



Lushang Life Services Co., Ltd.
鲁商生活服务股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 2376



2024
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Zhongwu (*Chairman*)
Mr. Ning Daoju
(*appointed on November 22, 2024*)
Mr. Shao Meng

Non-executive Directors

Ms. Li Lu
(*resigned on November 22, 2024*)
Ms. Luo Ye
Ms. Li Han

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 Han
Ms. Chen Xiaojing

Remuneration Committee

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

Nomination Committee

Ms. Chen Xiaojing (*Chairlady*)
Mr. Ning Daoju
Mr. Ma Tao

Strategy and ESG 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**Tricor Investor Services Limited**

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

LEGAL ADVISER**As to Hong Kong laws**

Patrick Mak & Tse

As to PRC laws

Commerce & Finance Law Offices

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

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

DEFINITIONS

Daantong	Daantong (Shandong) Mechanical and Electrical Equipment Engineering Co., Ltd.* (達安通(山東)機電設備工程有限責任公司), previously known as Shandong Lujian Property Management Limited* (山東魯健產業管理有限公司), a company established in the PRC with limited liability and is owned by Lushang Freda as to 100% of its equity interest as at the date of the Acquisition Announcement
Director(s)	the 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
Equity Interest Transfer Agreement	the equity interest transfer agreement in relation to, amongst other things, the Acquisition, as referred to in the Acquisition Announcement
Equity Disposal Agreement	the equity transfer agreement dated February 27, 2024 entered into between the Company, Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司) and Urban Development Furbishing in relation to the disposal of 100% of the equity interest in Urban Development Furbishing by the Company
GFA	gross floor area
Green Development	Shandong Urban and Rural Green Industry Development Investment Co., Ltd. (山東省城鄉綠色產業發展投資有限公司) (formerly known as Shandong Lushang Innovation Development Co., Ltd (山東魯商創新發展有限公司))
Group, we, our or us	the Company and its subsidiaries
Harbin Lushang	Harbin Lushang Property Development Company Limited (哈爾濱魯商置業有限公司)
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
H Shares	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are listed on the Main Board of the Stock Exchange and subscribed for and traded in Hong Kong dollars
IFRS	International Financial Reporting Standards
Listing	the listing of the H Shares on the Main Board
Listing Date	the date of the Listing, being July 8, 2022

DEFINITIONS

Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Lushang Design	Shandong Lushang Architectural Design Co., Ltd. (山東省魯商建築設計有限公司), a wholly-owned subsidiary of the Company
Lushang Freda	Lushang Freda Pharmaceutical Co., Ltd. (魯商福瑞達醫藥股份有限公司) (formerly known as Lushang Health Industry Development Co., Ltd. (魯商健康產業發展股份有限公司)), a joint stock company established in the PRC with limited liability on April 21, 1993, whose shares are listed on the Shanghai Stock Exchange (stock code: 600223) and a controlling shareholder of the Company
Lushang Freda Associates	associates of Lushang Freda
Lushang Freda Group	Lushang Freda and its subsidiaries which, for the purpose of this annual report and unless the context otherwise requires, excludes the Group
2023-2025 Master Deposit Services Agreement	the master deposit services agreement dated June 9, 2023 entered into between the Company and Commercial Finance
2024-2025 Master Design Services Agreement	the master design services agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
2024-2025 Master Engineering Services Agreement	the master engineering services agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
2024-2025 Master Parking Lots Entrusted Management Services Agreement	the master parking lots entrusted management services agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
2024-2025 Master Property Agency Services Agreement	the master property agency services agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
2024-2025 Master Property Management and Related Services Agreement	the master property management and related services agreement dated November 20, 2023 entered into between the Company and Shandong Commercial
Main Board	the main board of the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules

DEFINITIONS

Net Proceeds	the net proceeds from the Listing of approximately HK\$138 million
Nomination Committee	the nomination committee of the Company
Prospectus	the prospectus of the Company dated June 27, 2022
Remuneration Committee	the remuneration committee of the Company
RMB	Renminbi, the lawful currency of the PRC
SAT	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shandong Commercial	Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司) (formerly known as Shandong Commercial Group General Corporation (山東省商業集團總公司)), a company established in the PRC with limited liability on November 26, 1992, which is controlled by the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會) and a controlling shareholder of the Company
Shandong Commercial Associates	associates of Shandong Commercial (excluding Lushang Freda Associates)
Shandong Commercial Group	Shandong Commercial and its subsidiaries which, for the purpose of this annual report and unless the context otherwise requires, excludes the Group
Shareholders	the shareholders of the Company
ShineWing	ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合夥)), the auditor of the Company
sq.m.	square meters
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy and ESG Committee	the Strategy and ESG committee of the Company

DEFINITIONS

Supervisors	the supervisors of the Company
Treasury Shares	has the meaning ascribed thereto under the Listing Rules
Urban Development Furbishing	Shandong Urban and Rural Development Group Furbishing Co., Ltd.*(山東省城鄉發展集團裝飾有限公司), previously known as Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of the Company as at the date of this annual report and immediately prior to completion of the disposal of 100% of the equity interest in it by the Company pursuant to the Equity Disposal Agreement
Year	the year ended December 31, 2024

CHAIRMAN'S STATEMENT

2024 REVIEW

In 2024, the Company anchored itself to the working goal of “accelerating speed, improving quality and enhancing efficiency” and took the “Brand Building Year” as a hook to make full-fledged efforts in improving quality, strengthening supporting facilities, reinforcing characteristics and seeking development, so as to achieve the integration of “internal and external synergy” and the enhancement of “soft and hard services”. We accomplished new results and breakthroughs in numerous tasks, successfully taking solid steps in development.

In 2024, the Company was successively awarded the honors of “Shandong High-Integrity Enterprise” (山東省誠信企業), “Best Member of Shandong Property Management Institute in 2023” (山東省物業管理協會2023年度最佳會員單位), “Leading Enterprise (Second Place) of Shandong Property Service Market in 2024” (2024山東省物業服務市場地位領先企業第二名), “Excellent Organization Award” of the 5th Shandong Property Management Industry Vocational Skills Competition at the “Prospering Shandong with Skills” Vocational Skills Competition of Shandong (山東省「技能興魯」職業技能大賽第五屆山東省物業管理行業職業技能大賽「優秀組織獎」), and “Leading Enterprise in terms of Comprehensive Strength of Property Services” (物業服務綜合實力領先企業), “Leading Enterprise in terms of Operating Income” (營業收入領先企業), “Leading Enterprise in terms of Fulfilling Social Responsibility” (履行社會責任領先企業) and “Leading Enterprise in terms of Area Managed” (管理面積領先企業) in Jinan. The Jinan Yinzuo Garden (銀座花園) project managed by the Company was featured in media such as Economy 30 Minutes (經濟半小時), a program of the finance channel of China Central Television (CCTV), thereby becoming a benchmark project for the 15-Minute Community Living Circle (一刻鐘便民生活圈) of China. In 2024, the Company achieved new breakthroughs in terms of, among others, new scenario construction, business format innovation and brand building.

Persisted in “freshening up” our business, with continuous emergence of new scenarios

First, we created tiered service scenarios, revised the standardized and differentiated service system, and facilitated the implementation of the pilot program for butler services. For residential business formats, we enhanced our touchpoint services over home-returning routes and leisure routes. For commercial and office business formats, we implemented enhancement measures such as building renewal, scenario arrangement and replanting of green plants. For university and college business formats, we actively participated in “Three-Wide Education” (三全育人) and established Lushang Services’ distinctive service model for universities and colleges.

Second, we built all-age-friendly scenarios and organized events such as elderly activities, children carnivals and pet’s life festivals.

Third, we created community consumption scenarios and provided value-added services such as daily necessities, seasonal fruits and household products.

CHAIRMAN'S STATEMENT

Persisted in implementing the “Three Seize” policy, with rapid convergence of new business formats

First, we seized market share and won bids for several property service projects from state-owned and central enterprises.

Second, we seized customer resources, built the “Property +” ecosystem and acquired Daantong, a mechanical and electrical company, to undertake elevator installation, repair and maintenance business. We strengthened our catering services by opening 4 new stores, renewing 1 existing store and building 2 smart restaurants, thereby providing services for approximately 7,500 people, with a year-on-year increase of 101% in revenue.

Third, we seized market opportunities, kept a close eye on policy dividends, and obtained government subsidies of RMB9,523,800.

Persisted in innovating models, with constant release of new potentials

First, we focused on model innovation, created the 15-Minute Community Living Circle (一刻鐘便民生活圈) with high standards, and jointly established Lushang's featured standards and models. A number of our pilot projects passed the acceptance of Jinan, among which the Yinzuo Garden (銀座花園) project was rated as excellent and appeared on CCTV2's Economy 30 Minutes (經濟半小時) column. We conducted in-depth research on the “Hospital-Community-Home” (HCH) nutrition and health service model and signed the HCH pilot cooperation agreement with Shandong Agriculture and Engineering University.

Second, we focused on technological innovation and increased business collaboration with the Lushang Life Platform.

Third, we focused on cultural innovation, strengthened the creation of a full media matrix, built a video theme section, and was pushed by, among others, provincial and municipal media and industry associations. We also carried out “short video + live broadcast” sales activities.

FUTURE PROSPECT

In the future development, the Company will uphold the corporate mission of “serving beauty and sharing happiness”, expand the “one body and two wings” business structure, accurately implement the three action strategies of “deepening quality, deepening regional development, and characteristic development”, and strive to hone the four core competitiveness of “service innovation, team collaboration, digital drive, and quality control”. We are committed to upholding the five-heart service principles namely “sincerity, enthusiasm, peace of mind, assurance, and comfort”, always focusing on customer needs and targeting the advancement of service quality. We will do our best to build high-quality living scenes for consumers, and strive to become a regional leading comprehensive property benchmark enterprise and a model brand of urban services.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENT

In the past 2024, through the hard work and selfless dedication of all employees, all work of the Group has been carried out in an orderly manner, and various achievements have been recognized by all sectors of society. On behalf of the Board of the Company, I would like to express my sincere gratitude to all employees, shareholders, investors, customers and partners for their great efforts in the past year. Thank you all for your support and trust over the past year!

In 2025, the Company will focus on the key sessions of quality improvement and management upgrade. Through taking "Quality Leap Year" as the strategic axis, strengthening management, improving services, expanding markets, and increasing efficiency, the Company achieves a new breakthrough of "lean management, excellent services, first-class quality, and with certain cultural characteristics", which drive the Company to a new peak of high-quality development at full speed and continue to create more value for all customers, shareholders, investors, employees, partners and the whole society.

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. During the Year, the revenue of the Group was RMB608.9 million, representing a decrease by 1.9% as compared with RMB621.0 million for the same period in 2023. The Company's net profit during the Year was RMB45.1 million, representing an increase by 12.1% as compared with RMB40.3 million for the corresponding period in 2023. As at December 31, 2024, the Group had 97 projects under management, with the total GFA under management of 23.6 million sq.m. (December 31, 2023: 23.1 million sq.m.), representing a growth by 2.3%. It also had 97 contracted projects, with total contracted area of 26.6 million sq.m. (December 31, 2023: 26.5 million sq.m.), which was stable as compared with the corresponding period in 2023. Headquartered in Jinan, Shandong Province, through 18 years of development since our establishment in 2006, we have expanded our coverage to nearly all prefecture-level cities in Shandong Province and to Beijing and Harbin. We are deeply rooted in Shandong Province, which, according to CIA, is one of the most populous and economically prosperous provinces in China, and has always been and will continue to be our strategic development focus. According to National Bureau of Statistics, as at December 31, 2024, 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.

Note: After the Acquisition, due to the reasons for the Acquisition as disclosed in the Acquisition Announcement (as defined below), to align with the business development of the Group, Daantong's original real estate business is no longer in operation and Daantong will focus on new businesses such as elevator maintenance and installation after the Acquisition, so the restated data for the same period in 2023 is not comparable with the data for the same period in 2024. This paragraph uses the data for the same period of 2023 before the restatement for comparison to more accurately reflect the actual operating status of the Company.

The Business Model of the Company

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

Property management services: accounting for approximately 54.8% of total revenue

For the Year, the Group's revenue from property management services amounted to approximately RMB333.7 million, representing an increase of approximately 5.2% as compared to the corresponding period in 2023, mainly due to the optimization of our project portfolio and strategic expansion of commercial properties business during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)**The Business Model of the Company** (continued)**Property management services: accounting for approximately 54.8% of total revenue** (continued)

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

Source of projects	2024		As of December 31, 2023		Change	
	GFA under management sq.m. in thousands	Proportion of GFA under management %	GFA under management sq.m. in thousands	Proportion of GFA under management %	GFA under management sq.m. in thousands	Growth rate %
Related parties	16,141	68.5	14,961	64.9	1,180	7.9
Third parties	7,437	31.5	8,090	35.1	-653	-8.1
Total	23,578	100	23,051	100	527	-2.3

Note: The decrease in GFA under the management of the Group in respect of projects from third parties during the Year was mainly due to the Company's exit from certain low-margin relocation housing projects.

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

Source of projects	For the year ended/As at December 31,									
	2024					2023				
	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	184,952	55.4	12,920	54.8	37	182,570	57.5	13,105	56.8	40
Non-residential properties										
(1) Commercial properties	96,128	28.8	4,105	17.4	40	77,923	24.6	2,925	12.7	33
(2) Others	52,608	15.8	6,553	27.8	20	56,797	17.9	7,021	30.5	22
Total	333,688	100	23,578	100.0	97	317,290	100.0	23,051	100	95

We provide property management to a diversified portfolio of properties, including both residential properties and non-residential properties such as commercial complexes, municipal facilities, office buildings, apartments, schools, theme towns, hospitals, banks, industrial parks. As of December 31, 2024, we managed a total of 60 non-residential properties, with an aggregate GFA of non-residential properties under management of 10.7 million sq.m.. Our diversified portfolio of properties under management has helped us diversify our revenue streams.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)**The Business Model of the Company** (continued)**Value-added services to non-property owners: accounting for approximately 21.3% 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	For the year ended December 31, 2024		2023	
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %
Design services	39,079	30.1	35,636	21.2
Landscaping services	74,606	57.5	109,831	65.4
Preliminary property management services	11,530	8.9	14,489	8.6
Pre-delivery services	2,520	1.9	4,645	2.8
Others customized services	2,060	1.6	3,340	2.0
Total	129,795	100.0	167,941	100.0

For the Year, the Group's revenue from value-added services to non-property owners amounted to approximately RMB129.8 million, representing a decrease of approximately 22.7% over the corresponding period in 2023, mainly due to (i) the decrease in the number of projects delivered by property developers during the Year resulting from the downturn of the real estate market, which led to the decrease in the revenue from pre-delivery services; (ii) the decrease in the revenue from landscaping services resulting from the disposal of subsidiary.

Our value-added services to non-property owners (covering the entire cycle of real estate development) provide services for the entire process from project planning, development to operation through in-depth participation. We not only build strategic synergy with property developers, but also establish in-depth interaction with future property owners through precise demand matching and customized service solutions before the property is delivered, thereby continuously improving customer value recognition and brand loyalty throughout the project life cycle.

