

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
INTERIM 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
Mr. 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 Committee

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

Computershare Hong Kong Investor Services Limited

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

STOCK CODE

2376



DEFINITIONS

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

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
CASBE	China Accounting Standards for Business Enterprises
China or PRC	the People's Republic of China
CIA	the China Index Academy
Company	Lushang Life Services Co., Ltd (formerly known as Shandong Lushang Property Services Co., Ltd. (山東魯商物業服務有限公司)), a company established in the PRC with limited liability on March 24, 2006 and converted into a joint stock company with limited liability on March 12, 2021 and the H Shares of which are listed on the Stock Exchange (stock code: 2376)
controlling shareholder	has the meaning ascribed thereto under the Listing Rules
Corporate Governance Code	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
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)	director(s) 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
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 Companies and its subsidiaries
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

DEFINITIONS

Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
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 Group	Lushang Freda and together with its subsidiaries
Main Board	the main board of the Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Net Proceeds	the net proceeds from the Listing of approximately HK\$138 million
Period	the six months ended June 30, 2023
Prospectus	the prospectus of the Company dated June 27, 2022
RMB	Renminbi, the lawful currency of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shandong Commercial	Shandong Commercial Group Co., Ltd.
Shandong Commercial Group	Shandong Commercial and together with its subsidiaries
Shareholders	the shareholders of the Company
sq.m.	square meters
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisors	the supervisors of the Company

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). During the Period, the revenue of the Group was RMB314.0 million, representing a decrease by 3.2% as compared with RMB324.4 million for the six months ended June 30, 2022. The Company’s net profit attributable to owners of the parent company during the Period was RMB30.0 million, representing a decrease by 25.2% as compared with RMB40.1 million for the last corresponding period. As at June 30, 2023, the Group had 96 projects under management, with the total GFA under management of 23.8 million sq.m. (June 30, 2022: 23.5 million sq.m.), representing a growth by 1.5%. It also had 96 contracted projects, with total contracted area of 27.4 million sq.m. (June 30, 2022: 27.2 million sq.m.), representing a growth by 1.0%. Headquartered in Jinan, Shandong Province, through 17 years of development since our establishment in 2006, we have expanded our coverage to nearly all prefecture-level cities in Shandong Province and to Beijing and Harbin. We are deeply rooted in Shandong Province, which, according to CIA, is one of the most populous and economically prosperous provinces in China, and has always been and will continue to be our strategic development focus. According to National Bureau of Statistics, as at June 30, 2023, the aggregate GDP of Shandong Province ranked third among all provinces in China, and the annual disposable income per capita in Shandong Province is higher than the average in China. Throughout the course of our development, we have adhered to our vision of “service provider for wonderful life” (“美好生活服務商”) in conducting our business. We believe that our commitment to customer satisfaction and customer-centric culture have shaped our brand image and helped to establish our leading market position in Shandong Province.

The Business Model of the Company

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

Property management services: accounting for approximately 52.5% of total revenue

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)**The Business Model of the Company** (Continued)**Property management services: accounting for approximately 52.5% of total revenue** (Continued)

We have a long and close strategic ongoing relationship with Lushang Freda, a controlling shareholder of the Company. Lushang Freda is a company listed on the Shanghai Stock Exchange (stock code: 600223).

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

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

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

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

Note (1): Consequential to the Disposal, certain projects with a total GFA under management of approximately 12,643 sq.m.'000. were shifted from the Lushang Freda Group to the Shandong Commercial Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)**The Business Model of the Company** (Continued)**Property management services: accounting for approximately 52.5% of total revenue** (Continued)

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

Type of projects	As at June 30,									
	2023					2022				
	Revenue		GFA under management		Number of projects under management	Revenue		GFA under management		Number of projects under management
RMB'000	%	sq.m.'000	%	RMB'000		%	sq.m.'000	%		
Residential properties	96,026	58.2	13,981	58.7	46	91,753	61.1	12,015	51.2	38
Non-residential properties										
(1) Commercial properties	39,558	24.0	2,536	10.6	25	38,666	25.8	2,543	10.8	27
(2) Others	29,274	17.8	7,313	30.7	25	19,727	13.1	8,918	38.0	15
Total	164,858	100.0	23,830	100.0	96	150,146	100.0	23,476	100.0	80

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

Value-added services to non-property owners: accounting for approximately 28.3% of total revenue

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

Service type	As at June 30,			
	2023		2022	
	RMB'000	Percentage of revenue	RMB'000	Percentage of revenue
		%		%
Design services	28,445	32.0	39,366	33.3
Landscaping services	45,646	51.4	54,716	46.3
Preliminary property management services	7,687	8.7	8,523	7.2
Pre-delivery services	4,957	5.6	7,268	6.2
Other customized services	2,047	2.3	8,295	7.0
Total	88,782	100.0	118,168	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)**The Business Model of the Company** (Continued)**Value-added services to non-property owners: accounting for approximately 28.3% of total revenue** (Continued)

For the Period, the Group's revenue from value-added services to non-property owners amounted to approximately RMB88.8 million, representing a decrease of approximately 24.9% over the same period in 2022, mainly due to the decrease in the number of projects delivered by property developers as a result of the downturn of the real estate market in the PRC, resulting in a decrease in revenue from preliminary property management services, pre-delivery services, design services and landscaping services.

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

Community value-added services: accounting for approximately 19.2% of total revenue

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

Service type	As at June 30,			
	2023		2022	
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %
Parking space management services	19,741	32.7	19,080	34.0
Community living services	19,923	33.0	18,308	32.7
Utility management services	15,085	25.0	12,677	22.6
Community space and resource management services	5,625	9.3	5,982	10.7
Total	60,374	100.0	56,047	100.0

We aim to improve our property owners' and residents' quality of life by providing them with access to a wide range of community value-added services. For the Period, the Group's revenue from community value-added services amounted to approximately RMB60.4 million, representing an increase of approximately 7.7% as compared with the same period of 2022, mainly due to the increase in the number of users as a result of the increase in the GFA under management in respect of residential properties, and diversification of service portfolio provided to customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(CONTINUED)*

Management and Research and Development Expenses

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

Profit for the Period

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

Current Assets

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

Fixed Assets and Right-of-use Assets

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

Trade and Bills Receivables

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

Prepayments and Other Receivables

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)**Trade Payables**

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

Other Payables

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

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

Liquidity and Capital Resources

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

Cash and Cash Equivalents

As at June 30, 2023, the Group's cash and cash equivalents amounted to approximately RMB388.4 million, representing a decrease of 9.3% as compared with approximately RMB428.2 million as at December 31, 2022, primarily due to our increased efforts on daily repair and maintenance of building facilities and equipment for the Period to improve the quality of services.

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

Interest-bearing Borrowings

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

Pledge of Assets

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

Gearing Ratio

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(CONTINUED)*

Significant Investments, Material Acquisitions and Disposals

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

Future Plans for Material Investments and Capital Assets

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

Contingent Liabilities and Commitments

We did not have any other outstanding guarantees or other material contingent liabilities as at June 30, 2023.

Proceeds from the Listing

The Company's H shares were successfully listed on the Stock Exchange on July 8, 2022, and 33,340,000 H shares were issued. After deduction of underwriting fees and related expenses, the net proceeds from the Listing were approximately HK\$138 million. The Group intends to use the net proceeds in accordance with the method and schedule set out in the section headed "Future Plans and Use of Proceeds" in the Company's Prospectus dated June 27, 2022.

