions in the vesting conditions specified in the share payment agreement is considered. If there are non-option conditions in the share payment, as long as the employee or other party meets all non-market conditions in the option conditions (such as the term of service, etc.), it is confirmed that the corresponding cost of the service has been received.

**3.31.3. The basis for determining the best estimate of viable equity instruments**

At each balance sheet date during the waiting period, the best estimate is made based on the latest available subsequent information such as changes in the number of employees of the available rights, and the number of equity instruments for the expected available rights is revised. On the vesting date, the final estimated number of vesting instruments is consistent with the actual number of vesting rights.

**3.31.4. Accounting treatment method**

Equity settled share payments are measured at the fair value of the equity instrument granted to the employee. If the right is available immediately after the grant, the relevant cost or expense is included in the fair value of the equity instrument on the grant date, and the capital reserve is increased accordingly. At each balance sheet date of the waiting period, on the basis of the best estimate of the number of available equity instruments, services acquired during the period are credited to the relevant costs or expenses and capital reserves at the fair value of the grant date of the equity instruments. No adjustments are made to recognized related costs or expenses and total owner's equity after the option date.

Share payments settled in cash are measured at the fair value of liabilities assumed by the Company that are calculated on the basis of shares or other equity instruments. If the right is immediately available after the grant, the fair value of the liabilities assumed by the Company is included in the relevant costs or expenses on the grant date, and the liabilities are increased accordingly. At each balance sheet date of the waiting period, on the basis of the best estimate of the availability of the option, services acquired during the period are credited to costs or expenses and corresponding liabilities at the fair value amount of the liabilities assumed by the Company. At each balance sheet date prior to the settlement of the relevant liability and at the settlement date, the fair value of the liability is remeasured and the change is recorded in profit or loss for the current period.

If the equity instrument granted is cancelled during the waiting period, the Company will treat the cancellation of the equity instrument granted as an accelerated exercise, and the amount that should be recognized during the remaining waiting period will be immediately credited to the current profit or loss, and the capital reserve will be recognized. If the employee or other party can elect to meet the conditions of the non-feasible right but not within the waiting period, the Company will treat it as a cancellation of the vesting instrument.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates *(CONTINUED)*

#### 3.32. Other financial instruments such as preferred stock and perpetual bonds

In accordance with the provisions of the Financial Instruments Standard, the Company classifies the financial instruments or their components as financial liabilities or equity instruments at initial recognition based on the contractual terms of the issued preferred shares, perpetual bonds and other financial instruments and their reflected economic substance rather than only in legal form, combined with the definitions of financial liabilities and equity instruments:

##### 3.32.1. *An issued financial instrument is classified as a financial liability if one of the following conditions is met:*

- (1) A contractual obligation to deliver cash or other financial assets to another party;
- (2) Contractual obligations to exchange financial assets or financial liabilities with other parties under potentially adverse conditions;
- (3) A non-derivative instrument contract that will be settled with or available to the Enterprise's own equity instruments in the future, under which the Enterprise will deliver a variable amount of its own equity instruments;
- (4) Derivative contracts that are to be settled or can be settled with the enterprise's own equity instruments in the future, except for derivative contracts that exchange a fixed amount of its own equity instruments for a fixed amount of cash or other financial assets.

##### 3.32.2. *If the following conditions are met at the same time, the issued financial instruments are classified as equity instruments:*

- (1) The financial instrument does not include a contractual obligation to deliver cash or other financial assets to another party, or to exchange financial assets or financial liabilities with another party on potentially adverse terms;
- (2) Where the enterprise's own equity instruments are required or available for settlement in the future, if the financial instrument is a non-derivative instrument, excluding the contractual obligation to deliver a variable amount of its own equity instruments for settlement; In the case of derivatives, the enterprise can only settle the financial instrument by exchanging a fixed amount of its own equity instrument for a fixed amount of cash or other financial assets.

##### 3.32.3. *Accounting treatment method*

For financial instruments classified as equity instruments, the interest expense or dividend distribution shall be distributed as the profit of the issuing enterprise, and the repurchase and cancellation shall be treated as the change of equity, and the transaction costs such as commission and commission shall be deducted from the equity.

For financial instruments classified as financial liabilities, their interest expenses or dividend distribution are treated in principle according to borrowing costs, the gains or losses generated by their repurchases or redemptions are included in the current profit and loss, and transaction costs such as handling fees and commissions are included in the initial measurement amount of the issued instruments.

#### 3.33. Revenue

The Company's revenue is mainly derived from the following business types:

- (1) Property management services;
- (2) Value-added services to non-property owners;
- (3) Community value-added services.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.33. Revenue (continued)****3.33.1. General principles of revenue recognition**

The company fulfills the performance obligation in the contract, that is, when the customer obtains control of the relevant goods or services, revenue is recognized according to the transaction price allocated to the performance obligation.

The performance obligation refers to the promise in the contract that the company transfers the goods or services to the customer that can be clearly distinguished.

Obtaining control of the relevant commodity means being able to dominate the use of the commodity and obtain almost all economic benefits from it.

The company evaluates the contract on the contract start date, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a certain point in time. If one of the following conditions is met, it is a performance obligation performed within a certain period of time, and the company recognizes revenue within a period of time according to the performance progress: (1) The customer obtains and consumes the economic benefits brought by the company's performance at the same time as the company performs the contract; (2) The customer can control the goods under construction in the process of the company's performance; (3) The goods produced by the company during the performance of the contract have irreplaceable uses, and the company has the right to collect payment for the accumulated part of the performance that has been completed so far during the entire contract period. Otherwise, the company recognizes revenue when the customer obtains control of the relevant goods or services.

For performance obligations performed within a certain period of time, the Company adopts the output method/ input method to determine the appropriate performance progress according to the nature of the goods and services. The output method determines the performance progress based on the value of the goods transferred to the customer to the customer (the input method determines the performance progress based on the company's input to fulfill the performance obligation). When the progress of the performance cannot be reasonably determined, if the costs incurred by the company are expected to be compensated, the revenue shall be recognized according to the amount of the costs incurred until the progress of the performance can be reasonably determined.

**3.33.2. The specific method of revenue recognition**

The Company's main business is to provide property management services, Value-added services to non-property owners and Community value-added services. According to the company's own business model and settlement method, the specific methods of sales revenue recognition of various businesses are as follows:

**(1) property management services**

For property management services, the Group bills a fixed amount for services provided on an annual, quarterly or monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is responsible for providing the property management services to the property owners, the Group entitles to revenue at the value of property management services fee received or receivable and recognises all related property management costs as its cost of service.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

#### 3.33. Revenue (continued)

##### 3.33.2. The specific method of revenue recognition (continued)

##### (2) Value-added services to non-property owners

Value-added services to non-property owners mainly includes preliminary property management services, design services, landscaping services, pre-delivery services and other customized services, such as repair and maintenance services and property transaction assistance services. The Group agrees the price for each service with the customers.

For Value-added services to non-property owners other than landscaping services, the Company recognizes revenue at a the point in time when the relevant services are provided. For landscaping services, the Group recognises revenue over the period of the contract by reference to the progress towards complete satisfaction of the performance obligations. The progress towards complete satisfaction of the performance obligation, in an amount that reflects the consideration expected to be entitled and, depending on the nature of the contract, is measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract; or (b) completion of physical proportion of the contract work.

##### (3) Community value-added services

For community value-added services mainly relating to services to property owners and residents of our managed properties, which includes community space and resource management services, parking space management services, utility management services and community living services, such as customized waste cleaning and housekeeping services, revenue is recognised when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

#### 3.34. Contract costs

##### 3.34.1. Contract performance costs

The company recognizes the cost incurred for the performance of the contract as an asset that does not fall within the scope of the Accounting Standards for Business Enterprises other than the Revenue Standard and meets the following conditions at the same time:

- (1) The cost is directly related to a current or expected contract and includes direct labor, direct materials, manufacturing expenses (or similar expenses), costs expressly borne by the customer, and other costs incurred solely because of the contract;
- (2) This cost increases the resources that the enterprise will use to fulfill its performance obligations in the future;
- (3) The cost is expected to be recovered.

The asset is reported in inventory or other non-current assets based on whether the amortization period at the time of its initial recognition exceeds a normal business cycle.

##### 3.34.2. Contract acquisition cost

If the incremental costs incurred by the Company to obtain the contract are expected to be recovered, it is recognized as an asset as the cost of obtaining the contract. Incremental costs refer to costs that the company will not incur without obtaining a contract, such as sales commissions. If the amortization period does not exceed one year, it shall be included in the current profit and loss when it occurs.

**NOTES TO THE FINANCIAL STATEMENT**

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.34. Contract costs (continued)****3.34.3. Amortization of contract costs**

The above assets related to contract costs are recognized on the same basis as the revenue from goods or services related to the asset, amortized at the time when the performance obligation is fulfilled or according to the performance progress of the performance obligation, and included in the current profit and loss.

**3.34.4. Contract cost impairment**

If the book value of the above-mentioned assets related to contract costs is higher than the difference between the remaining consideration that the Company expects to obtain due to the transfer of the commodities related to the assets and the estimated costs that will be incurred for the transfer of the relevant commodities, the excess part shall be provided for impairment and recognized as an asset impairment loss.

After the provision for impairment is made, if the factors of impairment in the previous period change and the difference between the above two items is higher than the book value of the asset, the original provision for impairment of the asset shall be reversed and included in the current profit and loss, but the book value of the asset after the reversal shall not exceed the book value of the asset on the reversal date assuming no provision for impairment.

**3.35. Government grants****3.35.1. Type**

Government subsidies are monetary and non-monetary assets obtained by the company from the government free of charge. According to the subsidy objects stipulated in relevant government documents, government subsidies are divided into government subsidies related to assets and government subsidies related to income.

Government subsidies related to assets refer to government subsidies obtained by the company for acquisition and construction or otherwise to form long-term assets. Government subsidies related to income refer to government subsidies other than government subsidies related to assets.

**3.35.2. Confirmation of government grants**

If there is evidence at the end of the period that the company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government subsidy shall be recognized according to the amount receivable. In addition to this, government grants are recognized when they are actually received.

If the government subsidy is a monetary asset, it shall be measured according to the amount received or receivable. If the government subsidy is a non-monetary asset, it shall be measured at fair value; if the fair value cannot be obtained reliably, it shall be measured at the nominal amount (RMB 1). Government subsidies measured at nominal amounts are directly included in the current profits and losses.



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

#### 3.35. Government grants (continued)

##### 3.35.3. Accounting treatment

According to the essence of the economic business, the company determines whether a certain type of government subsidy business should be accounted for by the gross method or the net method. Under normal circumstances, the company only chooses one method for similar or similar government subsidy business, and consistently applies this method to this business.

Projects	Accounting content
Types of government subsidies accounted for using the gross method	All government grants except loan subsidized government grants
Types of government grants accounted for using the net method	Loan discount government subsidy

Government subsidies related to assets shall be offset against the book value of the relevant assets or recognized as deferred income. If government grants related to assets are recognized as deferred income, they are included in profit or loss in installments over the useful life of the assets constructed or purchased in a reasonable and systematic manner.

If the government subsidy related to income is used to compensate the relevant expenses or losses of the enterprise in the subsequent period, it is recognized as deferred income, and it is included in the current profit and loss or offset the relevant costs in the period when the relevant expenses or losses are recognized; if it is used to compensate the relevant expenses or losses incurred by the enterprise, it is directly included in the current profit and loss or offset the relevant costs when obtained.

Government subsidies related to the daily activities of the enterprise are included in other income or offset related costs and expenses; government subsidies not related to the daily activities of the enterprise are included in non-operating income and expenditure.

If the government subsidy related to the discount of the policy preferential loan is received to offset the relevant borrowing costs; if the loan with the policy preferential interest rate provided by the lending bank is obtained, the actual loan amount received shall be used as the entry value of the loan, and the relevant borrowing costs shall be calculated according to the loan principal and the policy preferential interest rate.

When the confirmed government subsidy needs to be returned, if the book value of the relevant assets is offset at the initial recognition, the book value of the assets shall be adjusted; if there is a relevant deferred income balance, the relevant deferred income book balance shall be offset, and the excess part shall be included in the current profit and loss; if there is no relevant deferred income, it shall be directly included in the current profit and loss.

#### 3.36. Deferred tax assets and Deferred tax liabilities

Deferred tax assets and Deferred tax liabilities are calculated and recognized based on the difference between the tax base of the assets and liabilities and their carrying value (temporary differences). At the balance sheet date, Deferred tax assets and Deferred tax liabilities are measured at the applicable tax rate during the period in which the asset is expected to be recovered or the liability is settled.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates** (CONTINUED)**3.36. Deferred tax assets and deferred tax liabilities** (continued)**3.36.1. Basis for confirming Deferred tax assets**

The Company recognizes Deferred tax assets arising from deductible temporary differences to the extent that it is likely to obtain the taxable income that can be used to deduct deductible temporary differences, deductible losses and tax deductions that can be carried forward to subsequent years. However, the Deferred tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized: (1) the transaction is not a business combination; (2) when the transaction occurs, it neither affects accounting profits nor taxable income or deductible losses.

For deductible temporary differences related to investments in associates, the corresponding Deferred tax assets are recognized if the following conditions are met: temporary differences are likely to be reversed in the foreseeable future, and taxable income to offset deductible temporary differences is likely to be obtained in the future.

**3.36.2. Basis for recognizing Deferred tax liabilities**

The company recognizes the taxable temporary difference between the current period and the previous period as a Deferred tax liabilities. But does not include:

- (1) Temporary differences arising from the initial recognition of goodwill;
- (2) A transaction or event that is not a business combination, and when the transaction or event occurs, it neither affects accounting profits nor temporary differences in taxable income (or deductible losses);
- (3) For taxable temporary differences related to investments in subsidiaries and associates, the timing of the reversal of the temporary differences can be controlled and the temporary differences are unlikely to be reversed in the foreseeable future.

**3.36.3. When the following conditions are met at the same time, the Deferred tax assets and Deferred tax liabilities are listed as the net amount after offsetting**

- (1) The enterprise has the statutory right to settle the current income tax assets and current income tax liabilities on a net basis;
- (2) Deferred tax assets and Deferred tax liabilities are related to the income tax levied by the same tax administration department on the same taxpayer or related to different taxpayers, but during the period when each important Deferred tax assets and Deferred tax liabilities are reversed in the future, the taxpayers involved intend to settle the current income tax assets and current income tax liabilities on a net basis or acquire assets and pay off debts at the same time.

**3.37. Lease**

On the contract start date, the Company assesses whether the contract is a lease or contains a lease. If one party to the contract assigns the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or contains a lease.

**3.37.1. Spin-off of lease contracts**

When a contract contains multiple separate leases at the same time, the company will split the contract and account for each separate lease.

When the contract includes both lease and non-lease parts, the Company will separate the lease and non-lease parts, the lease part shall be accounted for in accordance with the lease standard, and the non-lease part shall be accounted for in accordance with other applicable enterprise accounting standards.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

#### 3.37. Lease (continued)

##### 3.37.2. Consolidation of lease contracts

When two or more contracts containing leases entered into by the Company and the same transaction party or its related parties at the same time or at a similar time meet one of the following conditions, they shall be combined into one contract for accounting treatment:

- (1) The two or more contracts are based on the general commercial purpose and constitute a package transaction, and their general commercial purpose cannot be understood without taking them as a whole.
- (2) The amount of consideration for one of the two or more contracts depends on the pricing or performance of the other contracts.
- (3) The right to use the assets assigned by the two or more contracts together constitute a separate lease.

##### 3.37.3. Accounting treatment of the company as a lessee

At the start date of the lease term, the Company recognizes right-of-use assets and lease liabilities for leases, except for short-term leases and low-value asset leases for which simplified treatment is applied.

- (1) Short-term leases and leases of low-value assets

A short-term lease is a lease that does not include a purchase option and the lease term does not exceed 12 months. Low-value asset leasing refers to a lease with a lower value when a single leased asset is a brand new asset.

- (2) The accounting policies for right-of-use assets and lease liabilities are detailed in this Note 3.23 and Note 3.30.