Community value-added services: accounting for approximately 23.9% of total revenue

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

Service type	For the year ended December 31, 2024		2023	
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %
Parking space management services	44,047	30.3	41,874	30.8
Community living services	61,524	42.3	50,745	37.4
Utility management services	31,700	21.8	32,959	24.3
Community space and resource management services	8,165	5.6	10,212	7.5
Total	145,436	100.0	135,790	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)**The Business Model of the Company** (continued)**Community value-added services: accounting for approximately 23.9% of total revenue** (continued)

We aim to improve our property owners' and residents' quality of life by providing them with access to a wide range of community value-added services. For the Year, the Group's revenue from community value-added services amounted to approximately RMB145.4 million, representing an increase of approximately 7.1% as compared with the corresponding period of 2023, primarily due to the increase in the scale of our community sales and community group meals businesses.

FINANCIAL REVIEW**Revenue**

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

Revenue	For the year ended December 31, 2024		For the year ended December 31, 2023		Growth Rate
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %	
Property management services	333,688	54.8	317,290	33.2	5.2
Value-added services to non-property owners	129,795	21.3	167,941	17.6	-22.7
Community value-added services	145,435	23.9	135,790	14.2	7.1
Real estate ¹	—	—	310,932	32.5	—
Leasing ¹	—	—	24,650	2.6	—
Total	608,919	100.0	956,603	100.0	-36.3

Note 1: The businesses and data herein represent the businesses operated by Danntong before the Acquisition, and such businesses are no longer in operation after the Acquisition.

For the Year, the total revenue of the Group was approximately RMB608.9 million (2023: approximately RMB956.6 million), representing a decrease of approximately 36.3% as compared with the same period in 2023, primarily due to the restatement of data after the Acquisition. It also represents a decrease of approximately 1.9% as compared with the same period in 2023 before the restatement (the total revenue of the Group as of 2023 before the restatement was approximately RMB621.0 million), primarily due to a decrease in revenue of value-added services to non-property owners.

Value-added services to non-property owners: The revenue of our value-added services to non-property owners decreased by 22.7% from RMB167.9 million for the same period in 2023 to RMB129.8 million for the Year, mainly due to (i) the decrease in the number of projects delivered by property developers during the Year resulting from the downturn of the real estate market, which led to the decrease in the revenue from pre-delivery services; (ii) the decrease in the revenue from landscaping services resulting from the disposal of subsidiary.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Revenue (continued)

Community value-added services: The revenue of our community value-added services increase by 7.1% from RMB135.8 million for the same period in 2023 to RMB145.4 million for the Year, primarily due to the increase in the scale of our community sales and community group meals businesses.

Property management services: The revenue of our property management services increased by 5.2% from RMB317.3 million for the same period in 2023 to RMB333.7 million for the Year, primarily due to the optimization of our project portfolio and strategic expansion of commercial properties business during the Year.

Cost of Sales

For the Year, the cost of sales of the Group was approximately RMB493 million (2023: approximately RMB826.3 million), representing a decrease of approximately 40.3% as compared with the same period in 2023, primarily due to the restatement of data after the Acquisition. It also represents a decrease of approximately 2.2% as compared with the same period in 2023 before the restatement (the cost of sales of the Group as of 2023 before the restatement was approximately RMB504 million), mainly due to (i) the decrease in the number of projects delivered by property developers during the Year resulting from the downturn of the real estate market, which led to the decrease in the cost of pre-delivery services; (ii) the decrease in the cost of landscaping services resulting from the disposal of subsidiary.

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 type for the periods indicated:

	For the year ended December 31,			
	2024		2023	
	Gross profit RMB'000	margin %	Gross profit RMB'000	margin %
Property management services	53,950	16.2	57,049	18.0
Value-added services to non-property owners	24,070	18.5	23,376	13.9
Community value-added services	37,918	26.1	36,640	27.0
Real estate	—	—	6,379	2.1
Leasing	—	—	6,816	27.7
Total	115,938	19.0	130,260	13.6

For the Year, our gross profit was approximately RMB115.9 million, representing a decrease of 11% as compared with RMB130.3 million for the same period in 2023, primarily due to the restatement of data after the Acquisition. It also represents a decrease of approximately 1% as compared with the same period in 2023 before the restatement (the gross profit of the Group as of 2023 before the restatement was approximately RMB117.1 million), primarily due to the decline in gross profit of property management services during the period. The gross profit margin of the Group increased from approximately 13.6% in the same period in 2023 to approximately 19%, primarily due to the restatement of data after the Acquisition. The gross profit margin remained stable as compared with the same period in 2023 before the restatement (the gross profit of the Group as of 2023 before the restatement was approximately 18.9%).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)**Gross Profit and Gross Profit Margin (continued)**

For the Year, the gross profit margin of property management services of the Group was approximately 16.2% (2023: approximately 18%). The drop in the gross profit margin as compared with the corresponding period was mainly due to the expansion of commercial properties business with lower gross profit margin during the period. The drop in the gross profit margin as compared with the corresponding period has reduced the overall gross profit margin.

The gross profit margin of value-added services to non-property owners of the Group was approximately 18.5% (2023: approximately 13.9%). The rise in the gross profit margin of value-added services to non-property owners as compared with the corresponding period was mainly due to the increase in revenue from design services with higher gross profit margins and the decrease in revenue from landscaping services with lower gross profit margins.

The gross profit margin of community value-added services of the Group was approximately 26.1% (2023: approximately 27.0%). The drop in the gross profit margin as compared with the corresponding period was due to innovative business models, increase in customer stickiness and expansion of the scale of community group meals business with lower gross profit margins.

Administrative and Other Expenses

For the Year, the total administrative expenses of the Group were approximately RMB55.3 million, representing an decrease of approximately 7.2% from approximately RMB59.5 million for the same period in 2023, which was primarily due to the optimization of management structure and reduction of intermediary agency fees during the period.

Other Income

For the Year, other income was approximately RMB1.4 million, representing a decrease of approximately 50% from approximately RMB2.8 million for the same period in 2023, primarily due to the decrease in exemption of value-added tax.

Non-operating income

For the Year, non-operating income was approximately RMB8.3 million, representing an increase of approximately RMB8.2 million as compared with approximately RMB0.1 million for the same period in 2023, primarily due to the receipt of government subsidy for the Listing during the period.

Profit for the Year

Our profit for the Year was approximately RMB45.1 million, representing a decrease of approximately 1.7% from approximately RMB45.9 million for the same period in 2023, primarily due to the restatement of data after the Acquisition. It also represents an increase of approximately 12.1% as compared with the same period in 2023 before the restatement (the profit for the year of the Group as of 2023 before the restatement was approximately RMB40.3 million).

Current Assets

As of December 31, 2024, the current assets of the Group were approximately RMB825.3 million, representing an increase of 2.8% as compared with approximately RMB803.1 million as of December 31, 2023. As of December 31, 2024, the current ratio (current assets divided by current liabilities) of the Group was approximately 2.3 times (December 31, 2023: approximately 2.1 times).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(CONTINUED)*

Fixed Assets and Right-of-use Assets

Our fixed assets and right-of-use assets mainly consist of plant and buildings, machinery and other equipment and vehicles. As of December 31, 2024, the Group's fixed assets and right-of-use assets amounted to approximately RMB49.7 million, representing a decrease of approximately RMB2.8 million as compared with approximately RMB52.5 million as of December 31, 2023, primarily due to the depreciation of fixed assets and right-of-use assets during the Year.

Trade and Bills Receivables

Our trade and bills receivables increased from RMB313.4 million as of December 31, 2023 to RMB322.8 million as of December 31, 2024, primarily due to the increase in bills receivables received at the end of the period that have not yet reached the acceptance period as a result of the downturn of the real estate market in the PRC. We will continue to vigorously put various measures in place to ensure timely collection of trade and bills receivables.

Prepayments, Deposits and Other Receivables

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

As of December 31, 2024, prepayments, deposits and other receivables amounted to approximately RMB6.5 million, representing a decrease of approximately RMB3 million as compared with approximately RMB9.5 million as of December 31, 2023, primarily attributable to the enhancement in our management on other receivables, resulting in the collection of overdue deposits and contract performance deposits in a timely manner.

Trade Payables

As of December 31, 2024, trade payables amounted to approximately RMB165.8 million, representing an decrease of approximately RMB35.9 million as compared with approximately RMB201.7 million as of December 31, 2023, primarily attributable to reduction in the outsourcing fees for landscaping and property management services due to the disposal of subsidiaries during the period, resulting in a reduction in the scale of trade payables.

Accrued Expenses and Other Payables

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

As of December 31, 2024, accrued expenses and other payables amounted to approximately RMB84.2 million, representing a decrease of approximately RMB4.4 million as compared with approximately RMB88.6 million as of December 31, 2023, which was relatively stable as compared with the previous period.

Liquidity and Capital Resources

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

Cash and Cash Equivalents

As of December 31, 2024, the Group's cash and cash equivalents amounted to approximately RMB425.2 million, representing an increase of 3.2% as compared with approximately RMB412.1 million as of December 31, 2023, primarily due to the enhancement in accounts receivable management during the Year, which resulted in an increase in the recovery of property management fees and design fees.

Such cash and cash equivalents included approximately RMB425.2 million (December 31, 2023: RMB412.1 million) denominated in RMB and approximately RMB0.024 million (December 31, 2023: RMB0.003 million) denominated in HK\$, calculated based on the exchange rate as of December 31, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)**Interest-bearing Borrowings**

Our interest-bearing borrowings was RMB8.01 million as of December 31, 2024, all denominated in RMB with maturity on March 25, 2025, and interest on borrowings at the fixed rate of 3.5% per annum.

Pledge of Assets

As at December 31, 2024, we had not pledge any of our assets (December 31, 2023: RMB2.3 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 38.8% as of December 31, 2024 (December 31, 2023: 41.6%).

Significant Investments, Material Acquisitions and Disposals***Connected Transaction in relation to the Acquisition of the Equity Interest in Daantong***

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

As at the date of the Acquisition Announcement, Daantong was owned by Lushang Freda as to 100% of its equity interest, and therefore Daantong was a wholly-owned subsidiary of Lushang Freda. Immediately upon the completion of the Equity Interest Transfer Agreement, Daantong has become a directly wholly-owned subsidiary of the Company, and the financial results of Daantong has been consolidated into the consolidated financial statements of the Group. For details, please refer to the Acquisition Announcement.

Completion of the Acquisition took place on March 4, 2024.

Discloseable and Connected Transaction in relation to the Disposal of 100% of the Equity Interest in Urban Development Furbishing

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

Immediately upon the completion of the Equity Disposal Agreement, Urban Development Furbishing has been owned by Shandong Urban as to 100% of its equity interest, and following the disposal of the 100% of the equity interest in Urban Development Furbishing by the Company pursuant to the Equity Disposal Agreement, the Company has ceased to have any interest in Urban Development Furbishing and, accordingly, the financial results of Urban Development Furbishing has no longer been consolidated in the Group's accounts.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(CONTINUED)*

Significant Investments, Material Acquisitions and Disposals *(Continued)*

Discloseable and Connected Transaction in relation to the Disposal of 100% of the Equity Interest in Urban Development Furbishing (continued)

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

Completion of the Urban Development Furbishing Disposal took place on May 9, 2024.

Save as disclosed in this annual report, there were no significant investments, material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

Future Plans for Material Investments and Capital Assets

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

Contingent Liabilities and Commitments

We did not have any other outstanding guarantees or other material contingent liabilities as of December 31, 2024.

Proceeds from the Listing

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

Foreign Exchange Risk

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

Employees and Remuneration Policy

As of December 31, 2024, the Group had 1,405 employees (as of December 31, 2023: 1,437 employees). During the Year, we have adjusted the composition of our remuneration in line with the industry conditions and strengthened the incentives for value-added operations, investment development and other specialized businesses in order to fully motivate our employees. Compensation for employees of the Group is made with reference to the market as well as the nature of work and individual performance. The Group regularly makes necessary adjustments to the remuneration policies and packages to accommodate the pay levels in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)**Employees and Remuneration Policy** (continued)

During the Year, the Company took “system-based, talent-driven, training-enabled” as its strategic orientation and built a three-in-one management system. Through deepening market-oriented reforms, the Company has fully implemented the competitive mechanism for managers, innovatively implemented the “star rating” three-channel talent development model, established a “one person, one form, two contracts” to deepen the contractual management system, with an aim to form a dual-link mechanism between performance and salary, and fully release the organizational effectiveness and talent potential. Focusing on the dimension of team building, the Company innovatively created a dual-drive model of “family culture · happy culture”, built a three-dimensional training system covering all employees, and promoted the dual improvement of organizational learning ability and employee competence through hierarchical and classified customized training projects.

For details of the employees’ retirement scheme, please refer to Note 5.20.3 to the consolidated financial statements.

As of 31 December 2024, no forfeited contributions were available to reduce the existing level of contributions payable by the Group.

Subsequent Event***Discloseable and Connected Transaction in relation to Capital Increase and Deemed Disposal of Equity Interest in a Subsidiary***

On March 21, 2025 (after trading hours of the Stock Exchange), the Company entered into the capital increase agreement (the “Capital Increase Agreement”) with Shandong Commercial Real Estate Development Co., Ltd.* (山東省城發建設管理有限公司) (“Shandong Commercial Real Estate”) (as investor) and Shandong Blue Shore Garden Engineering Co., Ltd.* (山東藍岸園林工程有限公司) (“Shandong Blue Shore”) (as target company), pursuant to which Shandong Commercial Real Estate has conditionally agreed to inject capital in the amount of RMB36,320,000.00 (equivalent to approximately HK\$39,053,763.00) into Shandong Blue Shore in the form of registered capital and capital reserves, of which RMB20,820,000.00 (equivalent to approximately HK\$22,387,097.00) and RMB15,500,000.00 (equivalent to approximately HK\$16,666,666.00) shall be recognised as the registered share capital and the capital reserves of Shandong Blue Shore, respectively (the “Capital Increase”).

The Capital Increase pursuant to the Capital Increase Agreement constitutes a disclosable and connected transaction of the Company and is therefore subject to the reporting, announcement, circular, independent financial advice and the independent Shareholders’ approval requirements pursuant to the Listing Rules.

For details of the Capital Increase, please refer to the announcement of the Company dated March 21, 2025 in respect of the Capital Increase.

Save as disclosed above, no events has taken place subsequent to December 31, 2024 and up to the date of this annual report that may have a material impact on the Group’s operating and financial performance that need to be disclosed.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Chairman of the Board and executive Director

Mr. Wang Zhongwu (王忠武), aged 50, joined the Group in August 2010 and currently serves as an executive Director and Chairman of the Board. He is primarily responsible for daily business operations and strategic decision-making of the Group.