Foreign Exchange Risk

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

Employees and Remuneration Policy

As at June 30, 2023, the Group had 1,581 employees (as at December 31, 2022: 1,644 employees). During the Period, we have adjusted the composition of our remuneration in line with the industry conditions and strengthened the incentives for value-added operations, investment development and other specialized businesses in order to fully motivate our employees. Compensation for employees of the Group is made with reference to the market as well as the nature of work and individual performance. The Group regularly makes necessary adjustments to the remuneration policies and packages to accommodate the pay levels in the industry.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. The Group has adopted the code provisions in Part 2 of the Corporate Governance Code as its own code of corporate governance.

Save for the deviation for reasons set out below, during the Period, the Group has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as a code of conduct for securities transactions by the Directors and the Supervisors since the Listing Date.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSEQUENT EVENTS

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 this interim report.

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.

Change of auditors

In light of the Proposed Adoption, on July 17, 2023, the Board also resolved (i) not to re-appoint KPMG as the auditor of the Company; and (ii) appoint Da Hua 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.

Save as disclosed above, no other events has taken place subsequent to June 30, 2023 and up to the date of this report that may have a material impact on the Group's operating and financial performance that need to be disclosed.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at June 30, 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	200,000 ⁽¹⁾	0.0197%
Ms. Li Lu	Lushang Freda	Beneficial owner	300,000 ⁽²⁾	0.0295%
Mr. Shao Meng	Lushang Freda	Beneficial owner	2,681 ⁽³⁾	0.0003%
Mr. Wang Hongtao	Lushang Freda	Beneficial owner	130,000 ⁽⁴⁾	0.0128%
Mr. Zhang Xiangqian	Lushang Freda	Beneficial owner	73,334 ⁽⁵⁾	0.0072%

Notes:

- (1) Mr. Wang Zhongwu was interested in (i) 100,000 shares of Lushang Freda; and (ii) 100,000 underlying shares of Lushang Freda by virtue of the options granted to him under a share option scheme of Lushang Freda.
- (2) Ms. Li Lu was interested in (i) 200,000 shares of Lushang Freda; and (ii) 100,000 underlying shares of Lushang Freda by virtue of the options granted to her under a share option scheme of Lushang Freda.
- (3) Mr. Shao Meng was interested in 2,681 underlying shares of Lushang Freda by virtue of the options granted to him under a share option scheme of Lushang Freda.
- (4) Mr. Wang Hongtao was interested in (i) 83,333 shares of Lushang Freda; and (ii) 46,667 underlying shares of Lushang Freda by virtue of the options granted to him under a share option scheme of Lushang Freda.
- (5) Mr. Zhang Xiangqian was interested in (i) 36,667 shares of Lushang Freda; and (ii) 36,667 underlying shares of Lushang Freda by virtue of the options granted to him under a share option scheme of Lushang Freda.

Save as disclosed above, as at June 30, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

So far as is known to the Directors, as of June 30, 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 ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total Shares ⁽³⁾
Lushang Freda	Beneficial owner	Domestic Shares	95,100,000 (L)	95.10%	71.32%
Shandong Commercial ⁽⁴⁾	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 ⁽⁵⁾	H Shares	4,680,000 (L)	14.04%	3.51%
LU DUNKE ⁽⁶⁾	Interest in controlled corporation	H Shares	3,650,000 (L)	10.95%	2.74%

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Name	Nature of interest	Class of Shares	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total Shares ⁽³⁾
Wenshang County Science Advancement and Construction Security and Workforce Co., Ltd.* (汶上縣科進建安勞務有限責任公司) ⁽⁶⁾	Beneficial owner	H Shares	3,650,000 (L)	10.95%	2.74%
FAN QINYUAN ⁽⁷⁾	Interest in controlled corporation	H Shares	3,025,000 (L)	9.07%	2.27%
Nantong Chen Yun Construction Workforce Co., Ltd.* (南通辰運建築勞務有限公司) ⁽⁷⁾	Beneficial owner	H Shares	3,025,000 (L)	9.07%	2.27%
Shandong Tian Qi Venture Capital Co., Ltd.* (山東天齊創業投資有限公司) ⁽⁷⁾	Beneficial owner	H Shares	2,254,500 (L)	6.76%	1.69%

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 June 30, 2023.
- (3) Calculated based on the total number of 133,340,000 Shares in issue as at June 30, 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 June 30, 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) 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) 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 June 30, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PROCEEDS FROM THE LISTING

The H Shares were successfully listed on the Main Board of the Stock Exchange 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.

The Group intends to use the Net Proceeds in accordance with the method and schedule set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus:

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 June 30, 2023 (HK\$ million)	Unutilised Net Proceeds as of June 30, 2023 (HK\$ million)	Expected time of full utilisation
Major categories	Sub-categories and specific plans					
<i>Strategic cooperation, acquisitions and investments to expand business scale and diversity property portfolio</i>		60.0	82.80	0	82.80	December 31, 2024
	(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 non-residential projects to further diversify our managed property portfolio	12.0	16.56	0	16.56	

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 June 30, 2023 (HK\$ million)	Unutilised Net Proceeds as of June 30, 2023 (HK\$ million)	Expected time of full utilisation
Major categories (Continued)	Sub-categories and specific plans (Continued)					
<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, 2023
	(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	
	(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	
	(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	

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 June 30, 2023 (HK\$ million)	Unutilised Net Proceeds as of June 30, 2023 (HK\$ million)	Expected time of full utilisation
Major categories (Continued)					
Sub-categories and specific plans (Continued)					
(i) Further improve our traditional property management services to enhance customer experiences: (Continued)					
– 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	
(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	

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 June 30, 2023 (HK\$ million)	Unutilised Net Proceeds as of June 30, 2023 (HK\$ million)	Expected time of full utilisation
Major categories (Continued)	Sub-categories and specific plans (Continued)					
<i>Invest in technology systems and standardized business operations</i>		15.0	20.70	0.56	20.14	December 31, 2023
<i>Develop technology-supported community platform</i>	(i) Develop our online service platforms to improve interactions with our customers	2.2	3.04	0.28	2.76	
	(ii) Procure and upgrade intelligent devices and facilities at our managed properties, among which:	9.8	13.52	0.28	13.24	
	(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	0.28	2.80	
	(c) to the smart system assuming that developing and upgrading such systems in each community.		9.14	0	9.14	
	(iii) Develop and upgrade our internal management systems, among which:	3.0	4.14	0	4.14	
	(a) to internal management system operation and data protection; and		2.50	0	2.50	
	(b) to human resource for internal management.		1.64	0	1.64	
<i>Working capital</i>	Working capital and other general corporate purposes.	10.0	13.80	3.88	9.92	December 31, 2023
Total		100.0	138			

CORPORATE GOVERNANCE AND OTHER INFORMATION

PROCEEDS FROM THE LISTING *(CONTINUED)*

As of June 30, 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.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors, Supervisors and chief executive of the Company during the Period, are set out below:

The changes in information of Directors:

Mr. Yang Yunlong has resigned as an executive Director of the Company with effect from June 30, 2023.

Ms. Li Han has been appointed as a non-executive Director of the Company with effect from June 30, 2023.

Ms. Luo Ye (羅擘) 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.