##### 3.37.4. Accounting treatment of the company as a lessor

- (1) Classification of leases

The Company divides leases into finance leases and operating leases on the lease commencement date. A finance lease is a lease that substantially transfers almost all the risks and rewards associated with the ownership of the leased asset, and its ownership may or may not eventually be transferred. Operating leases refer to leases other than finance leases.

If a lease has one or more of the following circumstances, the Company is usually classified as a finance lease:

- 1) At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee;
- 2) The lessee has the option to purchase the leased asset, and the purchase price entered into is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised, so that it can be reasonably determined on the lease commencement date that the lessee will exercise the option;
- 3) Although the ownership of the asset is not transferred, the lease term accounts for most of the useful life of the leased asset;
- 4) On the lease commencement date, the present value of the lease receipt is almost equal to the fair value of the leased asset;
- 5) The nature of the leased asset is special. If there is no major renovation, only the lessee can use it.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.37. Lease (continued)****3.37.4. Accounting treatment of the company as a lessor (continued)**

## (1) Classification of leases (continued)

The Company may also classify a lease as a finance lease where one or more of the following indications exist:

- 1) If the lessee cancels the lease, the loss to the lessor caused by the cancellation of the lease shall be borne by the lessee;
- 2) Gains or losses arising from fluctuations in the fair value of the residual value of the asset are attributable to the lessee;
- 3) The lessee has the ability to continue the lease to the next period at a rent far below the market level.

## (2) Accounting treatment of financial leases

On the start date of the lease term, the Company recognizes the finance lease receivables for finance leases and terminates the recognition of finance lease assets.

When the finance lease receivables are initially measured, the sum of the unguaranteed residual value and the lease receipts that have not been received at the beginning of the lease term is used as the entry value of the finance lease receivables, discounted at the present value of the interest rate included in the lease. Lease receipts include:

- 1) The fixed payment amount and the actual fixed payment amount after deducting the relevant amount of the lease incentive;
- 2) Variable lease payments depending on the index or ratio;
- 3) If it is reasonably certain that the lessee will exercise the purchase option, the lease receipt includes the exercise price of the purchase option;
- 4) The lease term reflects the situation that the lessee will exercise the option to terminate the lease, and the lease collection includes the amount to be paid by the lessee to exercise the option to terminate the lease;
- 5) The residual value of the guarantee provided to the lessor by the lessee, the party related to the lessee and an independent third party who has the financial ability to perform the guarantee obligation.

The Company calculates and recognizes the interest income for each period of the lease term according to the fixed embedded interest rate of the lease, and the variable lease payments obtained that are not included in the measurement of the net lease investment are included in the current profit and loss when they are actually incurred.

## (3) Accounting treatment of operating leases

The Company recognizes the lease receipts from operating leases as rental income using the straight-line method or other systematically reasonable methods during each period of the lease term; the initial direct costs incurred related to operating leases are capitalized and apportioned on the same basis as rental income during the lease term and included in current profit or loss in installments; and the acquired variable lease payments related to operating leases that are not included in lease receipts are included in current profit or loss when actually incurred.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates** (CONTINUED)**3.38. Discontinued operation**

The Company will be satisfied with one of the following conditions, and the component has been disposed of or classified as holding for sale category, can be separately distinguished as a discontinued operating component:

- (1) The component represents a separate principal business or a separate principal area of operation;
- (2) The component is part of an associated plan to dispose of a separate principal business or a separate principal operating area;
- (3) The component is a subsidiary acquired exclusively for resale.

Operating gains and losses from discontinued operations, such as impairment losses and carryback amounts, and disposal gains and losses are shown in the income statement as profit and loss from discontinued operations.

In the balance sheet, the company separately list non-current assets hold for sale or asset hold for sale in the disposal group, and distinguishes itself from other liabilities by separately listing liabilities hold for sale in the disposal group. Non-current assets held for sale or assets in the disposal group held for sale and liabilities in the disposal group held for sale are not set off against each other and are shown as current assets and current liabilities respectively. The Company presents profit or loss from continuing operations and profit or loss from discontinued operations separately in the income statement. For discontinued operations presented in the current period, the Company represents the information originally presented as profit or loss from continuing operations in the current financial statements as profit or loss from discontinued operations for the comparable accounting period. Where discontinued operations no longer meet the requirements for the classification of the categories held for sale, the Company represents the information originally presented as profit or loss from discontinued operations as profit or loss from continuing operations for the comparable accounting period in the current financial statements.

**3.39. Changes in significant accounting policies and accounting estimates****3.39.1. Changes in important accounting policies**

Contents and reasons for changes in accounting policies	Approval procedure	Remarks (name and amount of report items that are significantly affected)
From January 1, 2023, the Company will implement the "Accounting Standards for Business Enterprises Interpretation No. 16" issued by the Ministry of Finance in 2022, "The accounting treatment of initial recognition exemption is not applicable to the Deferred Income Taxes related to assets and liabilities arising from a single transaction."	Board of directors	(1)

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**3. Significant Accounting Policies and Accounting Estimates (CONTINUED)****3.39.Changes in significant accounting policies and accounting estimates (continued)****3.39.1. Changes in important accounting policies (continued)**

Accounting policy changes:

- (1) The impact of the implementation of Accounting Standards for Business Enterprises Interpretation No. 16 on the Company

On December 13, 2022, the Ministry of Finance issued the "Accounting Standards for Business Enterprises Interpretation No. 16" (Caikuai [2022] No. 31, hereinafter referred to as "Interpretation No. 16"), explaining that No. 16 "Accounting treatment for Deferred Income Taxes related to assets and liabilities arising from a single transaction" is not applicable to initial recognition exemption will come into force on January 1, 2023, allowing enterprises to implement it in advance from the year of publication. The company implemented the accounting treatment related to this matter this year.

For in the first explanation of 16 during the presentation of the financial statements, the earliest period (i.e., on January 1, 2022) confirmed by applicable explanation 16 separate transactions lease liability and right to use assets, and confirm the dumping duty related corresponding related assets, liabilities, and is expected to generate taxable temporary differences and deductible temporary differences. In accordance with the provisions of Interpretation No. 16 and Accounting Standards for Business Enterprises No. 18 - Income Tax, the Company will adjust the cumulative impact number of the financial statements to the beginning of the earliest period (January 1, 2022) of the retained earnings and other related financial statement items.

In accordance with the relevant provisions of Interpretation No. 16, the Company has adjusted the cumulative impact of the relevant items in the financial statements as follows:

Item	January 1, 2022 Amount originally stated	Cumulative impact amount	January 1, 2022 Adjusted amounts presented
Deferred tax liabilities	10,831,178.13	-22,608.49	10,808,569.64
Retained earnings	71,052,339.24	-22,608.49	71,029,730.75

Presentation for for the first time in the interpretation of financial statements as early as during the period (i.e., on January 1, 2022) to explain the date (on January 1, 2023) between the applicable explanation 16 separate transactions and confirm the lease liability and right to use assets, as well as the confirmation of retirement obligations related estimated debts and corresponding related assets, The Company shall proceed in accordance with the provisions of Interpretation No. 16.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 3. Significant Accounting Policies and Accounting Estimates (CONTINUED)

## 3.39. Changes in significant accounting policies and accounting estimates (continued)

## 3.39.1. Changes in important accounting policies (continued)

In accordance with the provisions of Interpretation No. 16, the Company has adjusted the relevant items of the balance sheet as follows:

Balance sheet items	Before change	December 31, 2022	
		Cumulative impact amount	After the change
Deferred tax assets	8,614,621.53	117,581.78	8,732,203.31
Retained earnings	142,683,276.13	117,581.78	142,800,857.91

According to the provisions of Interpretation No. 16, the Company has adjusted the relevant items in the income statement as follows:

Income statement items	Before change	2022	
		Cumulative impact amount	After the change
Income tax expense	22,876,926.38	-140,190.27	22,736,736.11
Net profit	78,291,933.07	140,190.27	78,432,123.34

## 3.38.2. Changes in accounting estimates

Significant accounting estimates remained unchanged during the reporting period.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 4. Taxes

## 4.1. Main taxes and tax rates of the company

Categories of taxes	Tax basis/type of income	Tax rate	remark
VAT	Domestic sales; Provide processing, repair and repair services; Leasing of tangible movable property;	13%、9%、6%	—
	Simple tax calculation method	3%	—
Urban maintenance and construction tax	Paid turnover tax amount	7%、5%	—
Corporate income tax	Taxable income amount	5%、15%、25%	—
Property tax	The tax base is 70% of the original value of the property (or rental income)	1.2%、12%	—

Explanation of income tax rates of different tax payers:

Name of taxpayer	Income tax rate
Lushang Life Service Co., LTD	25%
Shandong Blue Shore garden engineering Co., LTD	25%
Shandong Lushang Architectural design Co., LTD	15%
Shandong Huibangda decoration engineering Co., LTD	5%
Shandong Lishengshan adjacent catering management Co., LTD	5%
Shandong Lushang Tang 'an Property Co., LTD	5%

## 4.2. Preferential tax policy and basis

- 4.2.1. Announcement of the General Administration of Taxation of the Ministry of Finance on the Further Implementation of the Preferential Income Tax Policy for small and micro Enterprises: The part of the annual taxable income of small and micro profit enterprises exceeding 1 million yuan but not exceeding 3 million yuan shall be included in the taxable income at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. Announcement of the General Administration of Taxation of the Ministry of Finance No. 6 of 2023: The part of the annual taxable income of small and low-profit enterprises not exceeding 1 million yuan shall be included in the taxable income amount at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The Announcement of the General Administration of Taxation of the Ministry of Finance No. 12 of 2023 on the reduction of 25% of the taxable income of small low-profit enterprises and the payment of corporate income tax at a tax rate of 20% shall be continued until December 31, 2027.
- 4.2.2. "State Administration of Taxation Announcement No. 3, 2022": Small-scale taxpayers, small low-profit enterprises and individual industrial and commercial households implement the "six taxes and two fees" (resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, stamp duty (excluding securities transaction stamp duty), cultivated land occupation tax and education fee surcharge, local education surcharge) according to 50% tax reduction.
- 4.2.3. Announcement of the General Administration of Taxation of the Ministry of Finance No. 7, 2023: If the R&D expenses actually incurred in the development activities of the enterprise are not included in the current profit or loss, they shall be deducted according to the actual deduction according to the regulations, and then deducted according to 100% of the actual amount before tax from January 1, 2023; If intangible assets are formed, 200% of the cost of intangible assets will be amortized before tax from January 1, 2023.



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements

(The following amounts are in Renminbi Yuan unless otherwise specified, The end of the period refers to Dec 31, 2023, the beginning refers to January 1, 2023, The end of the previous period refers to December 31, 2022).

## 5.1. Monetary funds

Item	Ending balance	Opening balance
Cash on hand	5,455.50	13,002.70
Bank deposit	411,056,855.08	428,193,051.37
Unexpired interest receivable	561,708.33	605,450.34
<b>Total</b>	<b>411,624,018.91</b>	428,811,504.41
Where: the total amount of money deposited with the finance company	277,506,961.07	248,831,135.76

The Company participated in the centralized fund management plan of Shandong Commercial Group Finance Co., LTD. As at 31 December 2023, the total amount deposited with the finance company was 277,506,961.07 yuan.

## 5.2. Notes receivable

## 5.2.1. Classification of notes receivable

Item	Ending balance	Opening balance
Bank acceptance note		
Commercial acceptance	17,917,933.62	23,585,685.07
<b>Total</b>	<b>17,917,933.62</b>	23,585,685.07

## 5.2.2. Reserve for notes receivable and bad debts are listed in categories

Type	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Provision for bad debts Amount	Withdrawal ratio(%)	
Notes receivable with a single provision for bad debts	-	-	-	-	-
Notes receivable for provision for doubtful accounts on a combined basis	18,040,920.49	100.00	122,986.87	0.68	17,917,933.62
Including: Bank acceptance bill portfolio	-	-	-	-	-
Related party portfolio	14,743,920.49	81.72	40,261.45	0.27	14,703,659.04
Aging portfolio	3,297,000.00	18.28	82,725.42	2.51	3,214,274.58
<b>Total</b>	<b>18,040,920.49</b>	<b>100.00</b>	<b>122,986.87</b>	<b>0.68</b>	<b>17,917,933.62</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.2. Notes receivable (Continued)

## 5.2.2. Reserve for notes receivable and bad debts are listed in categories (Continued)

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Provision for bad debts Amount	Withdrawal ratio(%)	
Notes receivable with a single provision for bad debts	23,585,685.07	100.00	-	-	23,585,685.07
Notes receivable for provision for doubtful accounts on a combined basis	-	-	-	-	-
Including: Bank acceptance bill portfolio	23,585,685.07	100.00	-	-	23,585,685.07
Related party portfolio	-	-	-	-	-
Aging portfolio	-	-	-	-	-
<b>Total</b>	<b>23,585,685.07</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>23,585,685.07</b>

## 5.2.3. Notes receivable for provision for doubtful accounts on a combined basis

Type	Opening balance	Accrue	Changes in current period			Ending balance
			Take back or turn back	Resell or write off	Other changes	
Notes receivable with a single provision for bad debts	-	-	-	-	-	-
Notes receivable for provision for doubtful accounts on a combined basis	-	-	-	-	-	-
Including: Related party portfolio	-	40,261.45	-	-	-	40,261.45
Aging portfolio	-	82,725.42	-	-	-	82,725.42
<b>Total</b>	<b>-</b>	<b>122,986.87</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,986.87</b>

## 5.2.4. No notes receivable were actually written off during the period

## 5.2.5. The company had no pledged notes receivable at the end of the period

## 5.2.6. Notes receivable endorsed or discounted by the company at the end of the period and not yet due at the balance sheet date

Item	The amount is recognized at the end of the period	The amount is not recognized at the end of the period
Bank acceptance note	-	-
Commercial acceptance	-	7,692,236.13
<b>Total</b>	<b>-</b>	<b>7,692,236.13</b>

## 5.2.7. At the end of the period, the company has no notes that have been transferred to accounts receivable by the drawer for non-performance of the contract

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.3. Accounts receivable

## 5.3.1. The aging analysis of accounts receivables based on transaction date is as follows

Aging	Ending balance	Opening balance
Within 1 year	200,600,530.37	235,044,253.81
1-2 years	94,489,849.97	25,823,900.04
2-3 years	11,553,291.83	5,513,893.28
Over 3 years	7,954,391.73	5,030,853.50
Subtotal	314,598,063.90	271,412,900.63
Less: Provision for bad debt	19,163,727.75	10,991,621.63
<b>Total</b>	<b>295,434,336.15</b>	260,421,279.00

## 5.3.2. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Withdrawal ratio(%)	
Accounts receivable for which bad debt provision is made on a single item basis	-	-	-	-	-
Accounts receivable with bad debt provision based on combination of credit risk characteristics	314,598,063.90	100.00	19,163,727.75	6.09	295,434,336.15
Including: Aging portfolio	177,084,911.10	56.29	18,083,691.86	10.21	159,001,219.24
Related party portfolio	137,513,152.80	43.71	1,080,035.89	0.79	136,433,116.91
<b>Total</b>	<b>314,598,063.90</b>	<b>100.00</b>	<b>19,163,727.75</b>	<b>6.09</b>	<b>295,434,336.15</b>

Type	Book balance		Opening balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Withdrawal ratio(%)	
Accounts receivable for which bad debt provision is made on a single item basis	-	-	-	-	-
Accounts receivable with bad debt provision based on combination of credit risk characteristics	271,412,900.63	100.00	10,991,621.63	4.05	260,421,279.00
Including: Aging portfolio	147,701,160.74	54.42	10,991,621.63	7.44	136,709,539.11
Related party portfolio	123,711,739.89	45.58			123,711,739.89
<b>Total</b>	<b>271,412,900.63</b>	<b>100.00</b>	<b>10,991,621.63</b>	<b>4.05</b>	<b>260,421,279.00</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.3. Accounts receivable (Continued)

## 5.3.2. Disclosure by the method of provision for bad debts (Continued)

## Accounts receivable with bad debt provision based on combination of credit risk characteristics

## (1) Aging portfolio

Aging portfolio	Book Balance	Ending balance Provision for bad debt	Provision ratio (%)
Within 1 year	118,087,587.41	2,962,949.71	2.51
1-2 years	42,168,280.03	4,350,190.27	10.32
2-3 years	8,874,651.93	2,816,160.15	31.73
Over 3 years	7,954,391.73	7,954,391.73	100.00
<b>Total</b>	<b>177,084,911.10</b>	<b>18,083,691.86</b>	<b>10.21</b>