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

Mr. Wang joined the Group by overseeing our property management business in August 2010. He served as a general manager of a project in Jining developed by Lushang Freda from August 2010 to January 2018 where he was primarily responsible for overall management of the project, including overseeing our property management business in Jining. Mr. Wang also served as the general manager at Heze Lushang Real Estate Company Limited (菏澤魯商置業有限公司), an indirect wholly-owned subsidiary of Lushang Freda, from April 2016 to September 2017, where he was primarily responsible for overall management of daily business operations of the company and ensuring the smooth operation of property management projects. From January 2018 to December 2019, he served as a general manager of the Qingdao Region of Lushang Property and he was primarily responsible for the overall management of daily business operations of the company, including overseeing our property management business in Qingdao. From February 2019 to March 2021, Mr. Wang served as general manager assistant at Lushang Freda and he was primarily responsible for overall business operation of Lushang Freda Group, including the business of the Group. Since December 2022, Mr. Wang has been appointed as a director of Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司) and has served as the chairman of Shandong Urban and Rural Development Group Co., Ltd since April 2024.

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

* For identification purposes only

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)**Executive Director**

Mr. Ning Daoju (寧道舉), aged 40, was appointed as an executive Director on November 22, 2024. He was also appointed as the general manager of the Company on November 1, 2024.

He has been working in the Department of Justice of Shandong Province from August 2009 to September 2016. During the period of September 2016 and January 2020, Mr. Ning served at various positions successively at the Publicity Department of the CPC Shandong Provincial Committee. From January 2020 to August 2024, Mr. Ning has served successively as deputy head (deputy secretary) of Department of Policies Research and Strategic Development (deputy secretariat of the East-West Poverty Alleviation Collaboration Industry Co-operation Alliance (東西部扶貧協作產業合作聯盟副秘書處)), deputy officer of the Office (the office of the party committee and the office of the board and supervisory committee) and the head of Department of Policies Research and Strategic Development (政策研究與戰略發展部部長) of Shandong Commercial Group Co., Ltd. (the controlling shareholder of the Company). From November 2024 and up to the date, Mr. Ning has served as the deputy secretary of the party committee, the executive Director, and the general manager of the Company..

Mr. Ning has obtained a bachelor's degree of science from Shandong Normal University in July 2007 and a master's degree of law from Central Party School of the Communist Party of China in July 2016. He has obtained a certificate of the title of senior political engineer in September 2021.

Mr. Shao Meng (邵萌), aged 36, was appointed as an executive Director on March 30, 2021. He also serves as the chief financial officer and the secretary of our Board. He is primarily responsible for financial management of the Group.

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Ms. Luo Ye (羅曄), aged 37, was appointed as a non-executive Director on November 30, 2022.

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

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

Ms. Li Han (李涵), aged 39, was appointed as a non-executive Director on June 30, 2023.

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

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

* For identification purposes only

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)**Independent non-executive Directors**

Ms. Leung Bik San (梁碧珊), aged 54, was appointed as an independent non-executive Director on June 6, 2022. Ms. Leung is responsible for providing independent advice on the operations and management of the Group.

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

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

Ms. Chen Xiaojing (陳曉靜), aged 55, was appointed as an independent non-executive director on June 6, 2022. She is primarily responsible for providing independent advice to the Board.

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS *(CONTINUED)*

Independent non-executive Directors *(continued)*

Mr. Ma Tao (馬濤) (formerly known as Ma Xinai), aged 67, was appointed as an independent non-executive director on June 6, 2022. He is primarily responsible for providing independent advice to the Board.

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

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

SUPERVISORS

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS (CONTINUED)

Mr. Wang Hongtao (王洪濤), aged 50, was appointed as a Supervisor and president of the Supervisory Committee on March 2, 2021. Mr. Wang is primarily responsible for supervising the work of the Supervisory Committee, the Board and senior management officers of the Group.

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS (CONTINUED)

Mr. Zhang Xiangqian (張向乾), aged 51, was appointed as a Supervisor on March 2, 2021. He is primarily responsible for supervising the Board and senior management officers of the Group. Mr. Zhang joined the Group in May 2009.

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

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

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

* For identification purposes only

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS (CONTINUED)

Ms. Pan Meng (潘萌), aged 36, was appointed as a Supervisor on February 27, 2023. She is primarily responsible for supervising the Board and senior management officers of the Group. Ms. Pan joined the Group in 2010. From August 2010 to April 2015, she served as the director of the customer service management department of the Yulongwan Project* (御龍灣項目) of the Company, mainly responsible for project customer relationship management and property fees management of the project. From April 2015 to April 2018, Ms. Pan successively served as the project manager at the service centre of the Lushang Plaza Project* (魯商廣場項目) of the Company, and the project manager at the service centre of the Ginza Garden Project* (銀座花園項目) of the Company. From April 2018 to October 2021, Ms. Pan served as the head of the administrative and human resources department of the Company, and since November 2021, she served as the director of the human resources and administration center of the Company. Ms. Pan completed the undergraduate program of business administration at the Shandong Normal University in January 2016.

SENIOR MANAGEMENT

Mr. Liu Jiapeng (劉加朋), aged 48, is the deputy general manager of the Company. He is mainly responsible for the human resources, capital management, basic business management, elevator operations and other businesses of the Company. Mr. Liu joined the Group in January 2011 as a manager of our financial department.

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

Upon joining the Group in January 2011, Mr. Liu served successively as finance department manager, head accountant and executive deputy general manager at Harbin Lushang until September 2019. In addition to managing financial and accounting affairs and overseeing daily operations in the aforementioned roles, Mr. Liu was also responsible for general management of the property management business of the Group in Harbin, Heilongjiang province. From September 2019 to March 2021, Mr. Liu served as the general manager of the Company. From March 2021 to April 2023, Mr. Liu served as Deputy General Manager of the company. Since April 2023, he has been the party committee member and deputy general manager of the company.

Mr. Liu completed an undergraduate course in accounting from Shandong Province Financial College (山東財政學院) in the PRC in July 2009. He was certified as an Intermediate Accountant by the Ministry of Finance in the PRC in May 2005, was awarded as a model builder (建設者標兵) by Harbin Federation of Trade Unions (哈爾濱市總工會) in January 2018, and was engaged by Shandong Property Management Institute as the vice chairman of Shandong Property Management Institute in December 2019. On September 30, 2022, he was certified as a senior political engineer by the Shandong Provincial Office of Professional Position Assessment for Enterprise Ideological and Political Staff (山東省企業思想政治工作人員專業職務評定工作辦公室).

* For identification purposes only

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (CONTINUED)

Mr. Zhu Sili (朱思立), aged 44, the deputy general manager of the Company, is primarily responsible for labor union, digitalization, investment and expansion, municipal sanitation, and catering operations of the Company.

Mr. Zhu joined the Bayi department store of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) in July 2006. He worked as the chief of Zibo department store of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from March 2007 to October 2007, the supervisor of Zibo department store of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from October 2007 to December 2007, the buyer of new product introduction department of supermarket of Zibo branch store of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from December 2007 to November 2008, the chief of the promotion division of promotion management department of supermarket of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from November 2008 to February 2009, the chief of strategy management division of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from February 2009 to March 2011, the deputy head of operations management under the general manager office of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司) from March 2011 to May 2011, the deputy director of the general manager office of INZONE Group Company Limited (銀座集團股份有限公司) from May 2011 to December 2012, the deputy director of the general manager office of supermarket business division of INZONE Group Company Limited (銀座集團股份有限公司) from December 2012 to July 2015, the head of the strategy management department under the general manager office of INZONE Group Company Limited (銀座集團股份有限公司) from July 2015 to April 2017, the deputy director of Outlets operations department of INZONE Group Company Limited (銀座集團股份有限公司) from April 2017 to October 2018, the head of Outlets department of INZONE Group Company Limited (銀座集團股份有限公司) from October 2018 to February 2020, and the assistant to the general manager of INZONE Group Company Limited (銀座集團股份有限公司) from February 2020 to September 2021. He has been the party committee member of the Company since September 2021. From April 2023 and up to the date, Mr Zhu has served as the party committee member and deputy general manager of the company.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (CONTINUED)

Ms. Li Haiyan (李海燕), aged 48, the deputy general manager of the Company, is primarily responsible for the party building, mass organizations, petition stability, ideology, bidding and procurement and capital operation of the Company.

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Yang Zhen (楊振), aged 38. He is serving as our joint company secretary and is primarily responsible for handling corporate secretarial matters. Mr. Yang joined the Group in May 1, 2014 and has served as the director of the office of the Board since November 2022, where he has been primarily responsible for managing capital markets affairs and daily business operations of the Board.

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

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

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

Mr. Wong Wai Chiu (黃偉超), aged 70, was appointed as our joint company secretary on June 24, 2021. He is primarily responsible for handling corporate secretarial matters. Mr. Wong is an associate director of SWCS Corporate Services Group (Hong Kong) Limited. He has extensive experience in compliance and secretarial related works. Mr. Wong obtained a Bachelor degree in social science from University of Hong Kong (香港大學) in Hong Kong in October 1977. He obtained his master's degrees of applied science from University of Technology Sydney in Australia in May 1990, corporate governance from Hong Kong Polytechnic University (香港理工大學) in Hong Kong in November 2010 and arbitration and disputes resolution from City University of Hong Kong (香港城市大學) in Hong Kong in November 2007. He was certified as a chartered secretary by The Hong Kong Chartered Governance Institute in September 2018 and an Australian Certified Practising Accountant by the Institute of Certified Public Accountants of Australia in December 2010. Mr. Wong was also admitted as a certified trust practitioner of Hong Kong Trustees' Association in September 2019.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report for the year ended December 31, 2024.

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 Year, the Group has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from January 1, 2024 to April 25, 2024, Mr. WANG Zhongwu ("**Mr. Wang**") served as the chairman and the general manager of the Company. The Board believed that having the same individual in both roles as the chairman and the general manager of the Company would ensure that the Group has consistent leadership and the ability to make and implement the overall strategy of the Group effectively. The Board believed that this structure did not compromise the balance of power and authority between the Board and the management of the Company. The Board had regularly reviewed the effectiveness of this structure to ensure that it was appropriate to the Group's circumstances.

With effect from April 26, 2024, Mr. Wang resigned from the role of general manager of the Company. From April 26, 2024 to October 31, 2024, Mr. Liu Jiapeng, deputy general manager of the Company, had been temporarily fulfilling the responsibilities of the general manager before the appointment of Mr. NING Daoju as the general manager of the Company with effect from November 1, 2024. Therefore, the Company has complied with Code provision C.2.1 of the Corporate Governance Code since April 26, 2024.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as a code of conduct for securities transactions by the Directors and Supervisors.

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

CORPORATE CULTURE

Corporate mission:	Serving a better life and sharing happiness
Corporate vision:	Building a nationwide first-class modern service enterprise
Brand concept:	Guarding a better life earnestly
Core values:	Honesty, justice, sharing and win-win cooperation
Corporate spirit:	Hard work and dedication, integrity and innovation, self-reliance and self-improvement
Corporate service concept:	Sincere services/enthusiasm for customers/protection for customers/secure services/comfortable environment
Corporate learning concept:	Continuous learning, integrating knowledge and actions, thinking of the best and doing the best
Corporate code of conduct:	Maintaining, loving and dedicating to Lushang

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS**Board Composition**

As at December 31, 2024, the Board comprises eight Directors with three executive Directors, two non-executive Directors, and three independent non-executive Directors. With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. Our Board currently comprises four female Directors and four male Directors. Hence, we consider the Board has achieved gender diversity. We will continue to take steps to promote and maintain gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels.

Details of our Board composition as at December 31, 2024 and up to the date of this annual report are set out below:

Executive Directors

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

Non-executive Directors

Ms. Li Han
 Ms. Luo Ye

Independent Non-executive Directors

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

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

THE ROLE OF THE BOARD OF DIRECTORS AND THE MANAGEMENT

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

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

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

For the year ended December 31, 2024, the Board has complied with the requirements of Rule 3.10A of the Listing Rules (which specified that an issuer must appoint independent non-executive directors representing at least one-third of the board), and the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules (which specify that every board of directors shall include at least three independent non-executive directors, and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise).

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

The Board has also established mechanisms to ensure independent views are available to the Board, including providing the Directors with sufficient resources to perform its duties and shall seek, at the Company's expense, independent professional advice to perform its responsibilities if necessary. For the year ended December 31, 2024, the Board reviewed the implementation of the abovementioned mechanism and considered the mechanism to be appropriate and effective.

THE APPOINTMENT OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

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

The procedure for nominating Directors is as follows:

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

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

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

Our Directors have a balanced mix of knowledge, skills and experience, including property management, business management, engineering operation, construction design, audit, finance and investment. They obtained degrees in various majors, including public administration, business management, engineering, commerce and economics. We have three independent non-executive Directors who have different industry backgrounds, representing over one-third of our Board members. Furthermore, our Board has a wide age range of 36 to 67 years old. Taking into account our existing business model and specific needs as well as the different background of the Directors, the Company considers that the composition of the Board satisfies the Board Diversity Policy.

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES**Strategy and ESG Committee**

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

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

For the year ended December 31, 2024, the Strategy and ESG Committee has held one meeting.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (CONTINUED)**Audit Committee**

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

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

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

For the year ended December 31, 2024, the Audit Committee held three meetings and reviewed the Company's annual consolidated financial information in 2023, the interim consolidated financial information in 2024, as well as the relevant information about the Proposal on the Appointment of Auditors for 2024.

Remuneration Committee

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

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

For the year ended December 31, 2024, the Remuneration Committee held one meeting to review the remuneration policy and structure of the Company and to determine the terms of the specific remuneration package of newly appointed Director.

Nomination Committee

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

The Nomination Committee consists of three members, namely Ms. Chen Xiaojing (陳曉靜), Mr. Ma Tao (馬濤) and Mr. Ning Daoju (寧道舉). The chairlady of the Nomination Committee is Ms. Chen Xiaojing (陳曉靜).

For the year ended December 31, 2024, the Nomination Committee held one meeting to consider and make recommendation on the nomination of new Directors candidates with reference to the Company's nomination policy and Board Diversity Policy.

CORPORATE GOVERNANCE REPORT

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

The general meeting is the highest authority of the Company. It provides an opportunity for direct communication and a sound relationship between the Shareholders and the Board and senior management. The Company attaches great importance to the general meeting. For the year ended December 31, 2024, the Company convened a total of three general meetings, namely the 2024 first extraordinary general meeting of the Company held on April 19, 2024, the 2023 general meeting of the Company held on June 28, 2024, and the 2024 second extraordinary general meeting of the Company held on November 22, 2024. All the resolutions submitted at the general meetings were passed.

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

For the year ended December 31, 2024, the Board of Directors convened seven meetings. The following table sets out the attendance of each of our Directors at the meetings of the Board and the special committees under the Board and general meetings during the said period:

Name of Director	Board	Number of attendance/Number of meetings held				General meeting
		Audit Committee	Remuneration Committee	Nomination Committee	Strategy and ESG Committee	
Mr. Wang Zhongwu	7/7	–	1/1	–	1/1	3/3
Mr. Ning Daoju ^(Note 2)	1/1	–	–	–	–	–
Mr. Shao Meng	7/7	–	–	–	1/1	3/3
Ms. Li Lu ^(Note 1)	6/6	3/3	–	1/1	–	3/3
Ms. Luo Ye	6/7	–	–	–	–	2/3
Ms. Li Han	7/7	–	–	–	–	3/3
Ms. Leung Bik San	7/7	3/3	–	–	–	3/3
Ms. Chen Xiaojing	7/7	3/3	1/1	1/1	1/1	3/3
Mr. Ma Tao	7/7	–	1/1	1/1	–	3/3

Notes:

1. Ms. Li Lu resigned on November 22, 2024.
2. Mr. Ning Daoju was appointed on November 22, 2024. On November 22, 2024, Mr. Ning had obtained the legal advice referred to in Rule 3.09D of the Listing Rules, and had confirmed that he understood his obligations as a director of a listed issuer.