The changes in information of Supervisors:

Mr. Wang Hongtao (王洪濤) 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, and no longer served as general manager of the financial technology center of Lushang Development.

Mr. Zhang Xiangqian (張向乾) has served 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, and no longer served as the chief financial officer of Lushang Development Jinan City Company (魯商發展濟南城市公司).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

INTERIM DIVIDEND

The Board has resolved not to distribute any interim dividend for the Period (for the six months ended June 30, 2022: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

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

REVIEW OF INTERIM REPORT

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

The independent auditor of the Company, namely Da Hua, has carried out a review of the interim financial information in accordance with China Standards on Review Engagements 2101 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

By order of the Board

Lushang Life Services Co., Ltd.

Mr. WANG Zhongwu

Chairman and executive Director

Jinan, the PRC, 25 August 2023

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

D.H.H.Z.[2023]0014331

To the Board of Directors of Lushang Life Services Co., Ltd.:

We have reviewed the accompanying financial statements of Lushang Life Services Co., Ltd. (Herein after “Lushang Services”), Which comprise the consolidated and the parent company’s balance sheet as at 30 June 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 January-June 2023, and notes to the financial statements. The preparation of these financial statements is the responsibility of the management of Lushang Services, and our responsibility is to issue a review report on these financial statements based on the implementation of the review.

We conducted the review in accordance with the provisions of the Chinese Standard for the Review of Certified Public Accountants No. 2101 – Review of Financial Statements. This standard requires us to plan and conduct a review to obtain limited assurance that the financial statements are free from material misstatement. Reviews, limited primarily to interviewing company personnel and performing analytical procedures on financial data, provide a lower degree of assurance than audits. We do not conduct audits and therefore do not issue audit opinions.

Based on our review, nothing has come to our attention that leads us to believe that the financial statements have not been prepared in accordance with Accounting Standards for Business Enterprises and relevant accounting systems and do not fairly present the financial position, results of operations and cash flows of the company in all material respects.

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

CICPA: Wang Xin (The engagement partner)
CICPA: Xu Yipeng

25 August 2023

INTERIM CONSOLIDATED BALANCE SHEET

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

Unit: RMB

Item	Notes	Unaudited June 30, 2023	Audited December 31, 2022
Current asset:			
Monetary funds	4	390,603,860.14	428,811,504.41
Trading financial assets		–	–
Derivative financial assets		–	–
Notes receivable	5	30,055,590.55	23,585,685.07
Accounts Receivable	6	321,364,676.02	260,421,279.00
Receivables Financing	7	116,000.00	–
Advance payment	8	2,113,225.24	3,041,904.12
Other receivables	9	5,405,218.90	5,314,816.95
Inventory	10	43,415,934.79	43,129,891.14
Contract Assets	11	48,701,256.73	26,264,353.23
Assets held for sale		–	–
Non-current assets due within one year		–	–
Other Current Assets	12	1,633,188.08	2,497,073.14
Total current assets		843,408,950.45	793,066,507.06
Non-current assets:			
Debt investment		–	–
Other debt investments		–	–
Long-term receivables		–	–
Long term equity investment		–	–
Investment in other equity instruments		–	–
Other non-current financial assets		–	–
Investment real estate		–	–
Fixed assets	13	51,952,013.28	52,838,522.26
Construction in progress		–	–
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets	14	2,149,549.14	2,540,376.24
Intangible assets	15	1,278,550.87	1,458,966.80
Development expenditure		–	–
Goodwill		–	–
Long-term deferred expenses	16	491,407.69	600,609.43
Deferred Tax Assets	17	9,726,525.15	8,616,586.82
Other non-current assets		–	–
Total non-current assets		65,598,046.13	66,055,061.55
Total assets		909,006,996.58	859,121,568.61

INTERIM CONSOLIDATED BALANCE SHEET

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

Item	Notes	Unaudited June 30, 2023	Audited December 31, 2022
Current Liabilities:			
Short-term loan		–	–
Transactional financial liabilities		–	–
Derivative financial liabilities		–	–
Notes payable	18	1,965,009.38	–
Account payables	19	209,366,280.35	177,027,304.04
Advance receipts		–	–
Contract liabilities	20	54,372,328.68	54,971,683.36
Employee compensation payable	21	22,082,328.27	35,222,573.33
Taxes payable	22	10,714,291.04	9,303,595.09
Other payables	23	53,145,824.50	55,307,310.07
Liabilities held for sale		–	–
Non-current liabilities due within one year	24	2,641,800.69	3,286,633.70
Other current liabilities	25	18,821,566.87	18,961,830.51
Total Current Liabilities		373,109,429.78	354,080,930.10
Non-Current Liabilities:			
Long-term loans		–	–
46. Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Lease liabilities	26	1,714,354.89	1,669,588.71
Long-term payables	27	–	139,992.44
Long-term employee compensation payable		–	–
Estimated liabilities		–	–
Deferred income		–	–
Deferred Tax Liabilities	17	–	–
Other non-current liabilities		–	–
Total Non-Current Liabilities		1,714,354.89	1,809,581.15
Total liabilities		374,823,784.67	355,890,511.25

INTERIM CONSOLIDATED BALANCE SHEET

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

Item	Notes	Unaudited June 30, 2023	Audited December 31, 2022
Shareholders' equity:			
Share capital	28	133,340,000.00	133,340,000.00
Other equity instruments		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Capital reserve	29	226,482,824.76	226,326,732.93
Less: Treasury shares		–	–
Other comprehensive income		–	–
Special reserve		–	–
Surplus reserve	30	9,755,021.62	9,755,021.62
Undistributed profit	31	160,703,334.34	130,688,463.63
Total shareholders' equity attributable to the parent company		530,281,180.72	500,110,218.18
Minority interests		3,902,031.19	3,120,839.18
Total shareholders' equity		534,183,211.91	503,231,057.36
Total liabilities and shareholders' equity Count		909,006,996.58	859,121,568.61

INTERIM CONSOLIDATED INCOME STATEMENT

At 30 June 2023 – unaudited
(Expressed in RMB)

Unit: RMB

Item	Notes	Unaudited January to June 2023	Unaudited January to June 2022
I. Operating income	32	314,013,921.18	324,361,468.93
Less: Operating costs	32	246,088,169.69	246,975,158.79
Taxes & surcharges	33	2,990,805.92	1,860,184.07
Selling expense		–	–
Administration expense	34	20,104,328.30	19,209,410.61
R&D; expenses	35	2,206,520.39	2,364,377.76
Finance expense	36	-2,092,200.87	-1,276,099.45
Including: Interest expense		103,605.47	145,328.24
Interest income		3,461,980.08	2,007,568.26
Add: Other income	37	911,209.80	1,348,869.01
Investment income (losses are listed with “–”)		–	–
Including: Investment income in associates and joint ventures		–	–
Financial assets measured at amortized cost cease to recognize income		–	–
Net exposure hedge gain (loss marked with “–”)		–	–
Gain from change in fair value (losses are listed with “–”)		–	–
Credit impairment loss (losses are listed with “–”)	38	-6,028,035.56	-4,447,083.77
Asset impairment loss (losses are listed with “–”)	39	-356,616.38	–
Asset disposal gains (losses are listed with “–”)		–	–
II. Operating profit (losses are listed with “–”)		39,242,855.61	52,130,222.39
Add: Non-operating income	40	53,278.09	119,767.71
Less: Non-operating expenses	41	185,574.86	26,215.72
III. Total profit (total loss is listed with “–”)		39,110,558.84	52,223,774.38
Less: Income tax expense	42	8,314,496.12	11,410,022.65
IV. Net profit (net loss is listed with “–”)		30,796,062.72	40,813,751.73
Including: The net profit of the merged party before the merger under the same control			
(1) Classified by business continuity			
Net profit from continuing operations (net loss is listed with “–”)		30,796,062.72	40,813,751.73
Net profit from discontinued operations (net loss is listed with “–”)		–	–
(2) Classification by ownership			
Net profit attributable to shareholders of the parent company		30,014,870.71	40,133,359.89
Minority shareholders’ gains and losses		781,192.01	680,391.84
V. Net after-tax other comprehensive income		–	–