## (2) Related party portfolio

Related party portfolio	Book Balance	Ending balance Provision for bad debt	Provision ratio (%)
Within 1 year	82,512,942.96	233,228.66	0.28
1-2 years	52,321,569.94	661,413.64	1.26
2-3 years	2,678,639.90	185,393.59	6.92
<b>Total</b>	<b>137,513,152.80</b>	<b>1,080,035.89</b>	<b>0.79</b>

## 5.3.3. Bad debt provision recovered or reversed

Type	Opening balance	Accrue	Changes in current period			Ending balance
			Take back or turn back	Resell or write off	Other changes	
Accounts receivable for which bad debt provision is made on a single item basis	-	-	-	-	-	-
Accounts receivable with bad debt provision based on combination of credit risk characteristics	10,991,621.63	8,172,106.12	-	-	-	19,163,727.75
Including: Aging portfolio	10,991,621.63	7,092,070.23	-	-	-	18,083,691.86
Related party portfolio	-	1,080,035.89	-	-	-	1,080,035.89
<b>Total</b>	<b>10,991,621.63</b>	<b>8,172,106.12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,163,727.75</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.3. Accounts receivable (Continued)

5.3.4. No accounts receivable were actually written off during the reporting period

5.3.5. Accounts receivable of the top five accounts receivable at the end of the period collected by the owing party

Unit name	Ending balance	Percentage of the ending balance of accounts receivable (%)	Provision for bad debts has been made
Jinan Licheng District people's government Tangye sub-district office	11,272,930.99	3.58	282,850.45
Zibo city Boshan district municipal garden sanitation service center	7,815,471.77	2.48	196,098.93
Heze Lushang Real Estate Co., LTD	7,350,206.59	2.34	35,943.96
Qilu Medical Education Development (Xintai) Co., LTD	6,785,860.00	2.16	85,782.22
Taishan You Rural revitalization ecological tourism Development (Shandong) Co., LTD	6,691,136.95	2.13	46,701.43
<b>Total</b>	<b>39,915,606.30</b>	<b>12.69</b>	<b>647,376.99</b>

5.3.6. Accounts receivable that have been terminated without financial asset transfer at the end of the period.

5.3.7. The amount of assets and liabilities formed without transferring receivables at the end of the period and continuing to be involved

## 5.4. Receivables Financing

Item	Ending balance	Opening balance
Notes receivable	200,000.00	-
<b>Total</b>	<b>200,000.00</b>	<b>-</b>

Note: As at Dec 31, 2023, the Company believes that the receivables financing held by the Company does not present material credit risk and will not incur material losses as a result of default.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.5. Prepayments

## 5.5.1. Prepayments are shown by aging

Aging portfolio	Ending balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	1,885,338.99	99.33	3,034,244.12	99.75
1-2 years	12,636.46	0.67	7,460.00	0.25
2-3 years	–	–	200.00	0.00
<b>Total</b>	<b>1,897,975.45</b>	<b>100.00</b>	<b>3,041,904.12</b>	<b>100.00</b>

## 5.5.2. No significant prepayments older than one year at the end of the period

## 5.5.3. Prepayments of the top five ending balances collected by prepayment objects

Unit name	Ending balance	Proportion of total prepayments (%)	Advance payment time	Unaccounted cause
Shandong Caozhou Municipal Engineering Co. LTD	346,736.33	18.27	August.2023	Service not provided
State grid Shandong electric power company Linyi power supply company	343,636.51	18.11	October.2023	Service not provided
Shandong Yi An Bei information consulting Co., LTD	194,937.38	10.27	June.2023	Service not provided
Shandong Lushang Technology Group Co., LTD	178,584.91	9.41	December.2023	Service not provided
Wuchang City Caiqiao rice industry Co., LTD	88,900.00	4.68	October.2023	Service not provided
<b>Total</b>	<b>1,152,795.13</b>	<b>60.74</b>		

## 5.6. Other receivables

## 5.6.1. Disclosure by age

Aging portfolio	Ending balance	Opening balance
Within 1 year	2,207,789.12	3,527,064.47
1-2 years	678,341.34	1,481,250.55
2-3 years	625,941.04	1,850.01
Over 3 years	509,401.00	511,896.74
Subtotal	4,021,472.50	5,522,061.77
Less: Provision for bad debt	253,580.28	207,244.82
<b>Total</b>	<b>3,767,892.22</b>	<b>5,314,816.95</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.6. Other receivables (Continued)

## 5.6.2. Classification by nature of receivable

Nature of payment	Ending balance	Opening balance
Security deposit, deposit	1,909,769.79	2,122,569.55
Reserve fund	3,150.00	898,000.00
On behalf of social security provident fund	155,138.45	37,613.84
Pay for the project	400,850.00	400,850.00
Related party transactions	1,391,364.64	1,800,858.80
Others	161,199.62	262,169.58
Subtotal	4,021,472.5	5,522,061.77
Less: Provision for bad debt	253,580.28	207,244.82
<b>Total</b>	<b>3,767,892.22</b>	<b>5,314,816.95</b>

## 5.6.3. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Amount	Provision for bad debts Withdrawal ratio(%)	
Accounts receivable for which bad debt provision is made on a single item basis	248,804.91	6.19	248,804.91	100.00	-
Accounts receivable with bad debt provision based on combination of credit risk characteristics	3,772,667.59	93.81	4,775.37	0.13	3,767,892.22
Including: Related party portfolio	1,391,364.64	34.60	4,775.37	0.34	1,386,589.27
Low risk portfolio	2,381,302.95	59.21	-	-	2,381,302.95
<b>Total</b>	<b>4,021,472.50</b>	<b>100.00</b>	<b>253,580.28</b>	<b>6.31</b>	<b>3,767,892.22</b>

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Provision for bad debts Withdrawal ratio(%)	
Accounts receivable for which bad debt provision is made on a single item basis	207,244.82	3.75	207,244.82	100.00	-
Accounts receivable with bad debt provision based on combination of credit risk characteristics	5,314,816.95	96.25	-	-	5,314,816.95
Including: Related party portfolio	1,800,858.80	32.62	-	-	1,800,858.80
Low risk portfolio	3,513,958.15	63.63	-	-	3,513,958.15
<b>Total</b>	<b>5,522,061.77</b>	<b>100.00</b>	<b>207,244.82</b>	<b>3.75</b>	<b>5,314,816.95</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.6. Other receivables (Continued)

## 5.6.3. Disclosure by the method of provision for bad debts (Continued)

## Other receivable for which bad debt provision is made on a single item basis

Unit name	Book Balance	Ending balance		Reason for provision
		Provision for bad debt	Provision ratio (%)	
Tai 'an Housing Administration Bureau Property Division	51,855.80	51,855.80	100.00	Recovery risk is expected
Shandong Hengchang Law Firm	17,093.00	17,093.00	100.00	Recovery risk is expected
Owner maintenance fee	3,750.00	3,750.00	100.00	Recovery risk is expected
Tai 'an Mingzhu fitness Co., LTD	2,552.20	2,552.20	100.00	Recovery risk is expected
Jinan Red police safety technical service Co., LTD	2,000.00	2,000.00	100.00	Recovery risk is expected
Others	171,553.91	171,553.91	100.00	Recovery risk is expected
<b>Total</b>	<b>248,804.91</b>	<b>248,804.91</b>	<b>100.00</b>	

## Other receivable with bad debt provision based on combination of credit risk characteristics

## 5.6.3.1. Related party portfolio

Related party portfolio	Book Balance	Ending balance	
		Provision for bad debt	Provision ratio (%)
Within 1 year	1,336,064.64	3,776.48	0.28
1-2 years	50,000.00	632.07	1.26
2-3 years	5,300.00	366.82	6.92
<b>Total</b>	<b>1,391,364.64</b>	<b>4,775.37</b>	<b>0.34</b>

## 5.6.3.2. Low risk portfolio

Low risk portfolio	Book Balance	Ending balance	
		Provision for bad debt	Provision ratio (%)
Within 1 year	868,572.95	-	-
1-2 years	586,457.00	-	-
2-3 years	490,373.00	-	-
Over 3 years	435,900.00	-	-
<b>Total</b>	<b>2,381,302.95</b>	<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.6. Other receivables (Continued)

## 5.6.3. Disclosure by the method of provision for bad debts (Continued)

## 5.6.3.2. Low risk portfolio (Continued)

## Provision for bad debts of other receivables

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses (no credit impairment)	Lifetime expected credit losses (credit-impaired)	
Opening balance	–	–	207,244.82	207,244.82
Opening balance in the current period				
– Transfer into stage 2	–	–	–	–
– Transfer into stage 3	–	–	–	–
– Switch back to stage 2	–	–	–	–
– Switch back to stage 1	–	–	–	–
Provision for this period	4,775.37		41,560.09	46,335.46
Switch back in this period	–	–	–	–
Resale in this period	–	–	–	–
Write-off in this period	–	–	–	–
Other changes	–	–	–	–
Ending balance	4,775.37	–	248,804.91	253,580.28

## 5.6.4 Provision for bad debts accrued, collected or transferred back during the current period

Type	Opening balance	Accrue	Changes in current period			Ending balance
			Take back or turn back	Resell or write off	Other changes	
Accounts receivable for which bad debt provision is made on a single item basis	207,244.82	41,560.09	–	–	–	248,804.91
Accounts receivable with bad debt provision based on combination of credit risk characteristics	–	4,775.37	–	–	–	4,775.37
Including: Related party portfolio	–	4,775.37	–	–	–	4,775.37
Low risk portfolio	–	–	–	–	–	–
<b>Total</b>	1207,244.82	46,335.46	–	–	–	253,580.28

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.6. Other receivables (Continued)

5.6.5. Other receivables not actually written off in the current period

5.6.6. Other receivables with the top five ending balances collected by debtors

Debtor	Nature of payment	Book Balance	Aging	Proportion of total other receivables (%)	Provision for bad debt
Shandong Lushang Real Estate Co., LTD	Related party transactions	756,052.65	Within 1 year	18.80	2,137.04
Hu Shihua	Security deposit	500,000.00	1-2 years	12.43	–
Zibo Boshan green Yan Garden engineering Co., LTD	Pay for the project	400,850.00	2-3 years	9.97	–
State grid Shandong electric power company Dongying power supply company	On behalf of social security provident fund	400,000.00	Over 3 years	9.95	–
Lushang Freida Pharmaceutical Co., LTD	Related party transactions	214,400.03	Within 1 year	5.33	606.02
<b>Total</b>		<b>2,271,302.68</b>		<b>56.48</b>	<b>2,743.06</b>

5.6.7. There are no other receivables involving government subsidies at the end of the period.

5.6.8. At the end of the period, there were no other receivables whose recognition was terminated due to the transfer of financial assets.

5.6.9. The amount of assets and liabilities formed without transferring other receivables at the end of the period and continuing to be involved.

## 5.7. Inventory

Projects	Book balance	Ending balance Inventory impairment provision/contract performance cost impairment provision	Book value	Book balance	Opening balance Inventory impairment provision/contract performance cost impairment provision	Book value
Raw materials	620,617.80	–	620,617.80	787,447.18	–	787,447.18
Stock item	2,407,321.04	–	2,407,321.04	42,165,452.80	–	42,165,452.80
Turnover materials	396,093.13	–	396,093.13	176,991.16	–	176,991.16
<b>Total</b>	<b>3,424,031.97</b>	<b>–</b>	<b>3,424,031.97</b>	<b>43,129,891.14</b>	<b>–</b>	<b>43,129,891.14</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.8. Contract Assets

## 5.8.1. Contract assets

Projects	Ending balance		Opening balance			
	Book balance	impairment provision	Book value	Book balance	impairment provision	Book value
Landscape greening project	33,819,901.18	159,420.92	33,660,480.26	24,223,976.18	-	24,223,976.18
Design service	4,798,998.07	1,094.11	4,797,903.96	731,387.27	-	731,387.27
Hardcover engineering	22,711,653.20	41,614.31	22,670,038.89	1,308,989.78	-	1,308,989.78
<b>Total</b>	<b>61,330,552.45</b>	<b>202,129.34</b>	<b>61,128,423.11</b>	26,264,353.23	-	26,264,353.23

## 5.8.2. Amount and reasons for significant changes in book value during the reporting period

Projects	Changes in current period	Reasoning
Landscape greening project	9,436,504.08	Design company business transformation, from the original design services to design and engineering
Hardcover engineering	21,361,049.11	decoration, Affected by the downturn in the real estate industry, the customer settlement cycle is extended;
<b>Total</b>	30,797,553.19	

## 5.8.3. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Provision for bad debts	With drawal ratio(%)	
Accounts receivable for which bad debt provision is made on a single item basis	-	-	-	-	-
Accounts receivable with bad debt provision based on combination of credit risk characteristics	61,330,552.45	100.00	202,129.34	0.33	61,128,423.11
Including: Related party portfolio	41,811,529.24	68.17	98,529.18	0.24	41,713,000.06
Third party projects	19,519,023.21	31.83	103,600.16	0.53	19,415,423.05
<b>Total</b>	<b>61,330,552.45</b>	<b>100.00</b>	<b>202,129.34</b>	<b>0.33</b>	<b>61,128,423.11</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.8. Contract Assets (Continued)

## 5.8.4. Provision for impairment of contract assets in the current period

Projects	Opening balance	Provision	Current change			Ending balance
			Switch back	Resell or write off	Other changes	
Related party projects	-	98,529.18	-	-	-	98,529.18
Third party projects	-	103,600.16	-	-	-	103,600.16
<b>Total</b>	-	202,129.34	-	-	-	202,129.34

5.8.5. No contract assets were actually written off during the period

## 5.9. Other Current Assets

Projects	Ending balance	Opening balance
VAT deduction	2,520,906.02	2,496,678.68
Prepay other taxes and fees	319,127.45	394.46
<b>Total</b>	2,840,033.47	2,497,073.14

## 5.10. Investment properties

## 5.10.1. Investment properties

Projects	Houses and buildings	Total amount
<b>I. Book balance</b>		
1. Opening balance	-	-
2. The increase in the current period	39,504,900.36	39,504,900.36
Transfer of inventory	39,504,900.36	39,504,900.36
3. The amount reduced in the current period	-	-
4. Ending balance	-	-
<b>II. Accumulated depreciation</b>		
1. Opening balance	-	-
2. The increase in the current period	-	-
3. The amount reduced in the current period	-	-
4. Ending balance	-	-
<b>III. Provision for impairment loss</b>		
1. Opening balance	-	-
2. The increase in the current period	-	-
3. The amount reduced in the current period	-	-
4. Ending balance	-	-
<b>IV. Book Value</b>		
1. Book value at the end of the period	39,504,900.36	39,504,900.36
2. Book value at the beginning of the period	-	-

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.10. Investment properties (Continued)

## 5.10.2. At the end of the period, there were investment properties without a title certificate

Type	Book value	Reasons for not applying for the title certificate
Jinan Ginza Jingdu Parking property	1,157,894.78	applying
Jinan Ginza Jingdu Civil air defense parking	31,950,162.45	Civil air defense parking
<b>Total</b>	<b>33,108,057.23</b>	

## 5.10.3. Description of investment properties

The 14th meeting of the first board of directors of the company approved the proposal to transfer an inventory into the investment property on 28th Dec 2023. Accordingly, the parking space of Jinan Ginza Jingdu which was originally intended for sale was transferred into operating lease. The investment property was accounted for by using cost model. Meanwhile, the book value on the conversion date was RMB39,504,900.36.