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING AND CAREER DEVELOPMENT

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

All the Directors namely, Mr. Wang Zhongwu, Mr. Ning Daoju (appointed on November 22, 2024), Mr. Shao Meng, Ms. Li Lu (resigned on November 22, 2024), Ms. Luo Ye, Ms. Li Han, Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao have complied with code provision C.1.4 of the Corporate Governance Code and participated in continuous professional development to develop and refresh their knowledge and skills.

Training received by Directors for the year ended December 31, 2024:

Directors	Types of training ^(Note)
Mr. Wang Zhongwu	A,B
Mr. Ning Daoju	A,B
Mr. Shao Meng	A,B
Ms. Li Lu	A,B
Ms. Luo Ye	A,B
Ms. Li Han	A,B
Ms. Leung Bik San	A,B
Ms. Chen Xiaojing	A,B
Mr. Ma Tao	A,B

Notes:

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

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

CORPORATE GOVERNANCE REPORT

THE REMUNERATION OF SENIOR MANAGEMENT

Details of the remuneration of the Directors, the Supervisors and chief executives and the respective remuneration of the five highest paid individuals for the year ended December 31, 2024 are set out in Note 10 to the consolidated financial statements. Their remuneration is determined and recommended based on their respective experience, qualification, position and seniority. None of the Directors and the Supervisors had waived or agreed to waive the receipt of any emoluments during the year ended December 31, 2024.

The remuneration level of the Company's senior management (excluding Directors and Supervisors) by band for the year ended December 31, 2024 is set out below:

Remuneration level (RMB)	Number of persons
0-500,000	4

CORPORATE GOVERNANCE FUNCTION

The Board has a duty to perform the functions set out in code provision A.2.1 of the Corporate Governance Code. During the period from the Listing Date to December 31, 2024, the Board has developed and reviewed the Company's policies and practices on corporate governance; reviewed and monitored the training and continuing professional development of Directors and senior management and the Company's policies and practices in relation to compliance with legal and regulatory requirements; developed, reviewed and monitored the code of conduct and compliance manual to employees and Directors; and reviewed the Company's compliance with the Corporate Governance Code.

DIRECTORS' AND OFFICERS' INSURANCE

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT*(CONTINUED)*

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

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

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

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

The Board is of the view that the Group's risk management and internal control systems were effective and adequate in 2024 and thus the overall risk level was within the tolerable range of the Group.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT *(CONTINUED)*

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

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

PROCEDURES FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RELATION TO FINANCIAL STATEMENTS

The Directors understand their responsibility for preparing the financial statements of the Company for the year ended December 31, 2024, which give a true and fair view of the condition of the Company and the Group and of the Group's results and cash flows.

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended December 31, 2024, the Company's remuneration to the external auditor of the Company, ShineWing, for audit services for 2024 was RMB0.28 million. Apart from this, the external auditor of the Company, ShineWing, provided non-audit services in respect of 2024 interim results review at a fee of RMB0.07 million.

JOINT COMPANY SECRETARIES

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

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

During the year ended December 31, 2024, Mr. Yang Zhen and Mr. Wong Wai Chiu have received relevant professional training of not less than 15 hours respectively in accordance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

Convening of general meetings

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

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

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

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (CONTINUED)

Proposals of general meetings

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

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

Enquiries to the Board

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

In addition, the Company updates its website from time to time to keep the Shareholders updated of the recent development of the Company. The Company endeavors to maintain an ongoing dialogue with shareholders. At the annual general meeting, the Directors (or their delegates as appropriate) will be available to meet with the Shareholders and answer their enquiries. Having considered the multiple channels of communication in place as described above, the Company considers the implementation of the Shareholders' communication policy during 2024 was effective.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

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

EMPLOYEE DIVERSITY

The Group insists on the principle of fairness and voluntariness in recruitment, and does not impose any restrictive requirements on gender, ethnicity, nationality and region. In order to avoid child labour and forced labour, we, in strict compliance with the provision of Article 15 of the Labour Law of the People's Republic of China, ban the employer from recruiting juveniles under the age of 16, and strictly check whether the actual age of the candidates meets the employment criteria by checking their identity card, etc. By the end of December 31, 2024, the Group had 1,405 employees in total.

The indicators on employees of the Group in 2024 are as follows:

Name of indicator	At the end of 2024 (persons)	Percentage of total number of employees at the end of 2024
Male employees	765	54.4%
Female employees	640	45.6%
Employees aged 30 and under	355	25.3%
Employees aged from 31 to 50	898	63.9%
Employees aged 51 or above	152	10.8%

The Group encourages gender diversity across its workplace. We maintain a 54:46 ratio of males to females in the workforce as at December 31, 2024. The Board considers that gender diversity in respect of both the Board and the workforce (including senior management) has been achieved.

ARTICLES OF ASSOCIATION

There were no changes in the Articles of Association for the year ended December 31, 2024. The latest version of the Articles of Association is available on the Company's website (www.lushangfuwu.com) and the website of the Stock Exchange (www.hkexnews.hk).

REPORT OF THE BOARD

The Board is pleased to present its directors' report and the audited consolidated financial statements of the Company for the year ended December 31, 2024.

GENERAL INFORMATION AND INITIAL PUBLIC OFFERING

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC.

FINAL DIVIDEND

The Board has resolved to recommend the distribution of a final dividend in cash of RMB0.1080 per share of the Company (before tax) for the year ended December 31, 2024 (For the year ended December 31, 2023: Nil).

As at 31 December 2024, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

DIVIDEND TAXATION

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for dividends received from the Company and the gains realized upon the sale or other disposition of the H Shares held by them. We are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdictions in which the foreign individuals reside, reduce or provide an exemption for the relevant tax obligations.

Generally, a tax rate of 10% shall apply to the dividends paid by companies listed in Hong Kong to non-PRC resident individuals, pursuant to Circular of the State Administration of Taxation on Individual Income Tax Collection Issues upon Abolishment of Document Guoshuifa [1993] No. 045 (《國家稅務總局關於國稅法[1993]045號文件廢止後有關個人所得稅徵管問題的通知》). Where the 10% tax rate is not applicable, the withholding company shall: (i) return the excessive tax amount pursuant to the relevant procedures if the applicable tax rate is below 10%; (ii) withhold such income tax payable by the foreign individual at the applicable tax rate if the applicable tax rate is between 10% and 20%; and (iii) withhold such foreign individual income tax at a rate of 20% if no double tax treaty is applicable.

In addition, although under the Individual Income Tax Law of the PRC and its implementation regulations, non-PRC resident individuals are subject to individual income tax at a rate of 20% on gains realized upon sale or other disposition of H Shares, pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the Ministry of Finance of the PRC (中華人民共和國財政部) and the SAT, income of individuals derived from the transfer of shares in listed companies continued to be temporarily exempt from individual income tax.

REPORT OF THE BOARD

DIVIDEND TAXATION (CONTINUED)

For non-PRC resident enterprises that do not have establishments or premises in China, or have establishments or premises in China but their income is not related to such establishments or premises, under the EIT Law, dividends paid by us and the gains realized by such non-PRC resident enterprises from the sales or other disposition of H Shares are subject to PRC enterprise income tax at a rate of 20%. In accordance with the EIT Law Implementation Rules and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to Shareholders Which are Overseas H-share Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT, such tax rate has been reduced to 10%, which is subject to a further reduction under an applicable treaty or a special arrangement between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise. On August 21, 2006, China and Hong Kong entered into the Arrangements between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), pursuant to which any Hong Kong resident enterprise that holds directly at least 25% of the shares of our Company shall pay enterprise income tax for the dividends declared and paid by us at a tax rate of 5% subject to the satisfaction of certain conditions such as approval by the relevant PRC tax authority.

Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares in the PRC and in Hong Kong and other tax effects.

REPORT OF THE BOARD

SHARE CAPITAL

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

For the year ended December 31, 2024, details of the changes in share capital of the Company are set out in Note 5.26 to the financial statements.

DEBENTURES

The Company did not issue any debentures for the year ended December 31, 2024.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Company. For the year ended December 31, 2024, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

For the year ended December 31, 2024 and up to the date of this annual report, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group for the year ended December 31, 2024 are set out in the consolidated statement of changes in equity and in the section headed "Consolidated Statement of Changes in Equity" of this annual report.

As at December 31, 2024, our aggregate amount of reserve available for distribution to equity Shareholders of the Company was approximately RMB200.6 million.

THE DIRECTORS

Details of our Board composition during the year of 2024 and up to the date of this annual report are set out below:

Executive Directors: Mr. Wang Zhongwu, Mr. Ning Daoju (appointed on 22 November 2024),
Mr. Shao Meng

Non-executive Directors: Ms. Li Lu (resigned on 22 November 2024), Ms. Li Han, Ms. Luo Ye

Independent

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

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

REPORT OF THE BOARD

PROCEEDS FROM THE LISTING

The H Shares were successfully listed on the Main Board on the Listing Date and 33,340,000 H Shares were issued. After deduction of underwriting fees and related expenses, the Net Proceeds from the Listing were approximately HK\$138 million and the net price per H Share was approximately HK\$4.14.

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

Proposed use of Net Proceeds as set out in the Prospectus	Financial Supplement	Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds as of December 31, 2024 (HK\$ million)	Unutilised Net Proceeds as of December 31, 2024 (HK\$ million)	Expected time of full utilisation ⁽¹⁾
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, 2025
	(i) Strategic acquisitions and investments in property management companies with a focus on managing residential projects	48.0	66.24	0	66.24	
	(ii) Strategic acquisitions and investments in property management companies with a focus on managing nonresidential projects to further diversify our managed property portfolio	12.0	16.56	0	16.56	
<i>Enhance property management services and further develop our diversified community value-added services to improve our customers' experience and satisfaction</i>		15.0	20.70	0	20.70	December 31, 2026
	(i) Further improve our traditional property management services to enhance customer experiences:	10.0	13.80	0	13.80	
	– For training programs, among which:		5.06	0	5.06	

REPORT OF THE BOARD

PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus	Financial Supplement	Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds as of December 31, 2024 (HK\$ million)	Unutilised Net Proceeds as of December 31, 2024 (HK\$ million)	Expected time of full utilisation ⁽¹⁾
(a)	to provide occupational training programs for our employees to obtain necessary qualifications and licenses for, among others, fire safety, security services, human resources, financial management and greening and gardening;		0.43	0	0.43	
(b)	to hold training classes targeting different levels of our employees, including our management trainees, entry level employees and senior employees, to create a highly professional workforce and ensure the smooth implementation of our standardized operation procedures;		3.60	0	3.60	
(c)	to organize internal competitions to further incentivize our employees and therefore align our employees' interests with ours;		0.17	0	0.17	
(d)	to the training of our internal instructors of our training programs;		0.43	0	0.43	

REPORT OF THE BOARD

PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus	Financial Supplement	Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds as of December 31, 2024 (HK\$ million)	Unutilised Net Proceeds as of December 31, 2024 (HK\$ million)	Expected time of full utilisation ⁽¹⁾
	(e) to provide to training sessions relating to property management industry to help our employees and management team stay abreast of industry development trends.		0.43	0	0.43	
	– For brand promotions, among which:		8.76	0	8.76	
	(a) to improve the content of our online platforms such as our official website, TikTok account and WeChat official account to increase the publicity of our brand;		0.26	0	0.26	
	(b) to hold press conferences and public relation campaigns to further enhance our brand awareness;		0.95	0	0.95	
	(c) to hold publicity campaigns that features our brand ambassadors and our services and products to create more opportunities to interact with our customers and further enhance our social influence;		3.86	0	3.86	

REPORT OF THE BOARD

PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus	Financial Supplement	Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds as of December 31, 2024 (HK\$ million)	Unutilised Net Proceeds as of December 31, 2024 (HK\$ million)	Expected time of full utilisation ⁽¹⁾
	(d) to advertisement on both traditional media and new media platforms; and		2.74	0	2.74	
	(e) to unify our firmwide VI designs to consolidate and streamline our brand promotion management.		0.95	0	0.95	
	(ii) Further develop our diversified community value-added services	5.0	6.90	0	6.90	
<i>Invest in technology systems and standardized business operations</i>		15.0	20.70	4.19	16.51	December 31, 2026
	(i) Develop our online service platforms to improve interactions with our customers	2.2	3.04	0.50	2.54	
<i>Develop technology-supported community platform</i>						
	(ii) Procure and upgrade intelligent devices and facilities at our managed properties, among which:	9.8	13.52	1.23	12.29	
	(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	0.97	2.11	
	(c) to the smart system assuming that developing and upgrading such systems in each community.		9.14	0.26	8.88	

REPORT OF THE BOARD

PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus	Financial Supplement	Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds as of December 31, 2024 (HK\$ million)	Unutilised Net Proceeds as of December 31, 2024 (HK\$ million)	Expected time of full utilisation ⁽¹⁾
	(iii) Develop and upgrade our internal management systems, among which:	3.0	4.14	2.46	1.68	
	(a) to internal management system operation and data protection; and		2.50	2.46	0.04	
	(b) to human resource for internal management.		1.64	0	1.64	
Working capital	Working capital and other general corporate purposes.	10.0	13.80	8.37	5.43	December 31, 2025
Total		100.0	138			

Note:

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

Save as disclosed above regarding update of the expected timeline for the unutilised Net Proceeds, as of 31 December 2024, the Directors are not aware of any material change in the planned use of the Net Proceeds. The remaining Net Proceeds which had not been utilized were deposited with licensed financial institution in mainland China. The unutilised Net Proceeds and the above timeline of intended utilization will be applied in the manners disclosed by the Company. However, the expected timeline for the unutilised Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

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

REPORT OF THE BOARD

INVESTMENT PROPERTIES

Details of the investment properties of the Group during the year ended December 31, 2024 are set out in Note 5.10 to the consolidated financial statements.

RIGHTS OF PRE-EMPTION

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

TAX RELIEF AND EXEMPTION TO HOLDERS OF LISTED SECURITIES

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

EQUITY-LINKED AGREEMENTS

For the year ended December 31, 2024, no equity-linked agreement was entered into by the Group or still in effect.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

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

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

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

For the year ended December 31, 2024, no Director, Supervisor or any entity connected with the Directors or Supervisors of the Company is materially interested in, either directly or indirectly, any material transactions, arrangements or contracts relating to the business of the Company to which the Company or any of its subsidiaries is a party.

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 Year (including sale or transfer of Treasury Shares). As of the end of the Year, no Treasury Shares were held by the Company.

REPORT OF THE BOARD

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

For the year ended December 31, 2024, no Directors, the Supervisors or any of their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete with the Company's business as required to be disclosed under Rule 8.10 of the Listing Rules.