INTERIM CONSOLIDATED INCOME STATEMENT

At 30 June 2023 – unaudited
(Expressed in RMB)

Item	Notes	Unaudited January to June 2023	Unaudited January to June 2022
Net after-tax other comprehensive income attributable to owners of the parent company		-	-
(1) Other comprehensive income that cannot be reclassified into profit or loss		-	-
1. Remeasure changes in defined benefit plans		-	-
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		-	-
3. Changes in fair value of investments in other equity instruments		-	-
4. Changes in fair value of the enterprise's own credit risk		-	-
5. Other		-	-
(2) Other comprehensive income that is reclassified into profit or loss		-	-
1. Other comprehensive income that can be transferred to profit or loss under the equity method		-	-
2. Changes in the fair value of other debt investments		-	-
3. The amount of financial assets reclassified and included in other comprehensive income		-	-
4. Reserve for credit impairment of other creditor's rights investment		-	-
5. Cash flow hedge reserve		-	-
6. Translation differences in foreign currency financial statements		-	-
7. Package disposal of disposal proceeds generated before the loss of control of the subsidiary		-	-
8. Other assets are converted to investment real estate measured by the fair value model		-	-
9. Other		-	-
Net after-tax other comprehensive income attributable to minority shareholders		-	-
VI. Total comprehensive income		30,796,062.72	40,813,751.73
Total comprehensive income attributable to owners of the parent company		30,014,870.71	40,133,359.89
Total comprehensive income attributable to minority shareholders		781,192.01	680,391.84
VII. Earnings per share:			
(1) Basic earnings per share		0.23	0.40
(2) Diluted earnings per share		0.23	0.40

INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

Unit: RMB

Item	Unaudited January to June 2023	Unaudited January to June 2022
I. Cash flow from operating activities:		
Cash received from sales of goods and provision of services	270,688,486.64	271,310,681.64
Tax refunds received	–	–
Receive other cash related to operating activities	6,747,427.37	2,511,316.02
Subtotal of cash inflow from operating activities	277,435,914.01	273,821,997.66
Cash paid for purchasing goods and accepting labor services	192,764,030.55	112,481,431.02
Cash paid to and for employees	89,217,620.29	91,152,500.15
Taxes paid	24,283,497.85	21,753,553.33
Other cash payments related to operating activities	6,191,556.31	4,237,823.77
Subtotal of cash outflows from operating activities	312,456,705.00	229,625,308.27
Net cash flow from operating activities	-35,020,790.99	44,196,689.39
II. Cash flow from investing activities:		
Cash received from investment	–	–
Cash received from investment income	–	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	–	1,107.20
Net cash received from disposal of subsidiaries and other business units	–	–
Receipt of other cash related to investing activities	–	2,128,858.38
Subtotal of cash inflows from investing activities	–	2,129,965.58
Cash paid for the acquisition and construction of fixed assets, intangible assets and other long-term assets	3,342,836.92	1,345,111.93
Cash paid for investments	–	–
Net cash paid to acquire subsidiaries and other business units	–	–
Other cash paid related to investing activities	–	153,303.84
Subtotal of cash outflows from investing activities	3,342,836.92	1,498,415.77
Net cash flows from investing activities	-3,342,836.92	631,549.81

INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

Item	Unaudited January to June 2023	Unaudited January to June 2022
III. Cash flow from financing activities:		
Absorb cash received from investments	–	–
Including: Proceeds from minority shareholders' investment by subsidiaries	–	–
Cash received from borrowing	–	–
Other cash received in connection with financing activities	–	281,514.80
<hr style="border-top: 1px dashed #000;"/>		
Subtotal of cash inflows from financing activities	–	281,514.80
<hr/>		
Cash paid for debt repayment	–	635,657.99
Cash paid for distribution of dividends, profits or interest payments	38,536.97	335,889.11
Including: Dividends or profit paid by subsidiaries to non-controlling investors	–	–
Other cash payments related to financing activities	766,590.80	7,543,583.22
<hr style="border-top: 1px dashed #000;"/>		
Subtotal of cash outflows from financing activities	805,127.77	8,515,130.32
<hr/>		
Net cash flow from financing activities	-805,127.77	-8,233,615.52
<hr/>		
IV. The impact of exchange rate changes on cash and cash equivalents	-682,292.70	–
<hr/>		
V. Net increase in cash and cash equivalents	-39,851,048.38	36,594,623.68
<hr/>		
Add: balance of cash and cash equivalents at the beginning of the period	428,206,054.07	275,485,562.40
<hr/>		
VI. Balance of cash and cash equivalents at the end of the period	388,355,005.69	312,080,186.08

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

Unit: RMB

Item	Unaudited January to June 2023									
	Share capital	Other equity instruments	Capital reserve	Shareholders' equity attributable to the parent company					Minority interests	Total shareholders' equity
				Treasury shares	Less: comprehensive income	Other	Special reserve	Surplus reserve		
I. Balance at the end of the previous year	133,340,000.00	-	226,326,732.93	-	-	-	9,755,021.62	130,686,498.34	3,120,839.18	503,229,092.07
Add: Increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	1,965.29	-	1,965.29
Increase/decrease due to corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-
Business combinations under the same control	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of the year	133,340,000.00	-	226,326,732.93	-	-	-	9,755,021.62	130,688,463.63	3,120,839.18	503,231,057.36
III. Amount of increase or decrease in the current period	-	-	156,091.83	-	-	-	-	30,014,870.71	781,192.01	30,952,154.55
(1) Total comprehensive income	-	-	-	-	-	-	-	30,014,870.71	781,192.01	30,796,062.72
(2) Shareholders input and reduction of capital	-	-	156,091.83	-	-	-	-	-	-	156,091.83
1. Common stock contributed/paid-in capital by shareholders/owners	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-
3. Share-based payments to owners' equity	-	-	156,091.83	-	-	-	-	-	-	156,091.83
4. Others	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-over of owners' equity	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-
2. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-
3. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-
4. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Current withdrawal	-	-	-	-	-	-	-	-	-	-
2. Current use	-	-	-	-	-	-	-	-	-	-
(6) Other	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of the period	133,340,000.00	-	226,482,824.76	-	-	-	9,755,021.62	160,703,334.34	3,902,031.19	534,183,211.91