## 5.11. Fixed assets

## 5.11.1. Fixed assets

Projects	Houses and buildings	Transport equipment	Machinery and other equipment	Total
<b>I. Original book value</b>				
1. Opening balance	41,793,419.69	13,699,051.10	13,528,544.03	69,021,014.82
2. The increase in the current period purchase	–	861,411.38	2,971,082.56	3,832,493.94
3. The amount reduced in the current period	–	76,014.43	954,728.91	1,030,743.34
Dispose of or scrap	–	76,014.43	954,728.91	1,030,743.34
4. Ending balance	41,793,419.69	14,484,448.05	15544897.68	71822765.42
<b>II. Accumulated depreciation</b>				
1. Opening balance	3,300,418.20	4,075,734.00	8,806,340.36	16,182,492.56
2. The increase in the current period Provision for this period	992,510.16	2,549,716.82	2,172,089.32	5,714,316.30
3. Amount reduced in the current period	–	59,105.83	726,238.07	785,343.90
Dispose of or scrap	–	59,105.83	726,238.07	785,343.90
4. Ending balance	4,292,928.36	6,566,344.99	10,252,191.61	21,111,464.96
<b>III. Provision for impairment loss</b>				
1. Opening balance	–	–	–	–
2. The increase in the current period	–	–	–	–
3. Amount reduced in the current period	–	–	–	–
4. Ending balance	–	–	–	–
<b>IV. Book Value</b>				
1. Book value at the end of the period	37,500,491.33	7,918,103.06	5,292,706.07	50,711,300.46
2. Book value at the beginning of the period	38,493,001.49	9,623,317.10	4,722,203.67	52,838,522.26

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.11.Fixed assets (Continued)

5.11.2. The final no idle fixed assets

5.11.3. At the end of the period, there were no fixed assets without a title certificate

## 5.12.Right-of-use assets

Projects	Houses and buildings	Total
<b>I. Original book value</b>		
Opening balance	3,908,271.10	3,908,271.10
1. The increase in the current period	–	–
2. The amount reduced in the current period	–	–
3. Ending balance	3,908,271.10	3,908,271.10
<b>II. Accumulated depreciation</b>		
1. Opening balance	1,367,894.86	1,367,894.86
2. The increase in the current period	781,654.20	781,654.20
Provision for this period	781,654.20	781,654.20
3. The amount reduced in the current period	–	–
4. Ending balance	2,149,549.06	2,149,549.06
<b>III. Provision for impairment loss</b>		
1. Opening balance	–	–
2. The increase in the current period	–	–
3. The amount reduced in the current period	–	–
4. Ending balance	–	–
<b>IV. Book Value</b>		
1. Book value at the end of the period	1,758,722.04	1,758,722.04
2. Book value at the beginning of the period	2,540,376.24	2,540,376.24

## 5.13.Intangible assets

Projects	Software	Total
<b>I. Original book value</b>		
1. Opening balance	2,752,414.89	2,752,414.89
2. The increase in the current period	505,878.08	505,878.08
Purchase	505,878.08	505,878.08
3. The amount reduced in the current period	–	–
4. Ending balance	3,258,292.97	3,258,292.97
<b>II. Accumulated amortization</b>		
1. Opening balance	1,293,448.09	1,293,448.09
2. The increase in the current period	881,086.87	881,086.87
Accrual	881,086.87	881,086.87
3. The amount reduced in the current period	–	–
4. Ending balance	2,174,534.96	2,174,534.96
<b>III. Provision for impairment</b>		
1. Opening balance	–	–
2. The increase in the current period	–	–
3. The amount reduced in the current period	–	–
4. Ending balance	–	–
<b>IV. Book value</b>		
1. Book value at the end of the period	1,083,758.01	1,083,758.01
2. Book value at the beginning of the period	1,458,966.80	1,458,966.80

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.14. Long-term deferred expenses

Item	Opening balance	The increase in the current period	Amortization in the current period	Other reduction	Ending balance
Fit-up cost	600,609.43	2,684,687.12	386,567.83	–	<b>2,898,728.72</b>
<b>Total</b>	600,609.43	2,684,687.12	386,567.83	–	<b>2,898,728.72</b>

## 5.15. Deferred Tax Assets and Deferred Tax Liabilities

## 5.15.1. Unoffset deferred tax assets

Item	Ending balance		Opening balance	
	Deductible temporary differences	Deferred Tax Assets	Deductible temporary differences	Deferred Tax Assets
Asset impairment provision	<b>202,129.34</b>	<b>44,641.18</b>	–	–
Credit impairment loss	<b>19,540,294.90</b>	<b>4,494,399.90</b>	11,198,866.45	2,705,287.15
Employee compensation payable	<b>9,416,789.34</b>	<b>1,953,418.61</b>	13,611,643.81	3,044,163.46
Equity incentive	–	–	15,477,830.69	2,865,170.92
Lease liabilities	<b>2,553,478.25</b>	<b>383,021.74</b>	3,324,254.76	498,638.22
<b>Total</b>	<b>31,712,691.83</b>	<b>6,875,481.43</b>	43,612,595.71	9,113,259.75

## 5.15.2. Unoffset deferred tax liability

Item	Ending balance		Opening balance	
	Deductible temporary differences	Deferred Tax Liabilities	Deductible temporary differences	Deferred Tax Liabilities
Usufruct assets	<b>1,758,722.04</b>	<b>263,808.31</b>	2,540,376.27	381,056.44
<b>Total</b>	<b>1,758,722.04</b>	<b>263,808.31</b>	2,540,376.27	381,056.44

## 5.15.3. Deferred tax assets or liabilities shown net of set-off

Item	Deferred tax assets and liabilities at the end of the period allowance amount	Deferred tax assets or liabilities Ending balance after offset	Deferred tax assets and liabilities beginning offset amount	Deferred tax assets or liabilities after set-off open balance
Deferred Tax Assets	<b>263,808.31</b>	<b>6,611,673.12</b>	381,056.44	8,732,203.31
Deferred Tax Liabilities	<b>263,808.31</b>	–	381,056.44	–

5.15.4. The Company had no unrecognized deductible temporary differences and deductible losses on deferred tax assets as of Dec.31, 2023.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.16.Accounts payable

Item	Ending balance	Opening balance
Payable for Project cost	89,371,698.92	82,388,136.66
Payable for engineering	93,194,280.36	81,589,203.75
Payable for Expense	1,975,297.20	1,701,508.25
Payable for materials	9,657,093.08	2,000,279.26
Payable for Tentative estimate of accounts	780,864.97	1,467,007.88
Others	6,717,574.46	7,881,168.24
<b>Total</b>	<b>201,696,808.99</b>	177,027,304.04

*Important accounts payable aged over 1 year*

Unit name	Ending balance	Reasons for non-repayment or carryforward
Shandong Changshi Construction Engineering Co., LTD	2,392,875.53	unsettled
Shandong Dong material garden engineering Co., LTD	1,355,787.89	unsettled
Qingdao Tingmuxi landscape engineering Co., LTD	2,313,603.70	unsettled
Qingdao Shangjing Landscape Engineering Co., LTD	8,405,639.34	unsettled
Shandong Qilu Landscape Garden Co., LTD	9,286,779.49	unsettled
Shandong Guorui Municipal Garden Engineering Co., LTD	8,928,039.40	unsettled
China Zhongyuan International Engineering Co., LTD	1,329,005.60	unsettled
Shandong Architectural Design and Research Institute Co., LTD	1,916,000.00	unsettled
Shandong Zhanhong Huashang decoration engineering Co., LTD	1,122,566.93	unsettled
<b>Total</b>	<b>37,050,297.88</b>	-

The aging analysis of accounts payable based on transaction date is as follows:

Aging	Ending balance	Opening balance
Within 1 year	152,737,044.34	141,962,901.42
1-2 years	38,495,716.53	29,847,207.34
2-3 years	9,296,755.27	2,416,847.27
Over 3 years	1,167,292.85	2,800,348.01
<b>Total</b>	<b>201,696,813.99</b>	177,027,304.04

## 5.17.Payments received in advance

Projects	Ending balance	Opening balance
Lease	336,976.79	-
<b>Total</b>	<b>336,976.79</b>	-



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.18. Contract liabilities

## 5.18.1. Contract liabilities

Projects	Ending balance	Opening balance
Property fee	67,504,491.47	49,999,588.92
Community value-added service	4,164,548.01	4,797,660.47
Landscaping design services	131,903.63	174,433.97
<b>Total</b>	<b>71,800,943.11</b>	54,971,683.36

5.18.2. No significant contractual liabilities older than one year.

5.18.3. Significant changes in the carrying value of contractual liabilities during the current period

Projects	Changing amount	The result of changing
Property management services	17,504,902.55	In 2023, the collection of property fees has been intensive, especially in the form of door-to-door collection for small property owners. Therefore, there is a significant increase in the collection of advance fees for property.
<b>Total</b>	17,504,902.55	

## 5.19. Employee compensation payable

## 5.19.1. List of employee compensation payable

Projects	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term compensation	32,681,706.20	130,755,221.99	141,582,259.17	21,854,669.02
Post-employment benefits-defined contribution plan	2,540,867.13	18,678,568.04	17,678,455.99	3,540,979.18
Dismissal benefits	–	1,335,783.63	1,335,783.63	–
<b>Total</b>	35,222,573.33	150,769,573.66	160,596,498.79	25,395,648.20

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.19. Employee compensation payable (Continued)

## 5.19.2. List of short-term compensation

Projects	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Salaries, bonuses, allowances and subsidies	12,741,983.07	105,023,189.94	108,601,229.49	<b>9,163,943.52</b>
Employee welfare expenses	–	12,911,270.63	12,911,270.63	<b>2,230,542.85</b>
Social insurance premiums	3,895,650.90	6,063,642.25	7,728,750.30	<b>1,988,007.60</b>
Including:				
medical insurance premiums	3,655,166.04	5,639,429.54	7,306,587.98	<b>242,535.25</b>
Work injury insurance	240,484.86	424,212.71	422,162.32	<b>3,645,267.21</b>
Housing Provident Fund	7,175,324.10	4,507,419.32	8,037,476.21	<b>6,814,915.44</b>
Trade union funds and employee education funds	8,868,748.13	2,243,074.85	4,296,907.54	<b>–</b>
Short-term cumulative paid absence	–	6,625.00	6,625.00	<b>–</b>
<b>Total</b>	<b>32,681,706.20</b>	<b>130,755,221.99</b>	<b>141,582,259.17</b>	<b>21,854,669.02</b>

## 5.19.3. List of defined contribution plans

Projects	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Basic pension insurance	2,411,653.25	15,474,541.47	14,500,015.42	<b>3,386,179.30</b>
Unemployment insurance premiums	129,213.88	646,420.31	620,834.31	<b>154,799.88</b>
Enterprise annuity contribution	–	2,557,606.26	2,557,606.26	<b>–</b>
<b>Total</b>	<b>2,540,867.13</b>	<b>18,678,568.04</b>	<b>17,678,455.99</b>	<b>3,540,979.18</b>

## 5.20. Taxes payable

Taxes Projects	Ending balance	Opening balance
VAT	<b>439,624.07</b>	669,607.28
Corporate income tax	<b>1,823,746.17</b>	7,925,188.89
Property tax	<b>380,421.90</b>	351,887.57
Personal Income Tax	<b>28,720.77</b>	119,613.76
Urban maintenance and construction tax	<b>151,718.67</b>	137,157.66
Education fee surcharge	<b>68,007.60</b>	61,639.43
Local education surcharges	<b>42,276.26</b>	38,030.78
Stamp duty	<b>22,759.28</b>	469.72
Land use tax	<b>581.22</b>	–
<b>Total</b>	<b>2,957,855.94</b>	<b>9,303,595.09</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.21. Other payables

Projects	Ending balance	Opening balance
Interest payable	–	–
Dividend payable	10,740,000.00	–
Other payables	49,473,944.23	55,307,310.07
<b>Total</b>	<b>60,213,944.23</b>	<b>55,307,310.07</b>

Note: Other payables in the above table refer to other payables after deducting interest payable and dividends payable.

## 5.21.1 Dividend payable

Projects	Ending balance	Opening balance	Reasons for non-payment for more than one year
Common stock	10,740,000.00	–	–
<b>Total</b>	<b>10,740,000.00</b>	<b>–</b>	<b>–</b>

## 5.21.2. Other payables

5.21.2.1. Other payables shown by the nature of the amount

Projects	Ending balance	Opening balance
Deposit and security deposit	26,692,561.67	26,888,791.07
Item generation advances	1,807,743.52	1,867,040.67
Escrow fund	7,519,181.24	7,652,580.44
Party building	1,904,958.76	1,771,267.15
Public maintenance fund	2,970,899.28	1,391,131.66
Energy cost	1,595,214.83	6,537,865.10
Intermediary fee	4,261,616.05	4,200,809.72
Other	2,721,768.88	4,997,824.26
<b>Total</b>	<b>49,473,944.23</b>	<b>55,307,310.07</b>

5.21.2.2. Significant other payables older than one year

Projects	Ending balance	Reasons for non-repayment or carryforward
Toppan Merrill Financial printing Co., LTD	4,261,616.05	unsettled
<b>Total</b>	<b>4,261,616.05</b>	<b>–</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.22. Non-current liabilities due within one year

Projects	Ending balance	Opening balance
Long-term payables due within one year	139,992.44	1,631,967.65
Lease liabilities due within one year	812,526.02	770,776.52
<b>Total</b>	<b>952,518.46</b>	2,402,744.17

## 5.23. Other current liabilities

Projects	Ending balance	Opening balance
Pending write-off tax	4,310,725.72	3,312,312.62
Endorsed acceptance without termination of confirmation	7,692,236.13	15,649,517.89
<b>Total</b>	<b>12,002,961.85</b>	18,961,830.51

## 5.24. Lease liabilities

Item	Ending balance	Opening balance
Within 1 year	883,889.52	883,889.53
1-2 years	883,889.54	883,889.52
2-3 years	883,889.54	883,889.54
3-4 years	–	883,889.54
Subtotal of total lease payments	2,651,668.60	3,535,558.13
Less: Unrecognized financing charges	98,190.36	211,303.37
Subtotal of Net lease liability	2,553,478.24	3,324,254.76
Less: Lease liabilities due within one year	812,526.02	770,776.52
<b>Total</b>	<b>1,740,952.23</b>	2,553,478.24

Interest expense on lease liabilities was recognized in the current period at 113,113.01 yuan

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.25. Long-term payables

Projects	Ending balance	Opening balance
Finance lease:		
Within 1 year	139,992.44	1,631,967.65
Over 1 year	–	139,992.44
Subtotal	139,992.44	1,771,960.09
Less: Financial lease payments due within one year	139,992.44	1,631,967.65
<b>Total</b>	<b>–</b>	<b>139,992.44</b>

Note: The actual borrowing rate of this financial leasing business is 4.95%, and the vehicle with a book value of 3,399,115.06 yuan is the collateral.