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

As at December 31, 2024, the interests and short positions of the Directors, Supervisors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company's associated corporation (within the meaning of Part XV of SFO), which will be required to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name	Name of associated corporation	Nature of interest	Number of Shares interested	Approximate percentage of shareholding
Mr. Wang Zhongwu	Lushang Freda	Beneficial owner	100,000 ⁽¹⁾	0.0099%
Mr. Wang Hongtao	Lushang Freda	Beneficial owner	70,000 ⁽²⁾	0.0069%
Mr. Zhang Xiangqian	Lushang Freda	Beneficial owner	26,667 ⁽³⁾	0.0026%

Notes:

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

(2) Mr. Wang Hongtao was interested in 70,000 shares of Lushang Freda.

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

Save as disclosed above, as at December 31, 2024, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE BOARD

DISCLOSURE OF INTERESTS (CONTINUED)

(b) Substantial Shareholders

So far as is known to the Directors, as of December 31, 2024, 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⁾
Shandong Commercial ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	100,000,000 (L)	100%	75.0%
Lushang Freda	Beneficial owner	Domestic Shares	95,100,000 (L)	95.10%	71.32%
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%
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%

* For identification purposes only

REPORT OF THE BOARD

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

Name	Nature of interest	Class of Shares	Number of Shares interested ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total Shares ⁽³⁾
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 December 31, 2024.
- (3) Calculated based on the total number of 133,340,000 Shares in issue as at December 31, 2024.
- (4) Lushang Freda is owned as to 51.62% by Shandong Commercial and 1.69% by Lushang Group Co., Ltd., a company owned as to 68.15% by Shandong Commercial. By virtue of the SFO, Shandong Commercial is deemed to be interested in the Shares held by Lushang Freda. Green Development holds 4,900,000 Shares, representing 3.67% of the total Shares in issue. As of December 31, 2024, Green Development was wholly-owned by Shandong Urban and Rural Development Group Co., Ltd. (山東省城鄉發展集團有限公司), which is wholly-owned by Shandong Commercial. By virtue of the SFO, Shandong Commercial is deemed to be interested in the Shares held by Green Development.
- (5) Based on the disclosure of interests form submitted by CHINA INTERNATIONAL ECONOMIC TRADING LIMITED on July 11, 2022 in respect of the relevant event that occurred on the Listing Date.
- (6) Wenshang County Science Advancement and Construction Security and Workforce Co., Ltd.* (汶上縣科進建安勞務有限責任公司) is a company beneficially wholly-owned by LU DUNKE.
- (7) Nantong Chen Yun Construction Workforce Co., Ltd.* (南通辰運建築勞務有限公司) is a company beneficially wholly-owned by FAN QINYUAN.

Save as disclosed above, as at December 31, 2024, the Directors were not aware of any persons (other than Directors, Supervisors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

REPORT OF THE BOARD

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended December 31, 2024 were there any rights to acquire benefits by means of the purchase of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no subsisting arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

PERMITTED INDEMNITY PROVISION

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2024.

CHARITABLE DONATIONS

During the year ended December 31, 2024, the Group did not make charitable donations.

COMPLIANCE WITH DEED OF NON-COMPETITION

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

For the year ended December 31, 2024, each of the abovementioned controlling shareholders, confirmed that it had complied with the non-competition undertaking. The independent non-executive Directors have reviewed the confirmation letter in relation to their compliance with the non-competition undertaking for the year ended December 31, 2024.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2024, the revenue attributable to the Group's five largest customers and the largest customer accounted for 31.2% and 26.4%, respectively, of the Group's total revenue for the year ended December 31, 2024. Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 27.9% and 10.1%, respectively, of the Group's total purchases for the year ended December 31, 2024.

None of the Directors, Supervisors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for the year ended December 31, 2024.

REPORT OF THE BOARD

CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS

Saved as disclosed under the paragraphs headed "One-off Connected Transactions" and "Continuing Connected Transaction", neither the Company nor any of its subsidiaries entered into any significant contracts with the controlling shareholders of the Company or any of its subsidiaries for the year ended December 31, 2024.

ONE-OFF CONNECTED TRANSACTIONS

For the year ended December 31, 2024, the Group entered into the following one-off connected transactions with its connected persons:

1. Acquisition of the Equity Interest in Daantong

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

As at the date of the Acquisition Announcement, Daantong was owned by Lushang Freda as to 100% of its equity interest, and therefore Daantong was a wholly-owned subsidiary of Lushang Freda. Immediately upon the completion of the Equity Interest Transfer Agreement, Daantong has become a directly wholly-owned subsidiary of the Company, and the financial results of Daantong has been consolidated into the consolidated financial statements of the Group. For details, please refer to the Acquisition Announcement.

Completion of the Acquisition took place on March 4, 2024.

2. Disposal of 100% of the Equity Interest in Urban Development Furbishing

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

Immediately upon the completion of the Equity Disposal Agreement, Urban Development Furbishing has been owned by Shandong Urban as to 100% of its equity interest, and following the disposal of the 100% of the equity interest in Urban Development Furbishing by the Company pursuant to the Equity Disposal Agreement, the Company has ceased to have any interest in Urban Development Furbishing and, accordingly, the financial results of Urban Development Furbishing has no longer been consolidated in the Group's accounts.

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

Completion of the Urban Development Furbishing Disposal took place on May 9, 2024.

Each of Shandong Commercial and Lushang Freda is a controlling shareholder of the Company and therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Acquisition and the Urban Development Furbishing Disposal constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

REPORT OF THE BOARD

CONTINUING CONNECTED TRANSACTIONS

For the year ended December 31, 2024, the Group entered into the following non-exempted continuing connected transactions with its connected persons:

1. Master Engineering Services Agreement

On November 20, 2023 (after trading hours), the Company has entered into the 2024-2025 Master Engineering Services Agreement with Shandong Commercial for a term commencing from January 1, 2024 to December 31, 2025, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Under the 2024-2025 Master Engineering Services Agreement, the Group has agreed to provide certain engineering services, including but not limited to (i) landscape construction engineering services; (ii) maintenance engineering services; and (iii) landscape technology engineering services (the “**Engineering Services**”) primarily to Shandong Commercial Associates. As Lushang Freda Associates still require the Group to provide the Engineering Services for the commercial properties held by them for their own use after the disposal by Lushang Freda of its real estate business to Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司), a wholly-owned subsidiary of Shandong Commercial, a controlling shareholder of the Company (the “**Lushang Freda’s Disposal**”), the Group will continue to provide the Engineering Services to Lushang Freda Associates in this regard. Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the 2024-2025 Master Engineering Services Agreement.

The maximum annual amounts payable by Lushang Freda Associates and Shandong Commercial Associates to the Group under the 2024-2025 Master Engineering Services Agreement for each of the two years ending December 31, 2025 are as follows:

	For the year ending December 31, 2024 (RMB’ million)	For the year ending December 31, 2025 (RMB’ million)
Lushang Freda Associates	10.0	10.0
Shandong Commercial Associates	100.0	110.0
Total	110.0	120.0

The actual transaction amounts for the Engineering Services provided by the Group to Lushang Freda Associates and Shandong Commercial Associates for the year ended December 31, 2024 were RMB2.6 million and RMB60.1 million, respectively, which have not exceeded the aforesaid annual caps.

REPORT OF THE BOARD

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

On November 20, 2023 (after trading hours), the Company has entered into the 2024-2025 Master Design Services Agreement with Shandong Commercial for a term commencing from January 1, 2024 to December 31, 2025, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Under the 2024-2025 Master Design Services Agreement, the Group has agreed to provide certain design services, including but not limited to (i) architectural design services; (ii) landscape design services; (iii) decorative design services; and (iv) decoration management services (the “**Design Services**”) primarily to Shandong Commercial Associates. As Lushang Freda Associates still require the Group to provide the Design Services for the commercial properties held by them for their own use after the Lushang Freda’s Disposal, the Group will continue to provide the Design Services to Lushang Freda Associates in this regard. Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the 2024-2025 Master Design Services Agreement.

The maximum annual amounts payable by Lushang Freda Associates and Shandong Commercial Associates to the Group under the 2024-2025 Master Design Services Agreement for each of the two years ending December 31, 2025 are as follows:

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

The actual transaction amounts for the Design Services provided by the Group to Lushang Freda Associates and Shandong Commercial Associates for the year ended December 31, 2024 were RMB0.2 million and RMB27.3 million, respectively, which have not exceeded the aforesaid annual caps.

REPORT OF THE BOARD

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)**3. Master Property Agency Services Agreement**

On November 20, 2023 (after trading hours), the Company has also entered into the 2024-2025 Master Property Agency Services Agreement with Shandong Commercial for a term commencing from January 1, 2024 to December 31, 2025, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Under the 2024-2025 Master Property Agency Services Agreement, the Group has agreed to provide the sales assistance services (the “**Property Agency Services**”) in respect of the sales of the unsold properties and car parks to Shandong Commercial Associates. Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the 2024-2025 Master Property Agency Services Agreement.

The maximum annual amounts payable by Shandong Commercial Associates in relation to the Property Agency Services to the Group under the 2024-2025 Property Agency Services Agreement for each of the two years ending December 31, 2025 are RMB6.2 million and RMB6.2 million, respectively.

The actual transaction amounts for the Property Agency Services provided by the Group to Shandong Commercial Associates for the year ended December 31, 2024 were nil, which have not exceeded the aforesaid annual cap.

4. Master Parking Lots Entrusted Management Services Agreement

On November 20, 2023 (after trading hours), the Company has also entered into the 2024-2025 Master Parking Lots Entrusted Management Services Agreement with Shandong Commercial for a term commencing from January 1, 2024 to December 31, 2025, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Under the 2024-2025 Master Parking Lots Entrusted Management Services Agreement, the Group has agreed to provide the operational management services to certain parking lots owned by Shandong Commercial Associates (the “**Parking Lots Entrusted Management Services**”) to Shandong Commercial Associates. Under such arrangement, the Group is entrusted with full authority to operate and manage the parking lots and entitled to receive the income generated from the Parking Lots Entrusted Management Services and will pay to Shandong Commercial Associates an amount equal to a pre-agreed percentage of the income generated from the Parking Lots Entrusted Management Services (after deducting the operating costs). Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the 2024-2025 Master Parking Lots Entrusted Management Services Agreement.

The maximum annual amounts payable by the Group to Shandong Commercial Associates for the Parking Lots Entrusted Management Services under the 2024-2025 Master Parking Lots Entrusted Management Services Agreement for each of the two years ending December 31, 2025 are RMB0.8 million and RMB0.8 million, respectively.

The actual transaction amounts for the Parking Lots Entrusted Management Services provided by the Group to Shandong Commercial Associates for the year ended December 31, 2024 were RMB0.03 million, which have not exceeded the aforesaid annual cap.

REPORT OF THE BOARD

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)**5. Master Property Management and Related Services Agreement**

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

Under the 2024-2025 Master Property Management and Related Services Agreement, the Group has agreed to provide certain property management and related services, including but not limited to (i) property pre-delivery services, including but not limited to (a) management services for the onsite sales offices and display units; (b) house inspection services; (c) pre-delivery cleaning services; and (d) predelivery preparation; (ii) property management services for the properties owned or used by Lushang Freda Associates and Shandong Commercial Associates, including but not limited to the unsold residential property units, office buildings, schools and commercial properties; and (iii) other related services (the “**Property Management and Related Services**”) primarily to Shandong Commercial Associates. As Lushang Freda Associates still require the Group to provide the Property Management and Related Services for the commercial properties held by them for their own use after the Lushang Freda’s Disposal, the Group will continue to provide the Property Management and Related Services to Lushang Freda Associates in this regard.

The maximum annual amounts payable by Lushang Freda Associates and Shandong Commercial Associates to the Group under the 2024-2025 Master Property Management and Related Services Agreement for each of the two years ending December 31, 2025 are as follows:

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

The actual transaction amounts for the Property Management and Related Services provided by the Group to Lushang Freda Associates and Shandong Commercial Associates for the year ended December 31, 2024 were RMB5.5 million and RMB64.9 million, respectively, among which, the actual transaction amount with Lushang Freda Associates exceeded the annual caps by approximately RMB0.5 million, primarily due to our active expansion of the property businesses of the complexes related to Lushang Freda Associates during the year ended December 31, 2024, and in order to enhance customer’s loyalty and further enrich our services’ ecosystem, we have introduced an innovative model to bring in the food and beverage services related to property operation catering towards the needs of customers, and thus resulting in an unexpected growth in our businesses, causing the actual transaction amount with Lushang Freda Associates to have slightly exceeded the aforesaid annual cap. The actual transaction amount with Shandong Commercial Associates have not exceeded the aforesaid annual caps.

REPORT OF THE BOARD

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

In order to ensure the Company's compliance with the applicable Listing Rules requirements going forward and with a view to preventing such event from reoccurring, the Company has taken the following measures to further enhance and strengthen its internal control in respect of its continuing connected transactions:

- (a) the Company will arrange on a regular basis additional trainings for its employees, including the business operation, finance, and company secretarial departments, to strengthen their familiarity of the Listing Rules and enhance their awareness of the compliance with the relevant internal control procedures relating to the Group's continuing connected transactions;
- (b) the Group will promote and facilitate effective communication between its different departments and between members of the Group, and specifying the data collection process, so as to assure all necessary requirements of the Listing Rules are complied with; and
- (c) all members of the Group will be required to report to the finance department of the Company which will closely monitor the actual transaction amounts relating to its continuing connected transactions on a regular basis. If the actual transaction amount reaches 80% of the proposed annual caps of the relevant continuing connected transactions at any time, the matter shall promptly be escalated to the financial controller of the Company, who will seek advice from the audit committee of the Company and the Board for appropriate measures, including but not limited to revising the relevant proposed annual caps in accordance with the requirements of the Listing Rules, if necessary.

The Directors are of the view that the above enhanced internal control measures could strengthen the internal control procedures of the Company and effectively prevent the occurrence of similar events in the future.

As the actual transaction amount under the 2024-2025 Master Property Management and Related Services Agreement for the year ended December 31, 2024 exceeded the annual cap (particularly the annual cap for transactions with Lushang Freda Associates), the Company is required to re-comply with the relevant requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) as defined under the Listing Rules in respect of the actual transaction amount under the 2024-2025 Master Property Management and Related Services Agreement is more than 5%, the transactions contemplated under the 2024-2025 Master Property Management and Related Services Agreement are subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As a result, the Company has failed to re-comply with the announcement and independent shareholders' approval requirements before the annual cap of the 2024-2025 Master Property Management and Related Services Agreement was exceeded under Chapter 14A of the Listing Rules.

The Company had taken additional measures to prevent the reoccurrence of similar breaches of the Listing Rules in the future. For details, please refer to the enhanced internal control measures mentioned above.