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

Unit: RMB

Item	Unaudited January to June 2022										
	Share capital	Other equity instruments	Capital reserve	Shareholders' equity attributable to the parent company						Total shareholders' equity	
				Treasury shares	Less: comprehensive income	Other	Special reserve	Surplus reserve	Undistributed profit		Minority interests
I. Balance at the end of the previous year	100,000,000.00	-	123,180,204.28	-	-	-	-	4,648,389.40	70,939,287.22	1,566,575.21	300,334,456.11
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 combinations under the same control	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of the year	100,000,000.00	-	123,180,204.28	-	-	-	-	4,648,389.40	70,916,678.73	1,566,575.21	300,311,847.62
III. Amount of increase or decrease in the current period	-	-	-780,126.00	-	-	-	-	-	40,133,359.89	680,391.84	40,033,625.73
(1) Total comprehensive income	-	-	-	-	-	-	-	-	40,133,359.89	680,391.84	40,813,751.73
(2) Shareholders input and reduction of capital	-	-	-780,126.00	-	-	-	-	-	-	-	-780,126.00
1. Common stock contributed/paid-in capital by shareholders/owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payments to owners' equity	-	-	-780,126.00	-	-	-	-	-	-	-	-780,126.00
4. Others	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-over of owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
3. Use of surplus reserve to cover previous losses	-	-	-	-	-	-	-	-	-	-	-
4. Changes in remeasurement of defined benefit plans transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Current withdrawal	-	-	-	-	-	-	-	-	-	-	-
2. Current use	-	-	-	-	-	-	-	-	-	-	-
(6) Other	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of the period	100,000,000.00	-	122,400,078.28	-	-	-	-	4,648,389.40	111,050,038.62	2,246,967.05	340,345,473.35

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was established in the PRC on March 24, 2006 as a limited liability company under the Company Law of the PRC and converted into a joint stock company with limited liability on March 12, 2021. The address of the Company's registered office is Room 202, Block 2, Lushang Guo'ao City No.9777 Jingshi Road, Lixia District, Jinan, Shandong, PRC.

The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. The immediate parent of the Company is Lushang Freda, and the ultimate controlling party of the Company is Shandong Commercial.

The Company's H shares were listed on the Main Board of the Stock Exchange on July 8, 2022.

Unless otherwise stated, the Company's financial information is presented in RMB, which is the Company's functional currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 in June 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.

(b) 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.

3 Changes in significant accounting policies and accounting estimates

(a) 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)

Accounting policy changes:

(1) The impact of the implementation of Accounting Standards for Business Enterprises Interpretation No. 16 on the Company

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 Changes in significant accounting policies and accounting estimates (CONTINUED)**(a) Changes in important accounting policies (Continued)**

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	–	22,608.49	22,608.49

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.

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	1,965.29	8,616,586.82

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	January-June 2022 Cumulative impact amount	After the change
Income tax expense	11,477,413.14	-67,390.49	11,410,022.65

(b) Changes in accounting estimates

Significant accounting estimates remained unchanged during the reporting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 Monetary funds

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Cash on hand	7,584.05	13,002.70
Bank deposit	388,347,421.64	428,193,051.37
Unexpired interest receivable	2,248,854.45	605,450.34
Total	390,603,860.14	428,811,504.41
Where: the total amount of money deposited with the finance company	217,367,855.20	248,831,135.76

5 Notes receivable

(a) Classification of notes receivable

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Bank acceptance note	870,000.00	–
Commercial acceptance	29,185,590.55	23,585,685.07
Total	30,055,590.55	23,585,685.07

(b) Reserve for notes receivable and bad debts are listed in categories

Type	Book balance		Unaudited Balance as of June 30, 2023 Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Withdrawal ratio (%)	
Notes receivable with a single provision for bad debts					
Notes receivable for provision for doubtful accounts on a combined basis	30,090,032.03	100.00	34,441.48	0.11	30,055,590.55
Including: Bank Acceptance					
Bill Portfolio	870,000.00	2.89	–	–	870,000.00
Related party portfolio	28,984,832.03	96.33	28,984.84	0.10	28,955,847.19
Aging portfolio	235,200.00	0.78	5,456.64	2.32	229,743.36
Total	30,090,032.03	100.00	34,441.48	0.11	30,055,590.55

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

5 Notes receivable (CONTINUED)

(b) Reserve for notes receivable and bad debts are listed in categories (Continued)

Type	Book balance		Audited Balance as of December 31, 2022 Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Withdrawal ratio (%)	
Notes receivable with a single provision for bad debts					
Notes receivable for provision for doubtful accounts on a combined basis	23,585,685.07	100.00	-	-	23,585,685.07
Including: Bank Acceptance					
Bill Portfolio	-	-	-	-	-
Related party portfolio	23,585,685.07	100.00	-	-	23,585,685.07
Aging portfolio	-	-	-	-	-
Total	23,585,685.07	100.00	-	-	23,585,685.07

6 Accounts receivable

(a) Disclosure by age

The aging analysis of accounts receivables based on transaction dates and net of provision for bad debt is as follows:

Aging	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Within 1 year	262,267,505.37	231,914,253.81
1-2 years	59,721,393.92	25,823,900.04
2-3 years	8,336,461.11	8,643,893.28
Over 3 years	7,980,706.53	5,030,853.5
Subtotal	338,306,066.93	271,412,900.63
Less: Provision for bad debt	16,941,390.91	10,991,621.63
Total	321,364,676.02	260,421,279.00

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

6 Accounts receivable (CONTINUED)

(b) Disclosure by the method of provision for bad debts

Type	Book balance		Unaudited Balance as of June 30, 2023 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	338,306,066.93	100.00	16,941,390.91	5.01	321,364,676.02
Including: Aging portfolio	196,700,439.25	58.14	16,799,785.28	8.54	179,900,653.97
Related party portfolio	141,605,627.68	41.86	141,605.63	0.10	141,464,022.05
Total	338,306,066.93	100.00	16,941,390.91	5.01	321,364,676.02

Type	Book balance		Audited Balance as of December 31, 2022 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
Total	271,412,900.63	100.00	10,991,621.63	4.05	260,421,279.00

7 Receivables Financing

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Notes receivable	116,000.00	–
Total	116,000.00	–

Note: As at June 30, 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 UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 Prepayments

(a) Prepayments are shown by aging

Aging portfolio	Unaudited Balance as of June 30, 2023		Audited Balance as of December 31, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	2,094,005.71	99.09	3,034,244.12	99.75
1-2 years	19,019.53	0.90	7,460.00	0.25
2-3 years	200.00	0.01	200.00	0.00
Total	2,113,225.24	100.00	3,041,904.12	100.00

9 Other receivables

(a) Disclosure by age

Aging portfolio	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Within 1 year	3,410,610.55	3,527,064.47
1-2 years	345,806.62	1,481,250.55
2-3 years	1,386,124.60	1,850.01
Over 3 years	513,746.75	511,896.74
Subtotal	5,656,288.52	5,522,061.77
Less: Provision for bad debt	251,069.62	207,244.82
Total	5,405,218.90	5,314,816.95

(b) Classification by nature of payment

Nature of payment	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Security deposit, deposit	2,429,556.31	2,122,569.55
Reserve fund	178,000.00	898,000.00
On behalf of social security provident fund	287,293.28	37,613.84
Pay for the project	400,850.00	400,850.00
Related party transactions	2,113,928.99	1,800,858.80
Others	246,659.94	262,169.58
Total	5,656,288.52	5,522,061.77