## 5.26. Share capital

Projects	Opening balance	Issue new shares	Increase or decrease in this change			Subtotal	Ending balance
			Bonus shares	Provident fund conversion	Other		
Total number of shares	133,340,000.00	–	–	–	–	–	133,340,000.00

## 5.27. Capital reserve

Projects	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Capital premium (equity premium)	208,802,523.38	–	–	208,802,523.38
Other capital reserves	5,527,431.76	–	5,527,431.76	–
<b>Total</b>	<b>214,329,955.14</b>	<b>–</b>	<b>5,527,431.76</b>	<b>208,802,523.38</b>

Description of capital reserve: In 2023, other capital reserve decreased by RMB 5,527,431.76. Because the non-market performance targets in the original stock option incentive plan were not achieved. Therefore, employees failing to obtain the equity instruments granted, and the equity incentives were voided and the previously recognized related costs and capital reserves were written off.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.28. Surplus Reserve

Projects	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	9,755,021.62	3,248,754.75	–	<b>13,003,776.37</b>
<b>Total</b>	9,755,021.62	3,248,754.75	–	<b>13,003,776.37</b>

## 5.29. Retained earnings

Projects	Current period	Last year
<b>Undistributed profit at the end of the previous period before adjustment</b>	<b>142,683,276.13</b>	71,052,339.24
Total undistributed profit at the beginning of the adjustment period (increase +, decrease -)	<b>117,581.78</b>	-22,608.49
<b>Adjust the undistributed profit at the beginning of the later period</b>	<b>142,800,857.91</b>	71,029,730.75
Add: Net profit attributable to owners of the parent company for the current period	<b>39,431,509.26</b>	76,877,759.38
Less: Withdrawal of statutory surplus reserve	<b>3,248,754.75</b>	5,106,632.22
Withdraw arbitrary surplus reserve	–	–
Number of cash dividends distributed in the current period	–	–
Common stock dividends payable	<b>14,374,375.62</b>	–
Common stock dividends converted into capital	–	–
Plus: surplus reserve to cover losses	–	–
Changes in defined benefit plans are carried forward to retained earnings	–	–
Other comprehensive income carried forward to retained earnings	–	–
Other internal carry forwards of owners' equity	–	–
<b>Undistributed profit at the end of the period</b>	<b>164,609,236.80</b>	142,800,857.91

Note: Due to the change of accounting policy, the undistributed profit at the beginning of the period was affected by 117,581.78yuan, as detailed in the notes 3.39 changes in significant accounting policies and accounting estimates.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.30. Operating revenue and operating costs

## 5.30.1. Operating revenue, operating costs

Projects	Amount in the current period		Amount in the previous period	
	revenue	Cost	revenue	Cost
Main business	619,879,359.07	503,789,959.24	627,204,061.94	478,322,257.56
Other business	1,142,505.00	166,137.36	529,868.93	–
<b>Total</b>	<b>621,021,864.07</b>	<b>503,956,096.60</b>	627,733,930.87	478,322,257.56

## 5.30.2. The situation of the revenue generated by the contract

Contract classification	Amount in the current period		Total
	Main business	Other business	
<b>I. Service type</b>			
Property management services	316,147,095.53	1,142,505.00	317,289,600.53
Community value-added services	135,790,475.31	–	135,790,475.31
Value-added services to non-property owners	167,941,788.23	–	167,941,788.23
<b>Total</b>	<b>619,879,359.07</b>	<b>1,142,505.00</b>	<b>621,021,864.07</b>
<b>II. Classified by operating area</b>			
Within China	619,879,359.07	1,142,505.00	621,021,864.07
<b>Total</b>	<b>619,879,359.07</b>	<b>1,142,505.00</b>	<b>621,021,864.07</b>
<b>III. Classification by time of transfer of services</b>			
Transfer at a certain point	120,898,449.95	549,296.06	121,447,746.01
Transfer within a certain period of time	498,980,909.12	593,208.94	499,574,118.06
<b>Total</b>	<b>619,879,359.07</b>	<b>1,142,505.00</b>	<b>621,021,864.07</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.30. Operating revenue and operating costs (Continued)

## 5.30.2. The situation of the revenue generated by the contract (Continued)

Contract classification	Amount in the previous period		Total
	Main business	Other business	
<b>I. Service type</b>			
Property management services	293,568,770.57	529,868.93	294,098,639.50
Community value-added services	145,727,445.75	–	145,727,445.75
Value-added services to non-property owners	187,907,845.62	–	187,907,845.62
<b>Total</b>	<b>627,204,061.94</b>	<b>529,868.93</b>	<b>627,733,930.87</b>
<b>II. Classified by operating area</b>			
Within China	627,204,061.94	529,868.93	627,733,930.87
<b>Total</b>	<b>627,204,061.94</b>	<b>529,868.93</b>	<b>627,733,930.87</b>
<b>III. Classification by time of transfer of services</b>			
Transfer at a certain point	167,002,923.90	–	167,002,923.90
Transfer within a certain period of time	460,201,138.04	529,868.93	460,731,006.97
<b>Total</b>	<b>627,204,061.94</b>	<b>529,868.93</b>	<b>627,733,930.87</b>

## 5.31. Taxes and surcharges

Projects	Amount in the current period	Amount in the previous period
Property tax	1,733,837.32	1,708,698.99
Urban maintenance and construction tax	1,503,044.61	1,474,654.55
Education surcharge	652,508.28	642,989.51
Local education fees surcharge	435,005.52	428,659.42
Stamp duty	230,283.38	136,016.34
Land use tax	25,775.94	23,451.06
Environmental protection tax	971.34	1,145.27
Vehicle usage tax	3,060.96	775.96
Other	455,499.50	296,075.20
<b>Total</b>	<b>5,039,986.85</b>	<b>4,712,466.30</b>



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.32. Administrative expenses

Projects	Amount in the current period	Amount in the previous period
Employee compensation	38,747,257.05	32,620,006.75
Intermediary fee	7,095,316.17	7,575,244.10
Depreciation of fixed assets	1,694,571.26	1,758,814.00
Travel expenses	1,268,824.46	905,655.99
Depreciation of right-of-use assets	781,654.20	781,654.20
Business entertainment expenses	613,212.67	443,723.14
Vehicle traffic expense	366,502.36	244,173.04
Office expenses	714,854.61	227,450.97
Amortization of intangible assets	349,883.01	326,722.77
Network communication fee	345,124.50	434,177.95
Premium fee	102,345.09	270,158.09
Meeting affair fee	217,168.81	203,375.90
Information service fee	18,303.17	2,251,297.44
Tax cost	340,965.78	401,136.39
Lease cost	132,416.76	176,651.00
Amortization of low-value consumables	222,361.57	183,562.55
Service charge	363,547.98	212,557.89
Energy cost	136,798.03	154,356.55
Labor protection expense	201,274.34	132,413.86
Other	1,585,933.57	896,326.30
<b>Total</b>	<b>55,298,315.39</b>	<b>50,199,458.88</b>

## 5.33. R&amp;D; expenses

Projects	Amount in the current period	Amount in the previous period
Employee compensation	4,172,959.20	5,098,035.58
Amortization or Depreciation	52,061.50	24,262.63
<b>Total</b>	<b>4,225,020.7</b>	<b>5,122,298.21</b>

## 5.34. Financial expenses

Projects	Amount in the current period	Amount in the previous period
Interest expense	168,474.84	-154,812.46
Less: Interest income	6,724,090.70	4,915,716.76
Exchange gains and losses	750,377.30	-9,306,214.94
Bank charges	1,228,494.26	1,223,887.66
<b>Total</b>	<b>-4,576,744.30</b>	<b>-13,152,856.50</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.35. Other income

## 5.35.1. Other income details

Sources of other income	Amount in the current period	Amount in the previous period
Government subsidy	1,006,744.20	737,843.70
VAT relief	1,276,175.19	2,482,771.71
Personal income tax handling fee refund	64,436.48	71,733.01
Military and veteran relief	445,500.10	463,100.00
Reemployment tax incentives and deductions	13,750.00	12,350.00
<b>Total</b>	<b>2,806,605.97</b>	<b>3,767,798.42</b>

## 5.35.2. Government grants included in other income

Projects	Amount in the current period	Amount in the previous period	Asset-related/ earnings-related
Job stabilization subsidy	313,680.43	423,265.10	earnings-related
Special subsidies to support industrial development	40,000.00	–	earnings-related
Technology innovation guidance program	100,000.00	–	earnings-related
2023 Shandong financial development fund	340,000.00	–	earnings-related
2023 Water saving incentive	100,000.00	–	earnings-related
Garbage sorting reward	74,610.00	39,621.60	earnings-related
Property Service Award	23,800.00	118,457.00	earnings-related
Research and development subsidy	–	156,500.00	earnings-related
Social security subsidies for college graduates	14,653.77	–	earnings-related
<b>Total</b>	<b>1,006,744.2</b>	<b>737,843.70</b>	<b>–</b>

## 5.36. Credit impairment losses

Projects	Amount in the current period	Amount in the previous period
Bad debt loss on notes receivable	-122,986.87	–
Bad debt loss on accounts receivable	-8,172,106.12	-5,318,324.11
Other receivables bad debt losses	-46,335.46	35,408.66
<b>Total</b>	<b>-8,341,428.45</b>	<b>-5,282,915.45</b>

## 5.37. Asset impairment losses

Projects	Amount in the current period	Amount in the previous period
Impairment loss of contract assets	-202,129.34	–
<b>Total</b>	<b>-202,129.34</b>	<b>–</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.38. Non-operating income

Projects	Amount in the current period	Amount in the previous period	Amount included in non-recurring gains and losses for the current period
Other	78,087.87	217,432.05	78,087.87
<b>Total</b>	<b>78,087.87</b>	217,432.05	78,087.87

## 5.39. Non-operating expenses

Projects	Amount in the current period	Amount in the previous period	Amount included in non-recurring gains and losses for the current period
Donation	2,000.00	–	2,000.00
Damages for breach of contract	223,713.30	24,977.95	223,713.30
Loss on destruction and retirement of non-current assets	136,382.41	30,340.50	136,382.41
Other	2.07	8,443.54	2.07
<b>Total</b>	<b>362,097.78</b>	63,761.99	362,097.78

## 5.40. Income tax expense

## 5.40.1. Income tax expense statement

Projects	Amount in the current period	Amount in the previous period
Current income tax expense	12,289,664.46	22,077,451.41
Deferred Income Taxes expense	-1,491,688.70	659,284.70
<b>Total</b>	<b>10,797,975.76</b>	22,736,736.11

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.40. Income tax expense (Continued)

## 5.40.2. Accounting profit and income tax expense adjustment process

Projects	Amount in the current period
Total profit	51,058,227.10
Income tax expense at statutory/applicable tax rate	12,764,556.78
The impact of different tax rates applied to subsidiaries	-673,023.94
Effect of adjusting income tax for previous periods	-1,043,587.59
Impact of non-taxable income	-
Impact of non-deductible costs, expenses and losses	383,783.62
Effect of using deductible losses of previously unrecognized Deferred Tax Assets	-
The impact of deductible temporary differences or deductible losses on Deferred Tax Assets not recognized in the current period	-
Additional deductible expenses under tax law	-633,753.11
<b>Income tax expense</b>	<b>10,797,975.76</b>

## 5.41. Cash flow statement items

## 5.41.1. Other cash received related to operating activities

Projects	Amount in the current period	Amount in the previous period
Receive current payments and others	<b>57,683,110.61</b>	59,473,499.60
Government subsidy	<b>1,006,744.20</b>	737,843.70
Interest income	<b>6,767,832.71</b>	4,310,266.42
<b>Total</b>	<b>65,457,687.52</b>	64,521,609.72

## 5.41.2. Other cash paid related to operating activities

Projects	Amount in the current period	Amount in the previous period
Out-of-pocket expenses related to administrative expenses	<b>13,724,949.87</b>	13,700,967.19
Out-of-pocket expenses related to finance charges	<b>1,228,494.26</b>	1,223,887.66
Non-operating expenses	<b>225,715.37</b>	33,421.49
Current and other payments	<b>46,558,743.74</b>	69,294,772.83
<b>Total</b>	<b>61,737,903.24</b>	84,253,049.17

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.41. Cash flow statement items (Continued)

## 5.41.3. Other cash received related to investing activities

Projects	Amount in the current period	Amount in the previous period
Received the affiliated party reimbursement	–	5,196,408.00
<b>Total</b>	<b>–</b>	<b>5,196,408.00</b>

## 5.41.4. Other cash received in connection with financing activities

Projects	Amount in the current period	Amount in the previous period
Advances from related parties	–	1,521,202.64
<b>Total</b>	<b>–</b>	<b>1,521,202.64</b>

## 5.41.5. Other cash paid related to financing activities

Projects	Amount in the current period	Amount in the previous period
IPO fees	–	20,015,138.34
Lease payment	<b>2,615,413.48</b>	–
<b>Total</b>	<b>2,615,413.48</b>	<b>20,015,138.34</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.42. Supplementary information on cash flow statement

## 5.42.1. Supplementary information on cash flow statement

Projects	Amount in the current period	Amount in the previous period
1. Adjusting net profit to cash flow from operating activities:		
Net profit	40,260,251.34	78,432,123.34
Add: credit impairment loss	8,341,428.45	5,282,915.45
Asset impairment provision	202,129.34	–
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	5,714,316.30	5,541,835.30
Amortization of right-of-use assets	781,654.20	781,654.20
Amortization of intangible assets	881,086.87	765,485.09
Amortization of long-term deferred expenses	386,567.83	54,600.87
Loss on disposal of fixed assets, intangible assets and other long-term assets (gains are listed with “–”)	–	–
Loss of scrapping of fixed assets (income is listed with “–”)	136,382.41	30,340.50
Loss from changes in fair value (gains are listed with “–”)	–	–
Financial expenses (income is listed with “–”)	168,474.84	-9,306,214.94
Investment loss (gains are listed with “–”)	–	–
Decrease in Deferred Tax Assets (increases are listed with “–”)	-1,491,688.70	659,284.70
Increase in Deferred Tax Liabilities (decrease is listed with “–”)	–	–
Decrease in inventory (increases are marked with “–”)	200,958.81	-884,953.20
Decrease in operating receivables (increases are listed with “–”)	-71,166,748.63	-102,078,961.37
Increase in operating payables (decrease is listed with “–”)	9,659,349.26	16,529,643.13
Other	–	–
Net cash flow from operating activities	-5,925,837.68	-4,192,246.93
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Debt to capital	–	–
Convertible corporate bonds maturing within one year	–	–
New use right assets in the current period	–	–
3. Net changes in cash and cash equivalents		
Ending balance of cash	411,062,310.58	428,811,504.41
Less: opening balance of cash	428,811,504.41	275,485,562.40
Add: ending balance of cash equivalents	–	–
Less: opening balance of cash equivalents	–	–
Cash and cash equivalents	-17,749,193.83	153,325,942.01

## 5.42.2. Cash outflows related to leases

The total cash outflow related to leases in the current period was RMB 2,571,219.01.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5. Notes to items in the consolidated financial statements (CONTINUED)

## 5.42. Supplementary information on cash flow statement (Continued)

## 5.42.3. Composition of cash and cash equivalents

Projects	Ending balance	Opening balance
<b>I. Cash</b>	<b>411,062,310.58</b>	428,811,504.41
Of which: cash on hand	<b>5,455.50</b>	13,002.70
Bank deposits that can be used for payment at any time	<b>411,056,855.08</b>	428,798,501.71
Other monetary funds available for payment at any time		
<b>II. Cash Equivalents</b>		
Of which: bond investments maturing within three months		
<b>III. Balance of cash and cash equivalents at the end of the period</b>	<b>411,062,310.58</b>	428,811,504.41
Of which: the use of restricted cash and cash equivalents by the parent company or an intra-group subsidiary		

## 5.43. Assets whose ownership or use is restricted

Projects	Ending balance	Reason
Fixed assets	<b>3,399,115.06</b>	The ownership of fixed assets is restricted
<b>Total</b>	<b>3,399,115.06</b>	–

## 5.44. Foreign currency monetary items

Projects	Foreign currency balance at the end of the period	Converted exchange rate	RMB balance converted at the end of the period
Monetary fund			
Of which: HKD	2,567.14	0.9062	2,326.34
Other payables			
Of which: HKD	4,702,732.34	0.9062	4,261,616.05

## 5.45. Government subsidies

Type	Amount in the current period	Amount included in current profit or loss	remark
Government grants included in other income	<b>1,006,744.20</b>	1,006,744.20	For details, see this note, 5.35
<b>Total</b>	<b>1,006,744.20</b>	1,006,744.20	–

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 6. Changes in the scope of consolidation

## 6.1. Business combinations not under common control

None.

## 6.2. Business combinations under the same control

None.

## 6.3. Disposal of subsidiaries

None.

## 6.4. Changes in the scope of consolidation due to other reasons

In this period, a new subsidiary, Shandong Huibangda Decoration Engineering Co., LTD.

## 7. Interests in other entities

## 7.1.1. Composition of enterprise groups

Subsidiary name	Main place of Business and registration	Date of incorporation	Registered capital	Nature of business	Shareholding ratio (%)		
					Direct	Indirect	How to get
Shandong Lishengshan adjacent catering management Co., LTD	Jinan	2022-10-18	5,000,000.00	Business service industry	100.00	–	Investment establishment
Shandong Lushang Architectural design Co., LTD	Jinan	2011-05-09	5,000,000.00	Architectural decoration, renovation and other construction	100.00	–	Investment establishment
Shandong Huibangda decoration engineering Co., LTD	Jinan	2023-01-16	20,000,000.00	Architectural decoration, renovation and other construction	100.00	–	Investment establishment
Shandong Blue Shore garden engineering Co., LTD	Jinan	2008-12-11	20,000,000.00	Real estate industry	100.00	–	Investment establishment
Shandong Lushang Tang 'an Property Co., LTD	Jinan	2020-12-02	3,000,000.00	Real estate industry	41.00	–	Investment establishment

Note: Jinan Shangxin Investment Partnership (Limited Partnership) holds 10% of Shandong Lushang Tang 'an Property Co., LTD., and its shareholders' rights are fully entrusted to the Company. The Company enjoys 51% of the voting rights at the shareholders' meeting and has the right to exercise control over the operation and management activities of the entity. Therefore, the Company includes Shandong Lushang Tang 'an Property Co., LTD.