Each of Shandong Commercial and Lushang Freda is a controlling shareholder of the Company and therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the 2024-2025 Master Engineering Services Agreement, the 2024-2025 Master Design Services Agreement, the 2024-2025 Master Property Agency Services Agreement, the 2024-2025 Master Parking Lots Entrusted Management Services Agreement and the 2024-2025 Master Property Management and Related Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

REPORT OF THE BOARD

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

On June 9, 2023 (after trading hours), the Company has entered into the 2023-2025 Master Deposit Services Agreement with Commercial Finance for a term commencing from July 1, 2023 being the date immediately following the 2023 first extraordinary general meeting of the Company which was convened and held on June 30, 2023 (the “**Effective Date**”) to December 31, 2025, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Under the 2023-2025 Master Deposit Services Agreement, we agreed to use the deposit services provided by Commercial Finance.

Pursuant to the 2023-2025 Master Deposit Services Agreement, we may deposit our funds in Commercial Finance from time to time. For avoidance of doubt, the 2023-2025 Master Deposit Services Agreement does not restrict our use of services provided by other commercial banks or independent financial institutions in China. Our Group may make choices at our discretion based on our business needs and the costs and quality of relevant services. Our Group may (but is not obliged to) use the deposit services provided by Commercial Finance in order to deploy and manage our financial resources in a more flexible and efficient manner.

The maximum daily deposit balances (including paid interests) to deposit with Commercial Finance for the period from the Effective Date to December 31, 2023 and each of the two years ending December 31, 2025, respectively are as follows:

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

The actual maximum daily deposit balances our Group deposited in Commercial Finance during the year ended December 31, 2024 was approximately RMB307.4 million and the actual interest income during the year ended December 31, 2024 was RMB4.6 million, which has not exceeded the aforesaid annual cap.

Commercial Finance is a wholly-owned subsidiary of Shandong Commercial, one of the controlling shareholders of the Company, and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the 2023-2025 Master Deposit Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

REPORT OF THE BOARD

CONTINUING CONNECTED TRANSACTIONS REVIEWED BY INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CONFIRMATION FROM THE AUDITOR

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

The auditor of the Company has issued a qualified letter containing their findings and conclusions in respect of the continuing connected transactions of the Group disclosed above in accordance with Rule 14A.56 of the Listing Rules. The basis of qualified conclusion is relating to the transaction amount with Lushang Freda Associates under the 2024-2025 Master Property Management and Related Services Agreement for the year ended December 31, 2024 which exceeded the annual cap by approximately RMB0.5 million.

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

- (1) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions have not been approved by the Board;
- (2) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions did not provide goods or services in all material respects in accordance with the pricing strategy of the Company;
- (3) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) with respect to the aggregate amount of the above continuing connected transactions, save for continuing connected transaction with Lushang Freda Associates under the 2024-2025 Master Property Management where the transaction amount with Lushang Freda Associates for the year ended December 31, 2024 has exceeded the annual cap by approximately RMB0.5 million as mentioned above, nothing has come to the attention of the auditor that causes the auditor to believe that the continuing connected transactions disclosed above have exceeded the annual cap as set by the Company.

REPORT OF THE BOARD

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended December 31, 2024 are set out in Note 10 to the consolidated financial statements. Save as disclosed above, the related party transactions set out in the note above do not fall within the definition of “connected transaction” or “continuing connected transaction” under Chapter 14A of the Listing Rules. Save as disclosed above, Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the above connected transactions and continuing connected transactions.

MATERIAL LITIGATION

During the year ended December 31, 2024, the Group was not engaged in any material litigation or arbitration which could have a material effect on its financial condition or results of operations. So far as our Directors are aware, no such litigation or arbitration of material importance is pending or threatened against the Group.

AUDITOR

On July 17, 2023, the Board resolved (i) not to re-appoint KPMG as the auditor of the Company; and (ii) appoint Da Hua Certified Public Accountants (Special General Partnership) (“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 second extraordinary general meeting of the Company convened and held on August 3, 2023. For details, please refer to the announcement of the Company dated July 17, 2023 and the circular of the Company dated July 19, 2023.

On June 3, 2024, the Board resolved to appoint ShineWing as the new auditor of the Company to fill the casual vacancy following the resignation of Da Hua on May 28, 2024, and to hold office until the conclusion of the annual general meeting of the Company held on June 28, 2024 where ShineWing has been re-appointed as the auditor of the Company. For details, please refer to the announcements of the Company dated May 28, 2024 and June 3, 2024 and the circular of the Company dated May 29, 2024.

Save as disclosed above, there has been no change in the auditor of the Company in any of the preceding three years.

The consolidated financial statements for the year ended December 31, 2024 have been audited by ShineWing.

PUBLIC FLOAT

Based on the published information and to the knowledge of the Directors, for the year ended December 31, 2024 and as at the date of this annual report, the Company maintained sufficient public float in compliance with the Listing Rules.

REPORT OF THE BOARD

RELATIONSHIPS WITH STAKEHOLDERS

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

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

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

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors, the Supervisors and the five highest paid individuals for the Relevant Year are set out in Note 10 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

2024 AGM

The 2024 AGM will be convened and held on Friday, June 27, 2025. The notice of the 2024 AGM will be published on the Company's website (www.lushangfuwu.com) and the website of the Stock Exchange (www.hkexnews.hk) and despatched to the Shareholders in the manner prescribed under the Listing Rules in due course.

REPORT OF THE BOARD

CLOSURE OF REGISTER OF MEMBERS

- (i) For the purpose of determining the Shareholders' entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Tuesday, June 24, 2025 to Friday, June 27, 2025, both days inclusive, during which period no transfer of shares will be registered. In order to qualify the Shareholders to attend and vote at the 2024 AGM, all the completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H shareholders) or to the registered office of the Company at Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road Lixia District, Jinan, Shandong, PRC (for domestic shareholders) no later than 4:30 p.m. on Monday, June 23, 2025 for registration. Shareholders whose names appear on the register of members of the Company on Friday, June 27, 2025 are entitled to attend and vote at the 2024 AGM.

(ii) Payment of the Proposed Final Dividend

For the purpose of determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, July 4, 2025 to Wednesday, July 9, 2025, both days inclusive, during which period no transfer of shares will be registered. In order to qualify the Shareholders to be entitled to the proposed final dividend, all the completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H shareholders) or to the registered office of the Company at Room 202, Block 2, Lushang Guo'ao City, No. 9777 Jingshi Road Lixia District, Jinan, Shandong, PRC (for domestic shareholders) no later than 4:30 p.m. on Thursday, July 3, 2025 for registration. It is expected that the proposed final dividend, if approved by the Shareholders at the 2024 AGM, will be paid on or before Friday, August 1, 2025 to Shareholders whose names appear on the register of members of the Company on Wednesday, July 9, 2025.

By order of the Board

Lushang Life Services Co., Ltd.

Mr. Wang Zhongwu

Chairman and executive Director

Jinan, the PRC, March 21, 2025

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company is pleased to present the Report of the Supervisory Committee of the Group for the year ended December 31, 2024.

During 2024, the Supervisory Committee fulfilled its duties and obligations in a serious manner by various ways including convening Supervisory Committee meetings, participating in Shareholders' general meetings, meetings of the Board in accordance with the provisions of the Listing Rules, the Articles of Association and the Rules of Procedure of the Supervisory Committee for the interests of the Shareholders. The Supervisory Committee reviewed the Company's financial accounts, and monitored its management and operation, implementation of resolutions of the shareholders' general meeting, directors' and management's compliance with laws, administrative regulations and the Articles of Association when performing their respective duties.

The Supervisory Committee is of the view that, during 2024, the Company operated strictly in accordance with the requirements of relevant laws and regulations, such as the Listing Rules, and the internal control management system, such as the Articles of Association, and the Directors, senior management of the Company performed their duties diligently and faithfully in accordance with laws, regulations and the Articles of Association, thereby effectively protecting the interests of the Company and the Shareholders.

MEMBERS OF THE SUPERVISORY COMMITTEE

The Supervisors of the Company for the year ended December 31, 2024 and up to the date of this report include:

Mr. Wang Hongtao (王洪濤)

Mr. Zhang Xiangqian (張向乾)

Ms. Pan Meng (潘萌)

MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2024

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

During the year ended December 31, 2024, the Company convened two meetings of the Supervisory Committee, which reviewed the financial positions of the Company and reviewed the rules of procedure of the Supervisory Committee of the Company. Supervisors carefully reviewed meeting materials and fully studied and discussed the proposals before attending the meetings of the Supervisory Committee. They attended all meetings of the Supervisory Committee in person and earnestly performed supervisory duties.

During the year ended December 31, 2024, the members of the Supervisory Committee supervised the procedures and content of the meetings by attending Shareholders' general meetings and meetings of the Board, and effectively monitored the Company's decision-making procedures, operation of the Company according to laws, financial condition, and supervised the Directors and the management in the performance of their duties during the course of daily operations of the Company, which safeguarded the legitimate interests of the Company and the Shareholders.

REPORT OF THE SUPERVISORY COMMITTEE

MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2024 (CONTINUED)**Evaluation on behaviours of the Board and the senior management in 2024**

During 2024, the Board and the senior management of the Company performed their duties diligently, operated business in compliance with laws, thoroughly learnt about the operation of the Company and conducted adequate discussions so as to make collective decisions on relevant matters of the Company and facilitate the implementation of various resolutions passed by the Board.

During 2024, procedures for making major operating decisions of the Company were legal and valid. The Directors and senior management of the Company were able to conscientiously perform their duties with a pioneering spirit in strict compliance with national laws and regulations, relevant provisions of the Articles of Association and resolutions of shareholders' general meetings and the Board; no Directors or senior management of the Company were found by the Supervisory Committee to have committed any acts in contravention of laws, regulations or the Articles of Association or detrimental to the interests of the Shareholders and the Company.

INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE COMPANY'S OPERATION**Lawful operation of the Company**

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

Financial report of the Company

The Supervisory Committee of the Company conducted a careful and detailed inspection of the Company's financial condition, and reviewed the Group's audited financial report for the year ended December 31, 2024 and other financial information. It believed that the financial report has reflected the Company's operating results and financial condition in a comprehensive, truthful and objective manner. Financial accounts were unambiguous, accounting and financial management were in compliance with relevant regulations, and no problem was found, and they were not aware of any violation of the relevant accounting standards and legal requirements by the personnel who were involved in the preparation and review of the annual report; the unqualified opinion on financial report issued by the audit firm was objective and fair.

MAJOR INITIATIVES OF THE SUPERVISORY COMMITTEE FOR 2025

In 2025, the Supervisory Committee will work diligently and faithfully under relevant requirements of the Listing Rules, the Articles of Association and the Rules of Procedure of the Supervisory Committee, implement effective supervision on the Company, Directors and senior management, closely monitor the operation and management of the Company, pay attention to any significant development of the Company to promote sustainable development of the Company, and faithfully safeguard the interests of the Shareholders and the Company as a whole. Meanwhile, the Supervisory Committee will further integrate supervision resources, procure improvement in management, assist in and ensure successful realization of the Company's work targets for 2025.

AUDITOR'S REPORT

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

1. Opinion

We have audited the financial statements of Lushang Life Services Co., Ltd. (hereinafter referred to as "Lushang Services"), which comprise the consolidated and parent company's balance sheet as at 31 December 2024, the consolidated and parent company's income statement, the consolidated and parent company's cash flow statement and the consolidated and parent company's statement of changes in shareholders' equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements of Lushang Services present fairly, in all material respects, the consolidated and parent company's financial position as at 31 December 2024, the consolidated and parent company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Lushang Services in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

3. Key Audit Matters

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

1. Revenue Recognition

Key Audit Matter	How the matter was addressed in the audit
<p>For details on the accounting policies for revenue recognition and the analysis of revenue, please refer to the accounting policies described in the section "Revenue recognition, and principles and measurement methods" in the notes to the consolidated financial statements.</p> <p>As stated in the Note 5.30, the main sources of revenue for Lushang Services are property management services, value-added services to non-property owners, and community value-added services. For the period from January to December 2024, Lushang Services reported operating revenue of RMB 608.92 million, representing a decrease of 1.95% compared to the same period in 2023 (before restatement).</p>	<p>For operating revenue, we performed the following audit procedures, among others:</p> <ol style="list-style-type: none"> (1) Understand and assess the design effectiveness of the company's internal controls related to revenue recognition, and perform control tests on the operating effectiveness of key internal controls. (2) Obtain samples of sales contracts, identify contract terms related to the transfer of control of goods or services, and evaluate whether the accounting policies for revenue recognition are appropriate. (3) Analyze the monthly and annual trends in operating revenue, and their causes, based on business categories and business models, analyze the fluctuations in gross profit margins for various business categories and their causes, and compare them with the gross profit margins in the industry to assess the reasonableness of operating revenue.

AUDITOR'S REPORT

3. Key Audit Matters (CONTINUED)

1. Revenue Recognition (continued)

Key Audit Matter	How the matter was addressed in the audit
Operating revenue is of a significant amount and serves as one of the company's key performance indicators. The accuracy of its recognition has a material impact on the company's operating results. Therefore, we have identified revenue recognition as a key audit matter.	<p>(4) Using a sampling approach, examine supporting documents related to revenue recognition, such as property service contracts, engineering and construction contracts, customer acknowledgment receipts, and invoices, etc. Additionally, review business system data to verify the authenticity of revenue recognition.</p> <p>(5) Select samples to perform confirmation procedures on accounts receivable and operating revenue for the current period, and perform alternative procedures for samples that do not receive replies.</p> <p>(6) Perform cut-off tests on revenue recognized around the balance sheet date to determine whether the revenue recognition period is appropriate.</p> <p>(7) Examine whether operating revenue has been properly presented and disclosed in the financial statements.</p>

AUDITOR'S REPORT

3. Key Audit Matters (CONTINUED)

2. Expected Credit Loss on Accounts Receivable

Key Audit Matter	How the matter was addressed in the audit
<p>As stated in Note 5.3, as of December 31, 2024, the carrying balance of accounts receivable for Lushang Services was RMB 306.0413 million, with an allowance for its expected credit losses of RMB 29.6766 million.</p> <p>Given the significance of accounts receivable, and that the management's assessment of expected credit losses over the entire duration of the receivables involves combining historical data with current economic conditions and considering forward-looking information, in which significant accounting estimates and judgments are applied by the management, we have identified the expected credit loss on accounts receivable as a key audit matter.</p>	<p>For the impairment of accounts receivable, we performed the following audit procedures, among others:</p> <ol style="list-style-type: none"> (1) Understand the internal controls related to accounts receivable and expected credit losses, assess the design of these controls, and determine whether they are operating effectively. (2) Analyze the reasonableness of expected credit losses on accounts receivable, including the basis for grouping accounts receivable and the judgment for individually determining the expected credit losses. (3) Evaluate the expected credit loss model used by the company, analyze the reasonableness of key parameters and indicators, and verify the calculation process. (4) Examine the management's considerations and objective evidence regarding the impairment testing of accounts receivable, and focus on whether the management has adequately identified impaired items.