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

9 Other receivables (CONTINUED)

(c) 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)	
Balance as of January 1, 2023	–	–	207,244.82	207,244.82
The book balance of other receivables as of January 1, 2023 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	2,148.33	–	41,676.47	43,824.80
Switch back in this period	–	–	–	–
Resale in this period	–	–	–	–
Write-off in this period	–	–	–	–
Other changes	–	–	–	–
Balance as of June 30, 2023	2,148.33	–	248,921.29	251,069.62

10 Inventory

Item	Unaudited Balance as of June 30, 2023			Audited Balance as of December 31, 2022		
	Book balance	Inventory impairment provision/contract performance cost impairment	Book value	Book balance	Inventory impairment provision/contract performance cost impairment	Book value
Raw materials	722,884.15	–	722,884.15	787,447.18	–	787,447.18
Stock item	42,232,479.55	–	42,232,479.55	42,165,452.80	–	42,165,452.80
Turnover materials	460,571.09	–	460,571.09	176,991.16	–	176,991.16
Total	43,415,934.79	–	43,415,934.79	43,129,891.14	–	43,129,891.14

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11 Contract Assets

(a) Contract assets

Item	Unaudited Balance as of June 30, 2023			Audited Balance as of December 31, 2022		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Landscape greening project	27,628,675.18	111,426.81	27,517,248.37	24,223,976.18	–	24,223,976.18
Design service	7,171,328.82	104,511.89	7,066,816.93	731,387.27	–	731,387.27
Hardcover engineering	14,257,869.11	140,677.68	14,117,191.43	1,308,989.78	–	1,308,989.78
Total	49,057,873.11	356,616.38	48,701,256.73	26,264,353.23	–	26,264,353.23

(b) Provision for impairment of contract assets in the current period

Item	Audited Balance as of December 31, 2022		Current change			Unaudited Balance as of June 30, 2023
	Provision	Switch back	Resale or Write-off	Other changes		
Related party projects	–	38,246.08	–	–	–	38,246.08
Third party projects	–	318,370.30	–	–	–	318,370.30
Total	–	356,616.38	–	–	–	356,616.38

12 Other Current Assets

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
VAT deduction	1,632,793.62	2,496,678.68
Prepay other taxes and fees	394.46	394.46
Total	1,633,188.08	2,497,073.14

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 Fixed assets

(a) Fixed assets

Item	Houses and buildings	Transport equipment	Machinery and other equipment	Total
I. Original book value				
1. Balance as of December 31, 2022	41,793,419.69	13,699,051.10	13,528,544.03	69,021,014.82
2. The increase in the current period	–	2,909,109.81	1,333,363.45	4,242,473.26
Purchase	–	2,909,109.81	1,333,363.45	4,242,473.26
3. The amount reduced in the current period	–	2,192,479.03	492,015.49	2,684,494.52
Dispose of or scrap	–	2,192,479.03	492,015.49	2,684,494.52
4. Balance as of June 30, 2023	41,793,419.69	14,415,681.88	14,369,891.99	70,578,993.56
II. Accumulated depreciation				
1. Balance as of December 31, 2022	3,300,418.20	4,075,734.00	8,806,340.36	16,182,492.56
2. The increase in the current period	496,255.08	1,855,848.21	1,129,529.74	3,481,633.03
Provision for this period	496,255.08	1,855,848.21	1,129,529.74	3,481,633.03
3. Amount reduced in the current period	–	683,025.25	354,120.06	1,037,145.31
Dispose of or scrap	–	683,025.25	354,120.06	1,037,145.31
4. Balance as of June 30, 2023	3,796,673.28	5,248,556.96	9,581,750.04	18,626,980.28
III. Provision for impairment loss				
1. Balance as of December 31, 2022	–	–	–	–
2. The increase in the current period	–	–	–	–
3. Amount reduced in the current period	–	–	–	–
4. Balance as of June 30, 2023	–	–	–	–
IV. Book Value				
1. Book value at the end of the period	37,996,746.41	9,167,124.92	4,788,141.95	51,952,013.28
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 UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

14 Right-of-use assets

Item	Houses and buildings	Total
I. Original book value		
1. Balance as of December 31, 2022	3,908,271.10	3,908,271.10
2. The increase in the current period	–	–
3. The amount reduced in the current period	–	–
4. Balance as of June 30, 2023	3,908,271.10	3,908,271.10
II. Accumulated depreciation		
1. Balance as of December 31, 2022	1,367,894.86	1,367,894.86
2. The increase in the current period	390,827.10	390,827.10
Provision for this period	390,827.10	390,827.10
3. The amount reduced in the current period	–	–
4. Balance as of June 30, 2023	1,758,721.96	1,758,721.96
III. Provision for impairment loss		
1. Balance as of December 31, 2022	–	–
2. The increase in the current period	–	–
3. The amount reduced in the current period	–	–
4. Balance as of June 30, 2023	–	–
IV. Book Value		
1. Book value at the end of the period	2,149,549.14	2,149,549.14
2. Book value at the beginning of the period	2,540,376.24	2,540,376.24

15 Intangible assets

Item	Software	Total
I. Original book value		
1. Balance as of December 31, 2022	2,752,414.89	2,752,414.89
2. The increase in the current period	237,014.07	237,014.07
Purchase	237,014.07	237,014.07
3. The amount reduced in the current period	–	–
4. Balance as of June 30, 2023	2,989,428.96	2,989,428.96
II. Accumulated amortization		
1. Balance as of December 31, 2022	1,293,448.09	1,293,448.09
2. The increase in the current period	417,430.00	417,430.00
Accrual	417,430.00	417,430.00
3. The amount reduced in the current period	–	–
4. Balance as of June 30, 2023	1,710,878.09	1,710,878.09
III. Provision for impairment		
1. Balance as of December 31, 2022	–	–
2. The increase in the current period	–	–
3. The amount reduced in the current period	–	–
4. Balance as of June 30, 2023	–	–
IV. Book value		
1. Book value at the end of the period	1,278,550.87	1,278,550.87
2. Book value at the beginning of the period	1,458,966.80	1,458,966.80

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 Long-term deferred expenses

Item	Audited Balance as of December 31, 2022	The increase in the current period	Amortization in the current period	Other reduction	Unaudited Balance as of June 30, 2023
Fit-up cost	600,609.43	–	109,201.74	–	491,407.69
Total	600,609.43	–	109,201.74	–	491,407.69

17 Deferred Tax Assets and Deferred Tax Liabilities

(a) Unoffset deferred tax assets

Item	Unaudited Balance as of June 30, 2023		Audited Balance as of December 31, 2022	
	Deductible temporary differences	Deferred Tax Assets	Deductible temporary differences	Deferred Tax Assets
Asset impairment provision	356,616.38	63,528.13	–	–
Credit impairment loss	17,226,902.01	4,129,681.37	11,198,866.45	2,705,287.15
Employee compensation payable	11,215,854.22	2,570,277.11	13,611,643.81	3,044,163.46
Equity incentive	15,588,875.11	2,895,734.25	15,477,830.69	2,865,170.92
Lease liabilities	2,598,244.40	389,736.66	2,553,478.20	383,021.73
Total	46,986,492.12	10,048,957.52	42,841,819.15	8,997,643.26

(b) Unoffset deferred tax liability

Item	Unaudited Balance as of June 30, 2023		Audited Balance as of December 31, 2022	
	Deductible temporary differences	Deferred Tax Liabilities	Deductible temporary differences	Deferred Tax Liabilities
Usufruct assets	2,149,549.13	322,432.37	2,540,376.27	381,056.44
Total	2,149,549.13	322,432.37	2,540,376.27	381,056.44