## 7.1.2. Significant non-wholly-owned subsidiaries

Subsidiary name	Non-controlling shareholders (%)	Total comprehensive income attributable to non-controlling interests	Dividends declared to minority shareholders for the period	Non-controlling interests	Note
Shandong Lushang Tang 'an Property Co., LTD	59.00	828,742.08	–	3,949,581.26	–



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 7. Interests in other entities (CONTINUED)

## 7.1.3. Significant information of non-wholly-owned subsidiaries

The main financial information for these subsidiaries is the amount before each business within the Company offsets each other:

Projects	Ending balance/ Amount in the current period Shandong Lushang Tang 'an Property Co., LTD
Current assets	12,712,898.96
Non-current assets	61,508.24
<b>Total assets</b>	<b>12,774,407.20</b>
Current liabilities	6,288,676.25
Non-current liabilities	–
<b>Total liabilities</b>	<b>6,288,676.25</b>
Operating revenue	11,384,152.13
Net profit	1,404,647.60
Other comprehensive income after tax	–
Net cash flows from operating activities	-1,450,745.82
Project	Opening balance/ Amount in the previous period Shandong Lushang Tang 'an Property Co., LTD
Current assets	13,424,096.44
Non-current assets	80,539.95
<b>Total assets</b>	<b>13,504,636.39</b>
Current liabilities	8,423,553.04
Non-current liabilities	–
<b>Total liabilities</b>	<b>8,423,553.04</b>
Operating revenue	14,890,489.40
Net profit	2,634,515.19
Other comprehensive income after tax	–
Net cash flows from operating activities	1,408,076.46

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 8. Risks associated with financial instruments

The company's main financial instruments include monetary funds, equity investment, debt investment, transactional financial assets, accounts receivable, accounts payable, etc. Faced with the risks of various financial instruments in daily activities, mainly including credit risk, liquidity risk, and market risk. The risks associated with these financial instruments, as well as the risk management policies adopted by the Company to mitigate these risks, are described below:

The board of directors is responsible for planning and establishing the company's risk management structure, formulating the company's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by the Company. These risk management policies clearly define specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates changes in the market environment and the Company's operating activities to determine whether to update its risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and avoids related risks through close cooperation with other business units of the Company. The company's internal audit department conducts regular audits on risk management controls and procedures, and reports the audit results to the company's audit committee. The Company diversifies financial instrument risks through appropriate diversified investments and business portfolios, and reduces risks concentrated in a single industry, specific region or specific counterparty by formulating corresponding risk management policies.

#### 8.1. Credit risk

Credit risk refers to the risk that the company will incur financial losses due to the failure of the counterparty to fulfill its contractual obligations. The management has formulated appropriate credit policies and constantly monitors the exposure to credit risk.

The Company has adopted a policy to only trade with creditworthy counterparties. In addition, the company evaluates customers' credit qualifications and sets corresponding credit periods based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The company continuously monitors the balance of bills and accounts receivable and the collection status. For customers with poor credit records, the company will use written reminders, shorten the credit period or cancel the credit period, etc., to ensure that the company does not face major credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure that the relevant financial assets are adequately provided for expected credit losses.

The company's other financial assets include monetary funds, other receivables, debt investments, etc. The credit risk of these financial assets stems from the default of the counterparty, and the maximum credit risk exposure is the carrying amount of each financial asset in the balance sheet. The Company has not provided any other guarantees that may expose the Company to credit risk.

The monetary funds held by the Company are mainly deposited in financial institutions such as state-controlled banks and other large and medium-sized commercial banks. The management believes that these commercial banks have high reputation and asset status, do not have major credit risks, and will not incur any major losses due to the default of the counterparty. The company's policy is to control the amount of deposits in deposits based on the market reputation, business scale and financial background of each well-known financial institution, so as to limit the amount of credit risk to any single financial institution.

As part of the Company's credit risk asset management, the Company uses aging to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables involve a large number of customers, and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The company calculates the historical actual bad debt rate for different aging periods based on historical data, and considers the forecast of current and future economic conditions, such as the country's GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information to adjust the expected loss rate. For long-term receivables, the Company comprehensively considers the settlement period, the contractually agreed payment period, the debtor's financial situation and the economic situation of the debtor's industry, and makes a reasonable assessment of expected credit losses after adjusting for the above forward-looking information.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 8. Risks associated with financial instruments (CONTINUED)

## 8.1. Credit risk (Continued)

As of December 31, 2023, the book balances and expected credit impairment losses of the underlying assets are as follows:

Projects	Book balance	Provision for impairment
Notes receivable	18,040,920.49	122,986.87
Accounts Receivable	314,598,063.90	19,163,727.75
Other receivables	4,021,472.50	253,580.28
<b>Total</b>	<b>336,660,456.89</b>	<b>19,540,294.90</b>

The Company's main customers are the People's Government of Yangxin County, Qilu Medical College, Boshan Municipal Garden Sanitation Service Center of Zibo City, Harbin Lushang Real Estate Co., LTD., etc. These customers have a reliable and good reputation, therefore, the Company believes that these customers have no significant credit risk. Due to the Company's broad customer base, there is no significant credit concentration risk.

As the Company deals only with approved and creditworthy third parties, no collateral is required. Credit risks are centrally managed according to customers. As of December 31, 2023, 11.16% of the Company's receivables (December 31, 2022:8.70%) originated from the top five customers with balances. The Company does not hold any collateral or other credit enhancements on the accounts receivable balance.

## 8.2. Liquidity risk

Liquidity risk refers to the risk of a shortage of funds when the Company fulfills its obligation to settle by delivering cash or other financial assets. Each subsidiary is responsible for predicting its cash flow. The finance department of the Company continuously monitors the Company's short-term and long-term funding needs at company level based on the cash flow forecast results of each subsidiary enterprise, to ensure the maintenance of sufficient cash reserves; At the same time, continuously monitor whether it complies with the provisions of the loan agreement, and obtain commitments from major financial institutions to provide sufficient backup funds to meet short-term and long-term funding needs. In addition, the Company has entered into financing line credit agreements with major business banks to provide support for our company's obligations related to commercial paper.

As of December 31, 2023, the Company's financial liabilities and off-balance sheet guaranteed items are presented as undiscounted contractual cash flows for the remaining term of the contract as follows:

Project	Ending balance		
	Instant payments or within 1 year	More than 1 year	Total
Accounts payable	201,696,808.99	–	201,696,808.99
Other payables	60,213,944.23	–	60,213,944.23
<b>Total</b>	<b>261,910,753.22</b>	<b>–</b>	<b>261,910,753.22</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 8. Risks associated with financial instruments (CONTINUED)

## 8.3. Market risk

## 8.3.1. Exchange rate risk

The company's main business is located in China, and its main business is settled in RMB. However, the Company's recognized foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in Hong Kong dollars) still have exchange rate risk. The company's financial department is responsible for monitoring the company's foreign currency transactions and the scale of foreign currency assets and liabilities to minimize the exchange rate risk it faces.

- (1) The Company did not enter into any forward foreign exchange contracts or currency swap contracts during the year.
- (2) As of December 31, 2023, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Company converted into RMB are listed as follows:

Projects	Ending balance	
	Hong Kong dollar projects	Total
Foreign currency financial assets:		
Monetary fund	2,567.14	2,567.14
<b>Total</b>	<b>2,567.14</b>	<b>2,567.14</b>
Foreign currency financial liabilities:		
Other payables	4,702,732.34	4,702,732.34
<b>Total</b>	<b>4,702,732.34</b>	<b>4,702,732.34</b>

- (3) Sensitivity analysis

As at December 31 2023, for the Company's various types of Hong Kong dollar and Hong Kong dollar financial assets, if the RMB appreciated or depreciated by 10% against the Hong Kong dollar, other factors being held constant, the Company would have reduced or increased its net profit by approximately 426,393.38 yuan (approximately 3,361,810.62 yuan in 2022).

## 8.3.2. Interest rate risk

The Company's interest rate risk mainly arises from bank loans. Floating interest rate financial liabilities expose the Company to cash flow interest rate risk, and fixed interest rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed rate and floating rate contracts based on the prevailing market environment.

The company's finance department continuously monitors the company's interest rate level. An increase in interest rates will increase the cost of new interest-bearing debt and interest expense on the Company's outstanding interest-bearing debt bearing floating interest rates, and will have a material adverse effect on the Company's financial results, which management will adjust in a timely manner based on the latest market conditions.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 9. Fair value

## 9.1. Financial instruments measured at fair value

The Company presents financial asset instruments measured at fair value based on their book value at three levels of fair value value as of December 31, 2023. When classifying fair value as a whole into three levels, it is based on the lowest of the three levels to which each important input value used in fair value measurement belongs. The definitions of the three levels are as follows:

Level 1: It refers to the unadjusted quoted prices of the same assets or liabilities that can be obtained on the measurement date in an active market;

Level 2: It refers to the directly or indirectly observable input values of related assets or liabilities, in addition to the input values of the first level;

The second level input values include: 1) Quotations for similar assets or liabilities in active markets; 2) Quotations for identical or similar assets or liabilities in inactive markets; 3) Other observable input values other than quotation, including observable interest rate and Yield curve, implied volatility and credit spread during normal quotation interval; 4) Input values for market validation, etc.

Level 3: It is the unobservable input value of related assets or liabilities.

## 9.2. Fair value measurement at the end of the period

## 9.2.1. Continuous fair value measurement

Projects	Fair value at the end of the period			Total
	Level 1	Level 2	Level 3	
Subtotals of financial assets measured at fair value and whose changes are recognized in profit or loss for the period	-	-	200,000.00	200,000.00
Receivables Financing	-	-	200,000.00	200,000.00
Total assets	-	-	200,000.00	200,000.00

## 9.3. Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include accounts receivable, notes receivable, non-current liabilities due within one year.

The carrying values of financial assets and liabilities not measured at fair value differ little from fair value.

## 10. Related parties and related transactions

## 10.1. The parent company of the company

Parent company name	Place of registration	Nature of business	Registered capital (ten thousand yuan)	Shareholding ratio of the Company (%)	Voting rights Ratio of the Company (%)
Lushang Freida Pharmaceutical Co., LTD	Shandong Province	Pharmaceutical manufacturing industry	101,656.8775	71.32	71.32

Note: The ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.

## 10.2. For details of the company's subsidiaries, please refer to Note 7.1.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 10. Related parties and related transactions (CONTINUED)

## 10.3. Other related parties

Other related party names	The relationship between other related parties and the company
Beijing Inzone Hezhi Real Estate Development Co., LTD	Under the same control of the group parent company
Dongying Inzone Real Estate Development Co. LTD	Under the same control of the group parent company
Freda Pharmacy Pharmaceutical chain (Shandong) Co., LTD	Under the same control of the group parent company
Haerbin Lushang Real Estate Co., Ltd.	Under the same control of the group parent company
Heze Lushang Real Estate Co., LTD	Under the same control of the group parent company
Heze Ginza Yiting Hotel Co., LTD	Under the same control of the group parent company
Jinan Jinyilin Real Estate Development Co., LTD	Under the same control of the group parent company
Jinan Lumao Real Estate Co., LTD	Under the same control of the group parent company
Jinan Lushang Freda Nursing Home Co., LTD	Under the same control of the group parent company
Shandong shan adjacent catering management Co., LTD	Under the same control of the group parent company
Jinan Tang An Hengye Holding limited liability company	The majority shareholder of the subsidiary
Jinan Wanji Real Estate Co., LTD	Under the same control of the group parent company
Jinan Yinzuo Beiyuan Shopping Plaza Co.,Ltd.	Under the same control of the group parent company
Jinan Ginza Wanhong Plaza Co., LTD	Under the same control of the group parent company
Jinan Ginza Wanhong Plaza Co., Ltd. Tangye Cultural center branch	Under the same control of the group parent company
Jining Lushang Real Estate Co., LTD	Under the same control of the group parent company
Jining Lushang Real Estate Co., LTD	Under the same control of the group parent company
Jining Ruihe Real Estate Development Co., LTD	Under the same control of the group parent company
Jining Yinzuo Shopping Plaza Co.,Ltd.	Under the same control of the group parent company
Jining Inzone Mall Co., LTD	Under the same control of the group parent company

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 10. Related parties and related transactions (CONTINUED)

## 10.3. Other related parties (Continued)

Other related party names	The relationship between other related parties and the company
Linyi Juyi Real Estate Co., Ltd. Guangzhou Road branch	Under the same control of the group parent company
Linyi Juyi Real Estate Co., Ltd. Harmony Square branch	Under the same control of the group parent company
Linyi Lushang Real Estate Co.,Ltd.	Under the same control of the group parent company
Linyi Lushang Real Estate Co., LTD. Pullman Hotel	Under the same control of the group parent company
Linyi Lushang Real Estate Co., LTD.Spring Lake Hotel	Under the same control of the group parent company
Linyi Lushang Jin Real Estate Co., LTD	Under the same control of the group parent company
Linyi Lushang Jin Real Estate Co., LTD	Under the same control of the group parent company
Linyi Lushang Property Co.,Ltd.	Under the same control of the group parent company
Linyi City Lanshan District Jinqushan street Ginza Yingcai Phoenix City Kindergarten	Under the same control of the group parent company
Qilu Medical Education Development (Xintai) Co., LTD	Under the same control of the group parent company
Lushang Freda Health Investment Co., LTD	Under the same control of the group parent company
Lushang Health Industry Development Co.,Ltd.	Under the same control of the group parent company
Lushang Equity Investment Fund Management Co., LTD	Under the same control of the group parent company
Lushang Group Co., LTD	Under the same control of the group parent company
Lushang Health Industry Development Co.,Ltd.	Under the same control of the group parent company
Qilu Medical Education Development (Xintai) Co., LTD	Under the same control of the group parent company
Lushang nine female peak (Taian) rural revitalization Co., LTD	Under the same control of the group parent company
Lushang Real Estate Qingdao Co., LTD	Under the same control of the group parent company
Qilu Medical Education Development (Xintai) Co., LTD	Under the same control of the group parent company
Qilu Medical College	Under the same control of the group parent company
Qingdao Beiyang Architectural Design Co., LTD	Under the same control of the group parent company

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 10. Related parties and related transactions (CONTINUED)

## 10.3. Other related parties (Continued)

Other related party names	The relationship between other related parties and the company
Qingdao Freida Digital Technology Co., LTD	Under the same control of the group parent company
Qingdao Haijing (International) Hotel Development Co., LTD	Under the same control of the group parent company
Qingdao Lushang Real Estate Co., LTD	Under the same control of the group parent company
Qingdao Lushang Jinxiu Real Estate Co., LTD	Under the same control of the group parent company
Qingdao Lushang Lanan Real Estate Co., LTD	Under the same control of the group parent company
Qingdao Lushang Langu Health Industry Co., LTD	Under the same control of the group parent company
Qingdao Lushang Runzhi Investment and Development Co., LTD	Under the same control of the group parent company
Qingdao Lushang Xifu Real Estate Co., LTD	Under the same control of the group parent company
Qingdao Lushang Land Development Co., LTD	Under the same control of the group parent company
Qingdao Lvfu Real Estate Development Co., LTD	Under the same control of the group parent company
Qingdao Inzone Investment Development Co., LTD	Under the same control of the group parent company
Qingdao Inzone Investment Development Co., Ltd. Harmony Square Branch	Under the same control of the group parent company
Shandong Baifu Freda Pharmaceutical Co., LTD	Under the same control of the group parent company
Shandong Chengfa Asset Operation Co., LTD	Under the same control of the group parent company
Shandong City Service Vocational College	Under the same control of the group parent company
Shandong Urban and Rural Development Assets Operation Co., LTD	Under the same control of the group parent company
Shandong Dakang Economic and Trade Co., LTD	Under the same control of the group parent company
Shandong Freida Ai health Co., LTD	Under the same control of the group parent company
Shandong Freda Biotech Co.,Ltd	Under the same control of the group parent company



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 10. Related parties and related transactions (CONTINUED)