AUDITOR'S REPORT

3. Key Audit Matters (CONTINUED)

2. Expected Credit Loss on Accounts Receivable (continued)

Key Audit Matter	How the matter was addressed in the audit
	<p>(5) Obtain the company's expected credit loss calculation table, check whether the method complies with the expected credit loss policy, verify whether the aging classification of accounts receivable is correct, and recalculate to determine whether the amount of the expected credit loss is accurate.</p> <p>(6) Implement confirmation procedures for accounts receivable and select a sample to check post – period payment collection.</p> <p>(7) Perform confirmation procedures on accounts receivable and select samples to check their collection status after the reporting period.</p> <p>(8) Examine whether expected credit losses on accounts receivable have been properly presented and disclosed in the financial statements.</p>

4. Other Information

The management of Lushang Services (hereinafter referred to as the "Management") is responsible for the other information. The other information comprises the information included in the Lushang Services 2024 annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

AUDITOR'S REPORT

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

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Lushang Services' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate Lushang Services or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible to overseeing Lushang Services's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

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

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

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

AUDITOR'S REPORT

6. Auditor's Responsibilities for the Audit of the Financial Statements *(CONTINUED)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings etc., including any significant deficiencies in internal control that we identify during our audit.

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

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

ShineWing Certified Public Accountants LLP

CICPA: Lizhushan
(Audit Partner)

CICPA: Yaoxuefei

Beijing, China

21 March 2025

CONSOLIDATED BALANCE SHEET

As at 31 December 2024

Unit: RMB

Items	Notes	31 December 2024	31 December 2023 (Restated)
Current assets:			
Cash and bank	5.1	426,558,420.34	412,656,582.99
Financial assets held for trading		—	—
Derivative financial assets		—	—
Notes receivable	5.2	46,441,738.61	17,917,933.62
Accounts receivable	5.3	276,364,740.99	295,434,336.15
Receivables financing	5.4		200,000.00
Prepayments	5.5	3,125,684.05	1,897,975.45
Other receivables	5.6	3,332,573.58	7,614,437.01
Including: Interest receivable		—	—
Dividends receivable		—	—
Inventories	5.7	7,112,992.27	3,424,031.97
Contract assets	5.8	61,756,374.04	61,128,423.11
Assets held for sale		—	—
Current portion of non-current assets		—	—
Other current assets	5.9	603,223.87	2,840,033.47
Total current assets		825,295,747.75	803,113,753.77
Non-current assets:			
Debt investments		—	—
Other debt investments		—	—
Long-term receivables		—	—
Long-term equity investments		—	—
Investments in other equity instruments		—	—
Other non-current financial assets		—	—
Investment properties	5.10	39,774,869.79	39,504,900.36
Fixed assets	5.11	48,738,575.11	50,711,300.46
Construction in progress		—	—
Productive biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets	5.12	977,067.84	1,758,722.04
Intangible assets	5.13	655,580.50	1,083,758.01
Development expenditures		—	—
Goodwill		—	—
Long-term deferred expenses	5.14	6,075,173.52	2,898,728.72
Deferred tax assets	5.15	7,575,650.42	6,611,673.12
Other non-current assets		—	—
Total non-current assets		103,796,917.18	102,569,082.71
Total assets		929,092,664.93	905,682,836.48

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2024

Unit: RMB

Items	Notes	31 December 2024	31 December 2023 (Restated)
Current liabilities:			
Short-term borrowings	5.16	8,008,317.81	—
Financial liabilities held for trading		—	—
Derivative financial liabilities		—	—
Notes payable		—	—
Accounts payable	5.17	165,827,631.03	201,696,808.99
Payments received in advance	5.18	316,079.43	336,976.79
Contract liabilities	5.19	80,569,022.21	71,800,943.11
Employee benefits payable	5.20	18,792,540.15	25,395,648.20
Taxes payable	5.21	5,771,049.10	2,958,675.69
Other payables	5.22	59,668,177.43	60,213,944.23
Including: Interest payable		—	—
Dividends payable		10,213,740.00	10,740,000.00
Liabilities held for sale		—	—
Current portion of non-current liabilities	5.23	2,624,841.77	952,518.46
Other current liabilities	5.24	18,685,293.00	12,002,961.85
Total current liabilities		360,262,951.93	375,358,477.32
Non-current liabilities:			
Long-term borrowings		—	—
Bonds payable		—	—
Including: Preferred stocks		—	—
Perpetual bonds		—	—
Lease liabilities	5.25	—	1,740,952.23
Long-term payables		—	—
Long-term employee benefits payable		—	—
Provisions		—	—
Deferred income		—	—
Deferred tax liabilities		—	—
Other non-current liabilities		—	—
Total non-current liabilities		—	1,740,952.23
Total liabilities		360,262,951.93	377,099,429.55
Shareholders' equity:			
Share capital	5.26	133,340,000.00	133,340,000.00
Other equity instruments		—	—
Including: Preferred stocks		—	—
Perpetual bonds		—	—
Capital reserves	5.27	213,924,223.38	218,802,523.38
Less: Treasury stocks		—	—
Other comprehensive income		—	—
Special reserves		—	—
Surplus reserves	5.28	16,964,526.57	13,003,776.37
Retained earnings	5.29	200,618,239.78	159,487,525.92
Total shareholders' equity attributable to parent company		564,846,989.73	524,633,825.67
Non-controlling interests		3,982,723.27	3,949,581.26
Total shareholders' equity		568,829,713.00	528,583,406.93
Total liabilities and shareholders' equity		929,092,664.93	905,682,836.48

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2024

Unit: RMB

Items	Notes	2024	2023 (Restated)
I. Total Revenue		608,918,623.83	956,603,758.64
Including: Operating revenue	5.30	608,918,623.83	956,603,758.64
II. Total Cost		547,439,763.34	908,759,864.51
Including: Operating costs	5.30	492,980,558.28	826,342,630.54
Taxes and surcharges	5.31	3,706,061.02	15,143,269.28
Selling expenses	5.32		12,582,942.63
Administrative expenses	5.33	50,257,784.64	55,326,230.08
Research and development expenses	5.34	5,088,420.03	4,225,020.70
Finance expenses	5.35	-4,593,060.63	-4,860,228.72
Including: Interest expenses		287,299.69	168,474.84
Interest income		6,386,971.69	7,046,780.64
Add: Other income	5.36	1,441,137.27	2,821,209.20
Income from investments	5.37	-379,945.42	16,700,521.00
Including: Investment income from associates and joint ventures		—	—
Income from derecognition of financial assets at amortized cost		—	—
Gains on net exposure hedging		—	—
Gains on changes in fair value		—	—
Credit impairment losses	5.38	-11,451,424.70	-9,241,076.41
Impairment losses on assets	5.39	-80,771.13	-1,118,631.67
Gains on disposal of assets		—	—
III. Operating profit (Loss indicated with “-”)		51,007,856.51	57,005,916.25
Add: Non-operating income	5.40	8,327,613.45	147,037.48
Less: Non-operating expenses	5.41	232,410.31	448,200.48
IV. Profit before tax (Loss indicated with “-”)		59,103,059.65	56,704,753.25
Less: Income tax expenses	5.42	13,978,453.58	10,797,975.76
V. Net profit (Net Loss indicated with “-”)		45,124,606.07	45,906,777.49
(I) Classified by going concern		45,124,606.07	45,906,777.49
Net profit from continuing operations		45,124,606.07	45,906,777.49
Net profit from discontinuing operations			
(II) Classified by ownership of the equity		45,124,606.07	45,906,777.49
Net profit attributable to the parent company’s shareholders		45,091,464.06	45,078,035.41
Net profit attributable to non-controlling interests		33,142.01	828,742.08

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2024

Unit: RMB

Items	Notes	2024	2023 (Restated)
VI. Other comprehensive income, net of tax		—	—
Other comprehensive income, net of tax attributable to the parent company's shareholders		—	—
(I) Other comprehensive income that will not be reclassified into profit or loss		—	—
1. Changes in remeasurement of defined-benefit plans		—	—
2. Other comprehensive income that cannot be reclassified under the equity method		—	—
3. Changes in fair value of investments in other equity instruments		—	—
4. Changes in fair value due to the entity's own credit risk		—	—
5. Others		—	—
(II) Other comprehensive income that may be reclassified into profit or loss		—	—
1. Other comprehensive income that may be reclassified under the equity method		—	—
2. Changes in the fair value of other debt investments		—	—
3. Amount included in OCI due to reclassifications of financial assets		—	—
4. Provision for credit impairment of other debt investments		—	—
5. Cash flow hedge reserve (effective portion of gain or loss on hedging instrument)		—	—
6. Foreign currency translation reserve		—	—
7. Others		—	—
Other comprehensive income, net of tax attributable to non-controlling interests		—	—
VII. Total comprehensive income		45,124,606.07	45,906,777.49
Total comprehensive income attributable to the parent company's shareholders		45,091,464.06	45,078,035.41
Total comprehensive income attributable to non-controlling interests		33,142.01	828,742.08
VIII. Earnings per share (EPS):			
(I) Basic earnings per share (Yuan per share)		0.34	0.34
(II) Diluted earnings per share (Yuan per share)		0.34	0.34

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024

Unit: RMB

Items	Notes	2024	2023 (Restated)
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		652,789,072.23	990,800,139.90
Receipts of taxes refunds		1,536,866.09	480,579.23
Other cash receipts relating to operating activities	5.43	84,824,282.95	82,649,847.20
Subtotal of cash inflows from operating activities		739,150,221.27	1,073,930,566.33
Cash payments for goods and services		462,972,807.20	738,313,910.25
Cash payments to and on behalf of employees		155,844,411.45	164,270,250.55
Payments of all types of taxes and surcharges		37,102,420.68	81,067,221.20
Other cash payments relating to operating activities	5.43	88,729,416.89	74,462,711.36
Subtotal of cash outflows from operating activities		744,649,056.22	1,058,114,093.36
Net cash flows from operating activities		-5,498,834.95	15,816,472.97
II. Cash flows from investing activities:			
Cash receipts from sales and withdrawals of investments		—	—
Cash receipts from returns on investments		—	—
Net proceeds from disposals of fixed assets, intangible assets and other long-		670.00	30,025.00
Net proceeds from disposals of subsidiaries and other business units		24,959,508.38	3,766,415.66
Other cash receipts relating to investing activities		—	—
Subtotal of cash inflows from investment activities		24,960,178.38	3,796,440.66
Cash payments for acquisition and construction of fixed assets, intangible assets and other long-term assets		8,369,106.55	5,603,625.29
Cash payments for investments		—	—
Net cash payments for acquisitions of subsidiaries and other business units		—	—
Other cash payments relating to investing activities		—	—
Subtotal of cash outflows from investment activities		8,369,106.55	5,603,625.29
Net cash flows from investing activities		16,591,071.83	-1,807,184.63

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024

Unit: RMB

Items	Notes	2024	2023 (Restated)
III. Cash flows from financing activities:			
Cash receipts from capital contributions		—	10,000,000.00
Including: cash receipts from capital injection into subsidiaries by non- controlling shareholders		—	—
Cash receipts from borrowings		8,000,000.00	70,000,000.00
Other cash receipts relating to financing activities		—	—
Subtotal of cash inflows from financing activities		8,000,000.00	80,000,000.00
Cash paid for repayments of debts			
Cash payments for dividends, profits and interests		733,260.01	24,721,802.33
Including: dividends and profits paid by subsidiaries to non-controlling shareholders		—	—
Other cash payments relating to financing activities	5.43	5,018,910.79	85,417,413.48
Subtotal of cash outflows from financing activities		5,752,170.80	110,139,215.81
Net cash flows from financing activities		2,247,829.20	-30,139,215.81
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		-263,232.21	33.24
V. Net increase in cash and cash equivalents		13,076,833.87	-16,129,894.23
Add: opening balance of cash and cash equivalents		412,094,874.66	428,224,768.89
VI. Closing balance of cash and cash equivalents		425,171,708.53	412,094,874.66

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

Unit: RMB

Items	2024											
	Equity attributable to shareholders of the parent company											Non-controlling interests
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stocks	Other Comprehensive Income	Special reserves	Surplus reserves	Retained earnings	Subtotal	
I. Balance at the end of last year	133,340,000.00	-	-	-	218,802,523.38	-	-	-	13,003,776.37	159,487,525.92	524,633,825.67	3,949,581.26
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of this year	133,340,000.00	-	-	-	218,802,523.38	-	-	-	13,003,776.37	159,487,525.92	524,633,825.67	3,949,581.26
III. Changes during the period ("-" for decreases)	-	-	-	-	-4,878,300.00	-	-	-	3,960,750.20	41,130,713.86	40,213,164.06	33,142.01
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-	45,091,464.06	45,091,464.06	33,142.01
(2) Shareholders' contributions and reductions in capital	-	-	-	-	-4,878,300.00	-	-	-	-	-	-4,878,300.00	-4,878,300.00
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-4,878,300.00	-	-	-	-	-	-4,878,300.00	-4,878,300.00
(3) Profit distribution	-	-	-	-	-	-	-	-	3,960,750.20	-3,960,750.20	-	-
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	3,960,750.20	-3,960,750.20	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in defined benefit obligation transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of the period	133,340,000.00	-	-	-	213,924,223.38	-	-	-	16,964,526.57	200,618,239.78	564,846,989.73	3,982,723.27

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

Unit: RMB

2023 (Restated)													
Items	Equity attributable to shareholders of the parent company											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stocks	Other Comprehensive Income	Special reserves	Surplus reserves	Retained earnings	Subtotal		
		Preferred stocks	Perpetual bonds	Others									
I. Balance at the end of last year	133,340,000.00	-	-	-	214,329,955.14	-	-	-	9,755,021.62	142,800,857.91	500,225,834.67	3,120,839.18	503,346,673.85
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of errors in prior period	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-10,768,237.03	-10,768,237.03	-	-10,768,237.03
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of this year	133,340,000.00	-	-	-	214,329,955.14	-	-	-	9,755,021.62	132,032,620.88	489,457,597.64	3,120,839.18	492,578,436.82
III. Changes during the period ("-" for decreases)	-	-	-	-	4,472,568.24	-	-	-	3,248,754.75	27,454,905.04	35,176,228.03	828,742.08	36,004,970.11
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-	45,078,035.41	45,078,035.41	828,742.08	45,906,777.49
(2) Shareholders' contributions and reductions in capital	-	-	-	-	4,472,568.24	-	-	-	-	-	4,472,568.24	-	4,472,568.24
1. Common stock capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-5,527,431.76	-	-	-	-	-	-5,527,431.76	-	-5,527,431.76
4. Others	-	-	-	-	10,000,000.00	-	-	-	-	-	10,000,000.00	-	10,000,000.00
(3) Profit distribution	-	-	-	-	-	-	-	-	3,248,754.75	-17,623,130.37	-14,374,375.62	-	-14,374,375.62
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	3,248,754.75	-3,248,754.75	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-	-14,374,375.62	-14,374,375.62	-	-14,374,375.62
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in defined benefit obligation transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of the period	133,340,000.00	-	-	-	218,802,523.38	-	-	-	13,003,776.37	159,487,525.92	524,633,825.67	3,949,581.26	528,583,406.93

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

1. Company background

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

As of December 31, 2024, the share capital of the Company was 133.34 million yuan, the controlling shareholder was Lushang Freda Pharmaceutical Co., LTD., the parent company of the controlling shareholder was Shandong Commercial Group Co., LTD., and the ultimate actual controller of the Group was the State-owned Assets Supervision and Administration Commission of the Shandong Provincial People’s Government.