(c) 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	322,432.37	9,726,525.15	381,056.44	8,616,586.82
Deferred Tax Liabilities	322,432.37	–	381,056.44	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

18 Notes payable

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Bank acceptance note	–	–
Commercial acceptance	1,965,009.38	–
Total	1,965,009.38	–

19 Accounts payable

(a) Presentation of accounts payables

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Payable for Project cost	97,749,002.96	82,388,136.66
Payable for engineering	92,721,465.44	81,589,203.75
Payable for Expense	5,698,750.47	1,701,508.25
Payable for materials	3,798,104.88	2,000,279.26
Payable for Tentative estimate of accounts	1,368,121.12	1,467,007.88
Others	8,030,835.48	7,881,168.24
Total	209,366,280.35	177,027,304.04

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

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

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

20 Contract liabilities

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

21 Employee compensation payable

(a) List of employee compensation payable

Item	Audited Balance as of December 31, 2022	Increase in the current period	Decrease in the current period	Unaudited Balance as of June 30, 2023
Short-term compensation	32,681,706.20	67,540,457.92	81,180,659.86	19,041,504.26
Post-employment benefits-defined contribution plan	2,540,867.13	8,243,696.07	7,743,739.19	3,040,824.01
Dismissal benefits	–	293,221.24	293,221.24	–
Total	35,222,573.33	76,077,375.23	89,217,620.29	22,082,328.27

(b) List of short-term compensation

Item	Audited Balance as of December 31, 2022	Increase in the current period	Decrease in the current period	Unaudited Balance as of June 30, 2023
Salaries, bonuses, allowances and subsidies	12,741,983.07	54,753,630.78	65,158,039.25	2,337,574.60
Employee welfare expenses	–	6,322,428.24	6,322,428.24	–
Social insurance premiums	3,895,650.90	3,049,735.93	3,882,290.02	3,063,096.81
Including: medical insurance premiums	3,655,166.04	2,812,856.42	3,646,435.69	2,821,586.77
Work injury insurance	240,484.86	236,879.51	235,854.33	241,510.04
Housing Provident Fund	7,175,324.10	2,262,273.35	4,027,301.78	5,410,295.67
Trade union funds and employee education funds	8,868,748.13	1,152,389.62	1,790,600.57	8,230,537.18
Total	32,681,706.20	67,540,457.92	81,180,659.86	19,041,504.26

(c) List of defined contribution plans

Item	Audited Balance as of December 31, 2022	Increase in the current period	Decrease in the current period	Unaudited Balance as of June 30, 2023
Basic pension insurance	2,411,653.25	7,912,292.03	7,425,128.17	2,898,817.11
Unemployment insurance premiums	129,213.88	331,404.04	318,611.02	142,006.90
Total	2,540,867.13	8,243,696.07	7,743,739.19	3,040,824.01

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

22 Taxes payable

Taxes Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
VAT	1,742,303.17	669,607.28
Corporate income tax	8,100,743.35	7,925,188.89
Property tax	306,704.04	351,887.57
Personal Income Tax	61,182.50	119,613.76
Urban maintenance and construction tax	288,797.31	137,157.66
Education fee surcharge	126,379.44	61,639.43
Local education surcharges	88,181.23	38,030.78
Stamp duty	–	469.72
Total	10,714,291.04	9,303,595.09

23 Other payables

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Deposit and security deposit	31,280,118.09	26,888,791.07
Item generation advances	3,485,770.38	1,867,040.67
Escrow fund	8,071,234.96	7,652,580.44
Party building	1,842,712.82	1,771,267.15
Public maintenance fund	1,135,353.25	1,391,131.66
Energy cost	3,677,236.10	6,537,865.10
Intermediary fee	–	4,200,809.72
Other	3,653,398.90	4,997,824.26
Total	53,145,824.50	55,307,310.07

24 Non-current liabilities due within one year

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Long-term payables due within one year	1,757,911.17	2,402,744.17
Lease liabilities due within one year	883,889.52	883,889.53
Total	2,641,800.69	3,286,633.70

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

25 Other current liabilities

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Pending write-off tax	3,245,870.42	3,312,312.62
Endorsed acceptance without termination of confirmation	15,575,696.45	15,649,517.89
Total	18,821,566.87	18,961,830.51

26 Lease liabilities

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Within 1 year	883,889.53	883,889.53
1-2 years	883,889.53	883,889.53
2-3 years	883,889.53	883,889.53
Subtotal of total lease payments	2,651,668.59	2,651,668.59
Less: Unrecognized financing charges	53,424.18	98,190.35
Subtotal of Net lease liability	2,598,244.41	2,553,478.24
Less: Lease liabilities due within one year	883,889.52	883,889.53
Total	1,714,354.89	1,669,588.71

27 Long-term payables

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Finance lease payments payable	1,757,911.17	2,542,736.61
Less: Long-term payables due within one year	1,757,911.17	2,402,744.17
Total	-	139,992.44

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 Share capital

Item	Audited Balance as of December 31, 2022	Increase or decrease in this change (+, -)					Unaudited Balance as of June 30, 2023
		Issue new shares	Bonus shares	Provident fund conversion	Other	Subtotal	
Total number of shares	133,340,000.00	-	-	-	-	-	133,340,000.00

29 Capital reserve

Item	Audited Balance as of December 31, 2022	Increase in the current period	Decrease in the current period	Unaudited Balance as of June 30, 2023
Capital premium (equity premium)	220,799,301.17	-	-	220,799,301.17
Other capital reserves	5,527,431.76	156,091.83	-	5,683,523.59
Total	226,326,732.93	156,091.83	-	226,482,824.76

30 Surplus Reserve

Item	Audited Balance as of December 31, 2022	Increase in the current period	Decrease in the current period	Unaudited Balance as of June 30, 2023
Statutory surplus reserve	9,755,021.62	-	-	9,755,021.62
Total	9,755,021.62	-	-	9,755,021.62

31 Undistributed profits

Item	Unaudited January to June in 2023	Audited January to June in 2022
Undistributed profit at the end of the previous period before adjustment	130,686,498.34	70,939,287.22
Total undistributed profit at the beginning of the adjustment period (increase +, decrease -)	1,965.29	-22,608.49
Adjust the undistributed profit at the beginning of the later period	130,688,463.63	70,916,678.73
Add: Net profit attributable to owners of the parent company for the current period	30,014,870.71	40,133,359.89
Less: Withdrawal of statutory surplus reserve	-	-
Withdraw arbitrary surplus reserve	-	-
Number of cash dividends distributed in the current period	-	-
Common stock dividends payable	-	-
Common stock dividends converted into capital	-	-
Add: 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 carryforwards of owners' equity	-	-
Undistributed profit at the end of the period	160,703,334.34	111,050,038.62

Note: Due to the change of accounting policy, the undistributed profit at the beginning of the period was affected by 1,965.29 yuan, as detailed in the notes 3.38. Changes in significant accounting policies and accounting estimates.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 Operating income and operating costs