## 10.3. Other related parties

Other related party names	The relationship between other related parties and the company
Shandong Freda Biotechnology Co.,Ltd.	Under the same control of the group parent company
Shandong Freida Pharmaceutical Group Co., Ltd.	Under the same control of the group parent company
Shandong Fuzhongfu Biotechnology Co., LTD	Under the same control of the group parent company
Shandong Fuyuan Micro-credit Loan Co., LTD	Under the same control of the group parent company
Shandong Guanmei Biotechnology Co., LTD	Under the same control of the group parent company
SHANDONG FOCUSFREDA BIOTECH CO., LTD.	Under the same control of the group parent company
Shandong Lushang Industry Finance Holding Co., LTD	Under the same control of the group parent company
Shandong Lushang Innovation Development Co., LTD	Under the same control of the group parent company
Shandong Lushang Technology Group Co., LTD	Under the same control of the group parent company
Shandong Lushangtong Technology Co., LTD	Under the same control of the group parent company
Shandong Yinzuo Property Co.,Ltd.	Under the same control of the group parent company
Shandong Lushang Wisdom Technology Co., LTD	Under the same control of the group parent company
Shandong Luxin Real Estate Co., LTD	Under the same control of the group parent company
Shandong Luyin Industry Investment Co., LTD	Under the same control of the group parent company
Shandong Mingren Freda Pharmaceutical Co., Ltd.	Under the same control of the group parent company
Shandong Vocational and Technical College of Commerce	Under the same control of the group parent company
Shandong Municipal Service Technician College	Under the same control of the group parent company
Shandong Commercial Real Estate Development Co.,Ltd.	Under the same control of the group parent company
Shandong city service technician College	Under the same control of the group parent company
Shandong Urban and Rural Development Group Co., LTD	Under the same control of the group parent company
Shandong urban and rural green industry development investment Co., LTD	Under the same control of the group parent company

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 10. Related parties and related transactions (CONTINUED)

## 10.3. Other related parties

Other related party names	The relationship between other related parties and the company
Shandong Innovation Research Institute Co., LTD	Under the same control of the group parent company
Shandong Lushang Group Industrial Investment Co., LTD	Under the same control of the group parent company
Shandong Lushang Construction Management Co., LTD	Under the same control of the group parent company
Shandong Lushang Zhengyuan Bidding Consulting Co., LTD	Under the same control of the group parent company
Shandong Lushang Real Estate Co., Ltd.	Under the same control of the group parent company
Shandong Lushang Real Estate Co., Ltd. Jinan Branch	Under the same control of the group parent company
Shandong Lushang Real Estate Co., Ltd. Jining Branch	Under the same control of the group parent company
Shandong Lushang Real Estate Co., Ltd. Qingdao Branch	Under the same control of the group parent company
Shandong Lushang Fenghuangcheng House Sales Office	Under the same control of the group parent company
Shandong Lushang Real Estate Co., Ltd. Changqing Gongyeyuan Branch	Under the same control of the group parent company
Shandong Commercial Group Finance Co., LTD	Under the same control of the group parent company
Shandong Commercial Group Co.,Ltd.	Under the same control of the group parent company
Lushang Media Group Co.,Ltd.	Under the same control of the group parent company
Shandong Rellet Cosmetic Co.,LTD.	Under the same control of the group parent company
Shandong Yitong Private Capital Management Co., LTD	Under the same control of the group parent company
Shandong Yitong Commercial Factoring Co., LTD	Under the same control of the group parent company
Shandong Inzone • Yingcai Kindergarten	Under the same control of the group parent company
Shandong Inzone • Yingcai Kindergarten Jining South Pool Mansion Garden	Under the same control of the group parent company
Shandong Inzone Shopping Center Co., Ltd. Heze Ginza Harmony Square	Under the same control of the group parent company
Shandong Ginza Home Co., Ltd. Home Life Square	Under the same control of the group parent company
Shandong Ginza Education Management Co., LTD	Under the same control of the group parent company
Shandong Inzone Distribution Co., LTD.	Under the same control of the group parent company
Shandong Ginza Automobile trade Co., LTD	Under the same control of the group parent company

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 10. Related parties and related transactions (CONTINUED)

## 10.3. Other related parties

Other related party names	The relationship between other related parties and the company
Shandong Inzone Automobile Co.,Ltd.	Under the same control of the group parent company
Shandong Ginza Quancheng Hotel Co., LTD Jinan Guoao city branch	Under the same control of the group parent company
Shandong Ginza Quancheng Hotel Co., LTD Jinan Lushang Guoao city branch	Under the same control of the group parent company
Shandong Ginza Mall Co., LTD Yuhan branch	Under the same control of the group parent company
Shandong Ginza Tiancheng Automobile Co., LTD	Under the same control of the group parent company
Shandong Ginza Tianqi Automobile Co., LTD	Under the same control of the group parent company
Shandong Ginza Tiantong Automobile Co., LTD	Under the same control of the group parent company
Shandong Ginza Tianyi Automobile Co., LTD	Under the same control of the group parent company
Shandong Ginza Tianzun Automobile Co., LTD	Under the same control of the group parent company
Shandong Yinzuo Property Co.,Ltd.	Under the same control of the group parent company
Shandong Ginza Real Estate Co., Ltd. Zhenxing Street shopping center	Under the same control of the group parent company
Shanxiang Group (Shandong) Nine female peak rural revitalization Co., LTD	Under the same control of the group parent company
Shanghai Lushang Real Estate Co., LTD	Under the same control of the group parent company
Taian Lushang Real Estate Co., LTD	Under the same control of the group parent company
Taian Lushang Real Estate Co., LTD	Under the same control of the group parent company
Taian Ginza Mall Co., LTD.	Under the same control of the group parent company
Taian Ginza Mall Co., LTD. Keshan Branch	Under the same control of the group parent company
Taishan You Rural Revitalization Ecological Tourism Development (Shandong) Co., LTD	Under the same control of the group parent company
Weifang Lushang Real Estate Co., LTD	Under the same control of the group parent company
Xintai People's Hospital	Under the same control of the group parent company
Yantai Jiexing Enterprise management Co., LTD	Under the same control of the group parent company

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 10. Related parties and related transactions (CONTINUED)

## 10.3. Other related parties

Other related party names	The relationship between other related parties and the company
Yantai Lumao Real Estate Co., LTD	Under the same control of the group parent company
Yantai Lushang Real Estate Co., LTD	Under the same control of the group parent company
Yantai Lushang Jiahui Real Estate Co., LTD	Under the same control of the group parent company
Yangzhou Rusu Health Industry Development Co., LTD	Under the same control of the group parent company
Etone Financial Services Co., Ltd.	Under the same control of the group parent company
Eitong Financial Leasing (Tianjin) Co., LTD	Under the same control of the group parent company
Inzone Group Co.,Ltd.	Under the same control of the group parent company
Yinzuo Group Co.,Ltd.Heze Yinzuo Garden Shopping Plaza	Under the same control of the group parent company
Yinzuo Group Co.,Ltd.Gaoxin Garden Shopping Plaza	Under the same control of the group parent company
Yinzuo Group Co.,Ltd.Beitan Yinzuo Garden Shopping Plaza	Under the same control of the group parent company
Yinzuo Group Co.,Ltd.Jinan Gaoxin Yinzuo Garden Shopping Plaza	Under the same control of the group parent company
Yinzuo Group Co.,Ltd.Jinan Yinzuo Garden Shopping Plaza	Under the same control of the group parent company
Jinan Yinzuo JILUO ROAD Shopping Plaza,SILVER PLAZA GROUP Co.,Ltd.	Under the same control of the group parent company
Jinan Yinzuo Jinniu Shopping Plaza,SILVER PLAZA GROUP Co.,Ltd.	Under the same control of the group parent company
Jinan Yinzuo QUANYUN CUN Shopping Plaza,SILVER PLAZA GROUP Co.,Ltd.	Under the same control of the group parent company
Ginza Group Co., Ltd. Jinan Ginza Railway Yidu shop	Under the same control of the group parent company
Ginza Group Co., LTD Laiwu Ginza Mall	Under the same control of the group parent company
Ginza Group Jinan Changqing Shopping Plaza Co., LTD	Under the same control of the group parent company
Zibo Lushang Real Estate Co., LTD	Under the same control of the group parent company
Zibo Yilin real estate development Co., LTD	Under the same control of the group parent company
Zibo Ginza Mall limited liability company	Under the same control of the group parent company
Zibo Ginza Mall limited liability company Boshan shopping plaza	Under the same control of the group parent company

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 10. Related parties and related transactions (CONTINUED)

## 10.4. Related party transactions

10.4.1. Subsidiaries that have a controlling relationship and are included in the consolidated financial statements of the Company are offset by transactions between each other and parent-subsidiary transactions.

## 10.4.2. Material related party transactions

Transaction content	Amount in the current period	Amount in the previous period
Render of services	150,112,353.25	184,643,906.13
Purchase of goods and services	17,601,207.40	21,834,699.15
Lease expenditure	113,113.01	152,947.59
Lease revenue	395,095.74	–

## 10.4.3. Remuneration of key management personnel

Projects	Amount in the current period	Amount in the previous period
Remuneration of key management personnel	2,844,741.12	4,268,761.25

## 10.4.4. Balances with related parties

(1) The company accounts receivable related party funds

Name of project	Ending balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts Receivable	137,513,152.80	1,080,035.90	123,711,739.89	–
Notes receivable	14,243,920.49	40,261.45	23,585,685.07	–
Contract Assets	41,811,529.23	98,529.18	25,531,852.09	–
Advance payment	190,592.19	–	8,459.91	–
Other receivables	1,391,364.64	4,775.37	1,800,858.80	–
Cash and cash equivalents	277,506,961.07	–	248,831,135.76	–

(2) The company accounts payable related party funds

Name of project	Ending balance	Opening balance
Account payables	9,718,004.89	7,880,183.78
Contract liabilities	554,314.63	177,088.84
Lease liabilities	2,553,478.25	3,324,254.76
Other payables	329,637.77	2,988,681.79
Dividend payable	10,740,000.00	–

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 11. Commitments and Contingencies

### 11.1. Important commitments

#### *Lease contracts signed and being performed and financial implications*

The Company's use rights assets, lease liabilities and total lease-related cash outflows are detailed in Notes 5.12, 5.24, 5.41. As a lessee, the Company is recognized in profit or loss as follows:

Trading content	Amount in the current period	Amount in the previous period
lease liabilities interest	<b>113,113.01</b>	152,947.59
Low value assets leasing expenses	<b>655,698.76</b>	711,539.19

Other information of the Company as the lessee is as follows:

lease liabilities: The company's leasing categories are houses and buildings.

Short-term leases or low-value leases: houses and buildings.

Except for the above matters at the end of Dec31 2023, The Company has no important commitments that need to be disclosed,

### 11.2. Important contingencies existing on the balance sheet date

The Company has no significant contingencies that need to be disclosed.

## 12. Events after the balance sheet date

On 27 February 2024, the 15th meeting of the first board of directors passed the "Proposal on the Agreement to Transfer the Equity of Shandong Huibangda Decorative Engineering Co., Ltd." and the "Proposal on the Agreement to Accept the Equity of Shandong Lujian Industrial Management Co., Ltd.".

To focus on and improve its main businesses such as the provision of property management services and community value-added services. The company will transfer 100% of its equity in Shandong Huibangda Decorative Engineering Co., Ltd. to Shandong Urban and Rural Development Group Co., LTD. The transaction price will be determined based on the appraised value which is RMB 21.864 million. Shandong Shandong Urban and Rural Development Group Co., LTD and the company are together controlled by Shandong Commercial Group Co.,Ltd. Therefore, this transaction is a related transaction.

At the same time, to improve and repair the property management services in elevator system, the company will accept 100% equity of Shandong Lujian Industrial Management Co., Ltd. held by Lushang Health Industry Development Co.,Ltd. The transaction price will be determined based on the appraised value which is RMB 4.8783 million. Lushang Health Industry Development Co.,Ltd. is the parent company of the company, so this transaction is a related transaction.

Except for the above audit matters of balance sheet after the reporting period, as of the date when the financial report is approved, the company has nothing to disclose.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 13. Other important matters

## 13.1. Other important transactions and matters that have an impact on investors' decisions

## 13.1.1. Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name of director	Directors' fees		Basic salaries and allowance		Discretionary bonus		Retirement benefit contribution		Equity settled share-based payment		Total	
	Amount in the current period	Amount in the previous period	Amount in the current period	Amount in the previous period	Amount in the current period	Amount in the previous period	Amount in the current period	Amount in the previous period	Amount in the current period	Amount in the previous period	Amount in the current period	Amount in the previous period
Executive Directors												
Mr. Wang-Zhongwu	-	-	454,267.36	416,582.92	-	266,500.00	43,294.95	39,877.56	-	23,985.26	497,562.31	746,945.74
Mr. Yang-Yunlong	-	-	140,763.85	169,607.93	-	-	13,760.13	16,615.67	-	-	154,523.98	186,223.60
Mr. Shao-Meng	-	-	192,118.44	165,755.20	1,650.00	200,000.00	25,551.00	21,543.00	-	852.75	219,319.44	388,150.95
Mr. Zhang-Tiebo	-	-	-	407,388.48	-	23,000.00	-	39,877.56	-	15,990.25	-	486,256.29
Mr. Bao-Song	-	-	-	143,708.12	-	-	-	13,292.52	-	-	-	157,000.64
Non-executive Directors												
Ms. Luo-Ye	-	-	-	-	-	-	-	-	-	-	-	-
Ms. Li-Lu	-	-	-	-	-	216,500.00	-	-	-	-	-	216,500.00
Ms. Li-Han	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Zhao-Yanfeng	-	-	-	260,069.65	-	516,500.00	-	27,520.26	-	-	-	804,089.92
Independent Non-executive Directors												
Ms. Leung-Bik-San	135,525.62	57,392.75	-	-	-	-	-	-	-	-	135,525.62	57,392.75
Ms. Chen-Xiaojing	91,663.00	41,666.00	-	-	-	-	-	-	-	-	91,663.00	41,666.00
Mr. Ma-Tao	91,663.00	41,666.00	-	-	-	-	-	-	-	-	91,663.00	41,666.00
Supervisors												
Mr. Zhang-Xiangqian	-	-	-	-	-	-	-	-	-	-	-	-
Ms. Wang-Pin	-	-	-	55,999.72	-	15,492.10	-	9,185.00	-	-	-	80,676.82
Ms. Pan-Meng	-	-	161,266.24	-	-	-	20,529.00	-	-	-	181,795.24	-
Mr. Wang-Hongtao	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>318,851.62</b>	<b>140,724.75</b>	<b>948,415.89</b>	<b>1,619,112.03</b>	<b>1,650.00</b>	<b>1,237,992.10</b>	<b>103,135.08</b>	<b>167,911.57</b>	<b>-</b>	<b>40,828.26</b>	<b>1,372,052.59</b>	<b>3,206,568.71</b>

## Note:

- On 6 June 2022, Ms. Leung Bik San, Ms. Ms. Chen Xiaojing and Mr. Ma Tao were appointed as independent non-executive directors of the Company.
- On 15 September 2022, Mr. Zhao Yanfeng resigned as non-executive director of the Company and Mr. Bao Song and Yang Yunlong were appointed as executive directors of the Company.
- On 30 November 2022, Mr. Bao Song and Mr. Zhang Tiebo resigned as an executive directors of the Company and Ms. Luo Ye was appointed as a non-executive director of the Company.
- On 30 June 2023 Mr. Yang Yunlong resigned as executive directors of the Company and Ms. Li Han was appointed as a non-executive director of the Company.
- On 27 February 2023 Ms. Wang Pin resigned as a supervisor of the Company and Ms. Pan Meng was appointed as a supervisor of the Company.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 13. Other important matters (CONTINUED)

## 13.1. Other important transactions and matters that have an impact on investors' decisions (Continued)

## 13.1.2. Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, one (2022: two) was director of the Company. The emoluments of the remaining four (2022: three) individuals were as follows:

Project	Amount in the current period	Amount in the previous period
Basic salaries and allowance	1,170,483.17	1,402,068.76
Retirement benefit contribution	133,488.99	119,632.68
Discretionary bonus	338,022.54	233,000.00
<b>Total</b>	<b>1,641,994.70</b>	1,754,701.44

Note: In 2023, no emoluments were paid or payable by the Group to any Directors, Supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 14. Notes to the main items in the financial statements of the parent company

## 14.1. Accounts receivable

## 14.1.1. Disclosure by age

Aging	Ending balance	Opening balance
Within 1 year	130,609,132.03	121,162,949.13
1-2 years	38,770,508.09	20,515,878.39
2-3 years	9,091,631.26	8,384,771.32
Over 3 years	7,515,986.77	4,834,570.50
Subtotal	185,987,258.15	154,898,169.34
Less: Provision for bad debt	14,983,898.29	9,920,917.81
<b>Total</b>	<b>171,003,359.86</b>	144,977,251.53

## 14.1.2. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable for which bad debt provision is made on a single item basis	-	-	-	-	-
Accounts receivable with bad debt provision based on combination of credit risk characteristics	185,987,258.15	100.00	14,983,898.29	8.06	171,003,359.86
Including: aging portfolio	120,191,844.65	64.62	14,601,277.05	12.15	105,590,567.60
Related party portfolio	65,795,413.50	35.38	382,621.24	0.58	65,412,792.26
<b>Total</b>	<b>185,987,258.15</b>	<b>100.00</b>	<b>14,983,898.29</b>	<b>8.06</b>	<b>171,003,359.86</b>

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable for which bad debt provision is made on a single item basis	-	-	-	-	-
Accounts receivable with bad debt provision based on combination of credit risk characteristics	154,898,169.34	100.00	9,920,917.81	6.40	144,977,251.53
Including: aging portfolio	102,253,056.95	66.01	9,920,917.81	9.70	92,332,139.14
Related party portfolio	52,645,112.39	33.99	-	-	52,645,112.39
<b>Total</b>	<b>154,898,169.34</b>	<b>100.00</b>	<b>9,920,917.81</b>	<b>6.40</b>	<b>144,977,251.53</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 14. Notes to the main items in the financial statements of the parent company (CONTINUED)

## 14.1. Accounts receivable (Continued)

## 14.1.3 Accounts receivable with bad debt provision based on combination of credit risk characteristics

## (1) Aging portfolio

Aging portfolio	Book Balance	Ending balance	
		Provision for bad debt	Provision ratio (%)
Within 1 year	81,397,228.65	2,042,347.55	2.51
1-2 years	22,798,397.30	2,351,942.41	10.32
2-3 years	8,480,231.93	2,691,000.32	31.73
Over 3 years	7,515,986.77	7,515,986.77	100.00
<b>Total</b>	<b>120,191,844.65</b>	<b>14,601,277.05</b>	<b>12.15</b>

## (2) Related party portfolio

Related party portfolio	Book Balance	Ending balance	
		Provision for bad debt	Provision ratio (%)
Within 1 year	49,211,903.38	138,396.63	0.28
1-2 years	15,972,110.79	201,908.54	1.26
2-3 years	611,399.33	42,316.07	6.92
<b>Total</b>	<b>65,795,413.50</b>	<b>382,621.24</b>	<b>0.58</b>

## 14.1.4. No accounts receivable were actually written off during the reporting period

## 14.1.5. Accounts receivable of the top five accounts receivable at the end of the period collected by the owing party

Unit name	Ending balance	Percentage of the ending balance of accounts receivable (%)	Provision for bad debts has been made
Zibo city Boshan district municipal garden sanitation service center	7,815,471.77	4.20	196,098.93
Heze Lushang Real Estate Co., LTD	7,350,206.59	3.95	35,943.96
People's Government of Yangxin County	6,445,213.14	3.47	161,717.61
Haerbin Lushang Real Estate Co., Ltd.	5,802,676.59	3.12	16,401.68
Qingdao Lushang Langu Health Industry Co., LTD	5,842,673.51	3.14	38,985.69
<b>Total</b>	<b>33,256,241.60</b>	<b>17.88</b>	<b>449,147.87</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 14. Notes to the main items in the financial statements of the parent company (CONTINUED)

## 14.2. Other receivables

## 14.2.1. Disclosure by age

Aging	Ending balance	Opening balance
Within 1 year	2,841,625.87	2,997,305.67
1-2 years	678,341.34	1,480,300.56
2-3 years	623,941.04	–
Over 3 years	508,601.00	511,896.74
Subtotal	4,652,509.25	4,989,502.97
Less: Provision for bad debt	250,088.15	207,244.82
<b>Total</b>	<b>4,402,421.10</b>	<b>4,782,258.15</b>

## 14.2.2. Classification by nature of receivable

Nature of payment	Ending balance	Opening balance
Reserve fund	–	898,000.00
Security deposit	1,556,340.16	2,103,069.55
Related party transactions	2,463,123.30	1,287,800.00
On behalf of social security provident fund	76,730.08	37,613.84
Pay for the project	400,850.00	400,850.00
Others	155,465.71	262,169.58
Subtotal	4,652,509.25	4,989,502.97
Less: Provision for bad debt	250,088.15	207,244.82
<b>Total</b>	<b>4,402,421.10</b>	<b>4,782,258.15</b>

## 14.2.3. Disclosure of other receivables according to the method of provision for bad debts

Type	Type		Ending balance		Book value
	Amount	Proportion (%)	Provision for bad debts	Proportion (%)	
Type	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable for which bad debt provision is made on a single item basis	248,804.91	5.35	248,804.91	100.00	–
Other receivable with bad debt provision based on combination of credit risk characteristics	4,403,704.34	94.65	1,283.24	0.05	4,402,421.10
Including: related party portfolio	2,463,123.30	52.94	1,283.24	0.05	2,461,840.06
Low risk portfolio	1,940,581.04	41.71	–	–	1,940,581.04
<b>Total</b>	<b>4,652,509.25</b>	<b>100.00</b>	<b>250,088.15</b>	<b>0.05</b>	<b>4,402,421.10</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 14. Notes to the main items in the financial statements of the parent company (CONTINUED)

## 14.2. Other receivables (Continued)

## 14.2.3. Disclosure of other receivables according to the method of provision for bad debts (Continued)

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable for which bad debt provision is made on a single item basis	207,244.82	4.15	207,244.82	100.00	-
Other receivable with bad debt provision based on combination of credit risk characteristics	4,782,258.15	95.85	-	-	4,782,258.15
Including: related party portfolio	1,267,500.00	25.40	-	-	1,267,500.00
Low risk portfolio	3,514,758.15	70.45	-	-	3,514,758.15
<b>Total</b>	<b>4,989,502.97</b>	<b>—</b>	<b>207,244.82</b>	<b>—</b>	<b>4,782,258.15</b>

Other receivable for which bad debt provision is made on a single item basis

Unit name	Ending balance			Reason for provision
	Book Balance	Provision for bad debt	Provision ratio (%)	
Tai 'an Housing Administration Bureau Property Division	51,855.80	51,855.80	100.00	Recovery risk is expected
Shandong Hengchang Law Firm	17,093.00	17,093.00	100.00	Recovery risk is expected
Owner maintenance fee	3,750.00	3,750.00	100.00	Recovery risk is expected
Tai 'an Mingzhu fitness Co., LTD	2,552.20	2,552.20	100.00	Recovery risk is expected
Jinan Red police safety technical service Co., LTD	2,000.00	2,000.00	100.00	Recovery risk is expected
Others	171,553.91	171,553.91	100.00	Recovery risk is expected
<b>Total</b>	<b>248,804.91</b>	<b>248,804.91</b>	<b>100.00</b>	

Other receivable with bad debt provision based on combination of credit risk characteristics

(1) Related party portfolio

Related party portfolio	Ending balance		
	Book Balance	Provision for bad debt	Provision ratio (%)
Within 1 year	2,407,823.30	284.35	0.01
1-2 years	50,000.00	632.07	1.26
2-3 years	5,300.00	366.82	6.92
<b>Total</b>	<b>2,463,123.30</b>	<b>1,283.24</b>	<b>0.05</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 14. Notes to the main items in the financial statements of the parent company (CONTINUED)

## 14.2. Other receivables (Continued)

## 14.2.3. Disclosure of other receivables according to the method of provision for bad debts (Continued)

Other receivable with bad debt provision based on combination of credit risk characteristics (Continued)

(2) Low risk portfolio

Low risk portfolio	Book Balance	Ending balance Provision for bad debt	Provision ratio (%)
Within 1 year	430,651.04	–	–
1-2 years	586,457.00	–	–
2-3 years	488,373.00	–	–
Over 3 years	435,100.00	–	–
<b>Total</b>	<b>1,940,581.04</b>	<b>–</b>	<b>–</b>

Provision for bad debts of other receivables

Provision for bad debt	Stage 1 Expected credit losses over the next 12 months	Stage 2 Lifetime expected credit losses (no credit impairment)	Stage 3 Lifetime expected credit losses (credit-impaired)	Total
Opening balance	–	–	207,244.82	207,244.82
Opening balance in the current period	–	–	–	–
– Transfer into stage 2	–	–	–	–
– Transfer into stage 3	–	–	–	–
– Switch back to stage 2	–	–	–	–
– Switch back to stage 1	–	–	–	–
Provision for this period	1,283.24	–	41,560.09	42,843.33
Switch back in this period	–	–	–	–
Resale in this period	–	–	–	–
Write-off in this period	–	–	–	–
Other changes	–	–	–	–
Ending balance	1,283.24	–	248,804.91	250,088.15

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 14. Notes to the main items in the financial statements of the parent company (CONTINUED)

## 14.2. Other receivables (Continued)

## 14.2.4. Other receivables with the top five ending balances collected by debtors

Debtor	Nature of payment	Book Balance	Aging	Proportion of total other receivables (%)	Provision for bad debt
Hu Shihua	Security deposit	500,000.00	1-2 years	10.75	-
Tonglian payment network Service Co., LTD. Shandong branch	Security deposit	7,000.00	Within 1 year	0.15	-
		30,477.00	1-2 years	0.66	-
		87,523.00	2-3 years	1.88	-
Zibo Boshan green Yan Garden engineering Co., LTD	Pay for the project	400,850.00	2-3 years	8.61	-
Shandong electric power company Dongying branch	Pay for the project	400,000.00	Over 3 years	8.59	-
Shandong Lushang Architectural design Co., LTD	Related party transactions	2,233,522.63	Within 1 year	48.01	-
<b>Total</b>		<b>3,659,372.63</b>	<b>-</b>	<b>78.65</b>	<b>-</b>

## 14.3. Long-term equity investment

Projects	Ending balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	59,996,527.79	-	59,996,527.79	38,996,777.79	-	38,996,777.79
<b>Total</b>	<b>59,996,527.79</b>	<b>-</b>	<b>59,996,527.79</b>	<b>38,996,777.79</b>	<b>-</b>	<b>38,996,777.79</b>

## 14.3.1. Investment in subsidiaries

Investee	Initial investment cost	Opening balance	Increase in the current period	Decrease in the current period	Ending balance	Impairment provision for the current period	Impairment provision at the end of the period
	Shandong Lishengshan adjacent catering management Co., LTD	2,000,000.00	2,000,000.00	1,000,000.00	-	3,000,000.00	-
Shandong Lushang Architectural design Co., LTD	17,213,765.66	17,213,765.66	-	-	17,213,765.66	-	-
Shandong Huibangda Decoration Engineering Co., LTD.	-	-	19,999,750.00	-	19,999,750.00	-	-
Shandong Blue Shore garden engineering Co., LTD	19,783,012.13	19,783,012.13	-	-	19,783,012.13	-	-
<b>Total</b>	<b>38,996,777.79</b>	<b>36,996,777.79</b>	<b>20,999,750.00</b>	<b>-</b>	<b>59,996,527.79</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 14. Notes to the main items in the financial statements of the parent company (CONTINUED)

## 14.4. Operating revenue and operating costs

## 14.4.1. Operating revenue, operating costs

Projects	Amount in the current period		Amount in the previous period	
	revenue	Cost	revenue	Cost
Main business	454,264,314.38	362,211,704.01	463,856,399.01	361,676,992.31
Other business	1,142,505.00	166,137.36	529,868.93	-
<b>Total</b>	<b>455,406,819.38</b>	<b>362,377,841.37</b>	464,386,267.94	361,676,992.31

## 14.4.2. The situation of the revenue generated by the contract

Contract classification	Amount in the current period		Contract classification	Contract classification
	Contract classification	Contract classification		
<b>I. Service type</b>				
Property management services	305,686,302.14	1,142,505.00	306,828,807.14	
Community value-added services	126,103,548.68	-	126,103,548.68	
Value-added services to non-property owners	22,474,463.56	-	22,474,463.56	
<b>Total</b>	<b>454,264,314.38</b>	<b>1,142,505.00</b>	<b>455,406,819.38</b>	
<b>II. Classified by operating area</b>				
Within China	454,264,314.38	1,142,505.00	455,406,819.38	
<b>Total</b>	<b>454,264,314.38</b>	<b>1,142,505.00</b>	<b>455,406,819.38</b>	
<b>III. Classification by time of transfer of services</b>				
Transfer at a certain point	84,431,271.37	549,296.06	84,980,567.43	
Transfer within a certain period of time	369,833,043.01	593,208.94	370,426,251.95	
<b>Total</b>	<b>454,264,314.38</b>	<b>1,142,505.00</b>	<b>455,406,819.38</b>	

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 14. Notes to the main items in the financial statements of the parent company (CONTINUED)

## 14.4. Operating revenue and operating costs (Continued)

## 14.4.2. The situation of the revenue generated by the contract (Continued)

Contract classification	Amount in the previous period Contract classification	Contract classification	Contract classification
<b>I. Service type</b>			
Property management services	279,869,136.63	–	279,869,136.63
Community value-added services	144,745,827.32	529,868.93	145,275,696.25
Value-added services to non-property owners	39,241,435.06	–	39,241,435.06
<b>Total</b>	<b>463,856,399.01</b>	<b>529,868.93</b>	<b>464,386,267.94</b>
<b>II. Classified by operating area</b>			
Within China	463,856,399.01	529,868.93	464,386,267.94
<b>Total</b>	<b>463,856,399.01</b>	<b>529,868.93</b>	<b>464,386,267.94</b>
<b>III. Classification by time of transfer of services</b>			
Transfer at a certain point	110,606,127.89	529,868.93	111,135,996.82
Transfer within a certain period of time	353,250,271.12	–	353,250,271.12
<b>Total</b>	<b>463,856,399.01</b>	<b>529,868.93</b>	<b>464,386,267.94</b>

## 15. Supplementary information

## 15.1. Current non-recurring profit and loss schedule

Projects	Amount	Description
Gains and losses from disposal of non-current assets	-136,382.41	–
Tax refunds or deductions that are approved beyond the authority or without formal approval documents		
Government subsidies that are included in the current profit and loss (related to the company's normal business operations, are in line with national policies and regulations, and are continuously enjoyed in accordance with a certain standard fixed or quantitative basis)	1,006,744.20	–
Income from custodial fees obtained from entrusted operations		
Other non-operating revenue and expenditure other than the above-mentioned items	1,652,234.27	–
Other profit and loss items that meet the definition of non-recurring profit and loss		
Less: Income tax impact amount	427,048.41	–
Amount of impact on minority shareholders' equity (after tax)	1,955.77	–
<b>Total</b>	<b>2,093,591.88</b>	<b>–</b>

## 15.2. Return on equity and earnings per share

Profit for the reporting period	Weighted average return on equity (%)	EPS Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the company	7.84	0.30	0.30
Net profit attributable to common shareholders of the company after deducting non-recurring gains and losses	7.43	0.29	0.29



## FIVE YEAR FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	<b>621,022</b>	627,734	582,803	402,844	321,145
Profit before tax	<b>51,058</b>	101,169	97,809	58,889	39,828
Income tax	<b>(10,798)</b>	(22,737)	(20,792)	(13,527)	(10,894)
Profit for the year	<b>40,260</b>	78,432	77,017	45,362	28,934
Profit attributable to					
– Owners of the Company	<b>39,431</b>	76,878	75,810	45,302	28,934
– Non-controlling interests	<b>829</b>	1,554	1,207	60	–
	<b>40,260</b>	78,432	77,017	45,362	28,934

  

	At 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	<b>900,804</b>	859,237	634,396	862,352	342,572
Total liabilities	<b>377,099</b>	355,890	333,952	604,463	225,685
Net assets	<b>523,705</b>	503,347	300,444	257,889	116,887