(a) Operating income operating costs

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

(b) The situation of the revenue generated by the contract

Contract classification	Unaudited January to June in 2023	Audited January to June in 2022
I. Service type		
Property management services	164,858,288.27	150,145,634.67
Community value-added services	60,374,098.12	56,046,851.80
Value-added services to non-property owners	88,781,534.79	118,168,982.46
Total	314,013,921.18	324,361,468.93
II. Classified by operating area		
Within China	314,013,921.18	324,361,468.93
Total	314,013,921.18	324,361,468.93
III. Classification by time of transfer of services		
Transfer at a certain point	58,020,382.98	69,916,522.14
Transfer within a certain period of time	255,993,538.20	254,444,946.79
Total	314,013,921.18	324,361,468.93

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 Taxes and surcharges

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Property tax	897,833.82	310,065.88
Urban maintenance and construction tax	870,005.08	781,845.16
Resource tax	449,307.00	143,745.14
Education surcharge	377,696.00	339,841.38
Local education fees surcharge	258,787.76	226,560.74
Stamp duty	119,461.08	46,904.32
Land use tax	12,597.36	11,434.92
Environmental protection tax	971.34	1,145.27
Vehicle usage tax	840.96	120.96
Local water conservancy construction fund	–	-5,214.64
Other	3,305.52	3,734.94
Total	2,990,805.92	1,860,184.07

34 Administrative expenses

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Employee compensation	12,898,443.45	13,484,576.46
Intermediary fee	2,986,519.75	1,203,150.24
Depreciation of fixed assets	929,852.24	867,216.96
Printing and publishing expenses	450,213.84	514,603.44
Travel expenses	439,682.86	342,013.64
Depreciation of right-of-use assets	390,827.10	390,827.10
Service charge	223,003.21	57,256.97
Business entertainment expenses	206,063.69	208,885.93
Amortization of intangible assets	170,466.38	134,827.74
Office expenses	168,900.04	114,215.50
Publicity and recruitment fee	158,072.28	718,836.55
Party building work funds	141,487.56	177,006.84
Network communication fee	127,587.91	135,708.82
Other	813,207.99	860,284.42
Total	20,104,328.30	19,209,410.61

35 R&D; expenses

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Employee compensation	2,206,520.39	2,364,377.76
Total	2,206,520.39	2,364,377.76

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

36 Financial expenses

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Interest expense	103,605.47	145,328.24
Less: Interest income	3,461,980.08	2,007,568.26
Exchange gains and losses	682,292.70	–
Bank charges	583,881.04	586,140.57
Total	-2,092,200.87	-1,276,099.45

37 Other income

Sources of other income	Unaudited January to June in 2023	Unaudited January to June in 2022
Government subsidy	270,621.80	324,445.84
VAT relief	574,031.32	987,766.25
Personal income tax handling fee refund	66,556.68	36,656.92
Total	911,209.80	1,348,869.01

38 Credit impairment losses

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Bad debt loss	-6,028,035.56	-4,447,083.77
Total	-6,028,035.56	-4,447,083.77

39 Asset impairment losses

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Impairment loss of contract assets	-356,616.38	–
Total	-356,616.38	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

40 Non-operating income

Item	Unaudited January to June in 2023	Unaudited January to June in 2022	Amount included in non-recurring gains and losses for the current period
Government grants unrelated to daily activities	–	10,000.00	–
Default compensation income	4,000.00	1,484.46	4,000.00
Other	49,278.09	108,283.25	49,278.09
Total	53,278.09	119,767.71	53,278.09

41 Non-operating expenses

Item	Unaudited January to June in 2023	Unaudited January to June in 2022	Amount included in non-recurring gains and losses for the current period
Loss on destruction and retirement of non-current assets	12,194.21	24,372.40	12,194.21
Fine	50,200.00	1,091.00	50,200.00
Social Security late fees	67,837.53	188.74	67,837.53
Damages for breach of contract	55,341.52	–	55,341.52
Other	1.60	563.58	1.60
Total	185,574.86	26,215.72	185,574.86

42 Income tax expense

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Current income tax expense	9,386,073.31	13,013,324.32
Deferred Income Taxes expense	-1,071,577.19	-1,603,301.67
Total	8,314,496.12	11,410,022.65

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

43 Cash flow statement items

(a) Other cash received related to operating activities

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Interest income	1,213,125.63	1,402,117.92
Government subsidy	270,621.80	324,445.84
Receive current payments and others	5,263,679.94	784,752.26
Total	6,747,427.37	2,511,316.02

(b) Other cash paid related to operating activities

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Out-of-pocket expenses related to administrative expenses	4,678,527.93	3,487,348.24
Out-of-pocket expenses related to finance charges	687,486.51	586,140.57
Non-operating expenses	173,380.65	26,215.72
Current and other payments	652,161.22	138,119.24
Total	6,191,556.31	4,237,823.77

(c) Other cash received related to investing activities

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Received the affiliated party reimbursement	–	2,128,858.38
Total	–	2,128,858.38

(d) Other cash paid related to investing activities

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Advance payments to related parties	–	153,303.84
Total	–	153,303.84

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

43 Cash flow statement items (CONTINUED)

(e) Other cash received in connection with financing activities

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Advances from related parties	–	281,514.80
Total	–	281,514.80

(f) Other cash paid related to financing activities

Item	Unaudited January to June in 2023	Unaudited January to June in 2022
Make payments to related parties	–	860,744.48
Listing cost	–	6,682,838.74
Long-term lease payment	766,590.80	–
Total	766,590.80	7,543,583.22

(g) Composition of cash and cash equivalents

Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
I. Cash	388,355,005.69	428,206,054.07
Of which: Cash on hand	7,584.05	13,002.70
Bank deposits that can be used for payment at any time	388,347,421.64	428,193,051.37
Other monetary funds available for payment at any time	–	–
II. Cash Equivalents	–	–
Of which: Bond investments maturing within three months	–	–
III. Balance of cash and cash equivalents at the end of the period	388,355,005.69	428,206,054.07
Of which: The use of restricted cash and cash equivalents by the parent company or an intra-group subsidiary	–	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

44 Related party transactions

(a) Material related party transactions

Transaction content	Unaudited January to June in 2023	Unaudited January to June in 2022
Render of services	81,690,170.45	108,777,742.02
Purchase of goods and services	8,159,488.77	7,198,519.43
Lease expenditure	65,068.50	152,947.59

(b) Balances with related parties

(1) The company accounts receivable related party funds

Name of Item	Unaudited Balance as of June 30, 2023		Audited Balance as of December 31, 2022	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts Receivable	141,605,627.68	141,605.63	123,711,739.89	–
Notes receivable	28,984,832.03	28,984.84	23,585,685.07	–
Contract Assets	38,246,075.94	38,246.08	25,531,852.09	–
Advance payment	213,887.61	–	8,459.91	–
Other receivables	2,113,928.99	2,113.93	1,800,858.80	–
Cash and cash equivalents	217,367,855.20	–	248,831,135.76	–

Note: The balance of cash and cash equivalents represents deposits placed with Shandong Commercial Group Finance Co., Ltd..

(2) The company deal with related parties

Name of Item	Unaudited Balance as of June 30, 2023	Audited Balance as of December 31, 2022
Account payables	8,077,124.39	7,880,183.78
Contract liabilities	177,088.84	177,088.84
Other payables	525,938.72	2,988,681.79

45 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	5.97	0.23	0.23
Net profit attributable to common shareholders of the company after deducting non-recurring gains and losses	5.93	0.23	0.23