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

This financial statement has been approved for publication by the company’s board of directors on March 21, 2025.

2. The basis for preparation of financial statement

2.1. Compilation Basis

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

The Group’s financial statements are prepared based on the actual transactions and events, following the “Accounting Standards for Business Enterprises” promulgated by the Ministry of Finance, including their application guidelines, interpretations, and other relevant provisions, as well as the rules and regulations of the China Securities Regulatory Commission (CSRC), specifically the “No. 15 of the Rules for the Preparation of Information Disclosure by Companies Offering Public Securities - General Requirements for Financial Reporting (Revised 2023)”. Additionally, the financial statements comply with the disclosure requirements of Hong Kong’s Companies Ordinance and the listing rules of the Hong Kong Stock Exchange (HKEX).

2.2. Going concern

The Group 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.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates**3.1. Statement of Compliance with Accounting Standards for Business Enterprises**

These financial statements meet the requirements of the Accounting Standards for Business Enterprises and truthfully, accurately and completely reflect the financial position of the company and the group as of December 31, 2024, as well as relevant information such as results of operations and cash flows from January 1 to December 31, 2024.

3.2. Accounting period

The Group's accounting period is from January 1 to December 31 of the Gregorian calendar.

3.3. Business cycle

The group takes 12 months as a business cycle and uses it as the liquidity division standard for assets and liabilities.

3.4. Functional Currency for Accounting

The group uses RMB as the functional currency for accounting.

3.5. Accounting Treatment for Business Combinations under Common Control and Not under Common Control**3.5.1. Business Combinations under Common Control**

A business combination under common control refers to a situation where the combining entities are, before and after the business combination, ultimately controlled by the same party or parties, and such control is not transitory.

As the acquirer, the assets and liabilities acquired by the Group in a business combination under common control shall be measured at their carrying amounts in the consolidated financial statements of the ultimate controlling party on the consolidation date. The difference between the carrying amount of the net assets acquired and the carrying amount of the consideration paid for the combination shall be adjusted against the capital reserve; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted accordingly.

3.5.2. Business Combinations Not under Common Control

A business combination not under common control refers to a situation where the combining entities are not under the ultimate control of the same party or parties before and after the business combination.

As the acquirer, the Group shall measure the identifiable assets, liabilities, and contingent liabilities acquired in a business combination not under common control at their fair values on the acquisition date. If the combination cost exceeds the fair value of the identifiable net assets acquired, the excess shall be recognized as goodwill. Conversely, if the combination cost is less than the fair value of the identifiable net assets acquired, the Group shall first review the fair values of the identifiable assets, liabilities, and contingent liabilities acquired, as well as the combination cost. After the review, if the combination cost remains less than the fair value of the identifiable net assets acquired, the difference shall be recognized as non-operating income in the current period of the combination.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates *(CONTINUED)*

3.6. The criteria for determining control and the preparation methods of consolidated financial statements

The scope of the consolidation of the group's consolidated financial statements is determined on the basis of control, including the company and all subsidiaries controlled by the company (including the divisible parts of the enterprise and the investees, as well as the structured entities controlled by the enterprise, etc.). The criterion for the Group to determine control is that the Group has power over the investee, enjoys variable returns by participating in the investee's related activities, and has the ability to use the power over the investee to affect its returns amount.

When preparing the consolidated financial statements, if the subsidiary is inconsistent with the accounting policies or accounting periods adopted by the Company, the subsidiary's financial statements shall be adjusted as necessary in accordance with the Company's accounting policies or accounting periods.

The impact of internal transactions between the company and its subsidiaries on the consolidated financial statements will be eliminated upon consolidation. The share of the owner's equity of the subsidiary that does not belong to the parent company, as well as the current net profit and loss, other comprehensive income and the share of the total comprehensive income that belongs to the non-controlling shareholders' equity, are listed separately in the consolidated financial statements items as "Non-controlling interests, net profit attributable to non-controlling interests, Other comprehensive income net of tax attributable to non-controlling interests, and Total comprehensive income attributable to non-controlling interests".

For subsidiaries acquired in a business combination under common control, their operating results and cash flows shall be included in the consolidated financial statements from the beginning of the consolidated period. When preparing the comparative consolidated financial statements, adjustments are made to the relevant items of the previous year's financial statements as if the reporting entity formed after the combination has existed since the point when the ultimate control party began to exercise control.

For subsidiaries acquired in a business combination not under common control, the operating results and cash flows shall be included in the consolidated financial statements from the date when the Group obtains control over them. When preparing the consolidated financial statements, the financial statements of the subsidiary are adjusted on the basis of the fair value of the identifiable assets, liabilities and contingent liabilities determined as of the acquisition date.

The Group partially disposes of its long-term equity investment in its subsidiaries without losing control, in the consolidated financial statements, the difference between the disposal proceeds and the share of the subsidiary's net assets continuously calculated from the acquisition or consolidation date corresponding to the disposed long-term equity investment is adjusted against capital reserves (share premium). If the capital reserve is insufficient to offset, the retained earnings are adjusted.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.6. The criteria for determining control and the preparation methods of consolidated financial statements (continued)**

If the Group loses control of the investee due to the disposal of part of the equity investment or other reasons, in the preparation of the consolidated financial statements, the remaining equity is re-measured at its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus the share of the original subsidiary's net assets continuously calculated from the acquisition or consolidation date based on the original shareholding ratio, is included in the investment gains and losses during the period of loss of control, and the goodwill is written off at the same time. Other comprehensive income related to the equity investment of the original subsidiary, etc., is converted into current investment gains and losses at the time of loss of control.

When the Group disposes of its equity investment in a subsidiary through multiple transactions over time until the loss of control, and these transactions are part of a package deal, they should be accounted for as a single transaction for the disposal of the subsidiary and the loss of control; however, before the loss of control, the difference between the disposal proceeds and the share of the subsidiary's net assets corresponding to the disposed investment for each transaction, is recognized as other comprehensive income in the consolidated financial statements, and at the time of, loss of control, it will be transferred to the investment gains and losses of the period. If the disposal of the equity investment in the subsidiary through multiple transactions over time until the loss of control is not part of a package deal, each transaction is accounted for separately according to whether the control is lost or not.

3.7. Cash and cash equivalents

The cash in the Group's cash flow statement refers to cash in stock and deposits that can be used for payments at any time. The cash equivalent of the cash flow statement refers to an investment with a holding period of no more than 3 months, strong liquidity, easy to convert into a known amount of cash, and with little risk of value fluctuation.

3.8. Foreign currency business

The group's foreign currency transactions are initially recognized by translating the foreign currency amounts into the functional currency using the spot exchange rate at the date of the transaction. On the balance sheet date, monetary items denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the balance sheet date. The resulting translation differences, except for the exchange differences arising from foreign currency borrowings specifically borrowed to finance the acquisition or construction of assets that meet the capitalization criteria, which are accounted for under the capitalization principle, are directly recognized in the current period's profit or loss. Non-monetary items in foreign currencies carried at historical cost continue to be translated using the exchange rate at the date of the transaction and do not change their functional currency amounts; Non-monetary items in foreign currencies carried at fair value are translated at the exchange rate that existed when the fair values were determined, the difference between the translated functional currency amounts and the original functional currency amounts is treated as a change in fair value (including exchange rate changes) and included in the current period's profit or loss; The capital contributed by the investors in foreign currencies is translated using the spot exchange rate at the date of the transaction, and no translation differences arise between the foreign currency capital and the corresponding monetary items in the functional currency.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.9. Financial instruments

3.9.1. Financial instruments' recognition and derecognition

The group recognizes a financial asset or financial liability when it becomes a party to the contractual provisions of a financial instrument.

Financial assets (or a part of a financial asset, or a part of a group of similar financial assets) are derecognized, which means they are removed from the accounts and the statement of financial position, when the following conditions are met: (a) The right to receive cash flows from the financial asset has expired; (b) The right to receive cash flows from the financial asset has been transferred, or there is an obligation under a "pass-through agreement" to promptly pay the full amount of cash received to a third party, or there has been a transfer of nearly all the risks and rewards of ownership of the financial asset, or even though there has been neither a transfer nor a retention of nearly all the risks and rewards of ownership of the financial asset, control over the financial asset has been surrendered.

When the obligation of a financial liability has been fulfilled, revoked, or has expired, the financial liability is derecognized. If an existing financial liability is substituted by another financial liability with substantially different terms from the same creditor, or if the terms of the existing liability are almost entirely modified in substance, such replacement or modification is handled as the derecognition of the original liability and the recognition of the new liability, with the difference being recognized in the current period's profit or loss.

The purchase and sale of financial assets in the normal course are recognized and derecognized under trade-date accounting.

3.9.2. Classification and measurement methods for financial assets

At initial recognition, the Group's financial assets are classified based on the business model we use to manage the financial assets and the contractual cash flow characteristics of the financial assets. The financial assets are classified as: Financial Assets at Amortized Cost, Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI), and Financial Assets at Fair Value Through Profit and Loss (FVTPL). Reclassification of all affected financial assets occurs only when there is a change in the business model the Group use to manage the financial assets.

Financial assets are initially measured at fair value, but for accounts receivable or notes receivable arising from the sale of goods and the rendering of services that do not contain a significant financing component, or where the financing component is not considered if it does not exceed one year, they are initially measured at the transaction price.

For financial assets measured at fair value through profit and loss (FVTPL), the related transaction costs are recognized directly in the current period's profit or loss. For other categories of financial assets, the related transaction costs are included in their initial recognition amount.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.9. Financial instruments (continued)****3.9.2. Classification and measurement methods for financial assets (continued)**

The subsequent measurement of financial assets depends on their classification:

(1) Financial Assets at Amortized Cost

Financial assets are classified as Financial Assets at Amortized Cost if they meet the following criteria simultaneously: (a) The business model for managing the financial asset is aimed at collecting contractual cash flows; (b) The contract terms of the financial asset stipulate that the cash flows it generates on specified dates are solely payments of principal and interest based on the unpaid principal amount. The group's financial assets classified in this category mainly include: cash and bank, accounts receivable, notes receivable, and other receivables.

(2) Debt instrument investments at fair value through other comprehensive income (FVOCI)

Financial assets are classified as Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) if they meet the following criteria simultaneously: (a) The business model for managing the financial asset involves both collecting contractual cash flows and selling the financial asset; (b) The contract terms of the financial asset stipulate that the cash flows it generates on specified dates are solely payments of principal and interest based on the unpaid principal amount. Such financial assets use the effective interest method to recognize interest income. Apart from interest income, impairment losses, and exchange differences which are recognized in the current period's profit and loss, the remaining changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses that were previously recognized in other comprehensive income are reclassified from other comprehensive income to the current period's profit and loss. The Group's financial assets classified in this category mainly include: receivables financing.

(3) Equity instrument investments at fair value through other comprehensive income (FVOCI)

The Group may choose to irrevocably designate certain non-trading equity instrument investments as Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI). Once this designation is made, it cannot be revoked. The Group recognizes only the dividend income (excluding dividend income clearly identified as a recovery of part of the investment cost) in the current period's profit and loss, with subsequent changes in fair value being included in other comprehensive income, and no impairment provisions are required. Upon derecognition of the financial asset, the cumulative gains or losses that were previously included in other comprehensive income are reclassified from other comprehensive income to retained earnings.

(4) Financial Assets at Fair Value Through Profit and Loss (FVTPL)

Apart from financial assets mentioned above, which are classified as Financial Assets at Amortized Cost, or classified/designated as Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI), the Group classifies other financial assets as Financial Assets at Fair Value Through Profit and Loss (FVTPL). These financial assets are subsequently measured at fair value, and all changes in fair value, except for those related to hedge accounting, are recognized in profit and loss for the period.

If the contingent consideration recognized by the Group in business combinations not under common control, constitutes financial assets, such financial assets are classified as Financial Assets at Fair Value Through Profit and Loss (FVTPL).

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.9. Financial instruments (continued)

3.9.3. Classification, recognition criteria, and measurement methods for financial liabilities

Except for financial guarantee contracts issued, loan commitments at below-market interest rates, and financial liabilities arising from the transfer of financial assets that do not meet the derecognition criteria or from continuing involvement with transferred financial assets, the Group classifies financial liabilities at initial recognition into: Financial liabilities measured at fair value through profit or loss (FVTPL); Financial liabilities measured at amortized cost. For financial liabilities measured at fair value through profit or loss, the related transaction costs are recognized directly in the current period's profit or loss. For financial liabilities measured at amortized cost, the related transaction costs are included in their initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities measured at amortized cost

For financial liabilities measured at amortized cost, the effective interest method is used for subsequent measurement at amortized cost.

(2) Financial liabilities measured at fair value through profit or loss (FVTPL)

Financial liabilities at fair value through profit or loss (FVTPL), including derivatives that are financial liabilities, encompass both transactional liabilities and those designated as FVTPL at initial recognition. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. All changes in fair value, except for those related to hedge accounting, are recognized in profit or loss for the period. For financial liabilities designated as measured at fair value through profit or loss (FVTPL), subsequent measurement is based on fair value, with all changes in fair value recognized in profit or loss for the period, except for changes caused by the Group's own credit risk, which are included in other comprehensive income. If recognizing fair value changes caused by the Group's own credit risk in other comprehensive income would create or amplify an accounting mismatch in profit or loss, the Group would account for all fair value changes, including the effects of its own credit risk, in profit or loss for the period.

If the contingent consideration in a business combination not under common control, in which the Group acts as the acquirer, qualifies as a financial liability, the Group accounts for it as financial liabilities at fair value through profit or loss (FVTPL).

3.9.4. Impairment of financial instruments

The Group, based on expected credit losses, carries out impairment on, and recognizes loss provisions for: financial assets measured at amortized cost, debt investments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments, and financial guarantee contracts.

Expected credit losses refer to the weighted average of credit losses of financial instruments, weighted by the risk of default. Credit loss refers to the present value of the difference between all contractual cash flows that the Group would be entitled to receive under the original effective interest rate and all cash flows that are expected to be received, i.e., the present value of all cash shortfalls. When considering the expected credit loss measurement method, the group reflects the following elements: (a) An unbiased, probability-weighted average amount determined by evaluating a range of possible outcomes; (b) The time value of money; (c) Reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions, available without undue cost or effort as of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.9. Financial instruments (continued)****3.9.4. Impairment of financial instruments (continued)**

The Group assesses the expected credit losses of financial instruments based on both individual and collective evaluations. When assessing on a collective basis, the Group categorizes financial instruments into different groupings based on their shared credit risk characteristics. The shared credit risk characteristics adopted by the Group include: type of financial instrument, credit risk rating, relationship with the debtor, and the age of receivables, etc.

The Group employs the expected credit loss model to assess impairment for financial instruments and contract assets, which requires significant judgments and estimates, taking into account all reasonable and supportable information, including forward-looking information. In making these judgments and estimates, The Group infers the expected changes in the credit risk of debtors based on historical repayment data in conjunction with economic policies, macroeconomic indicators, industry risks, and other factors. Different estimates may affect the calculation for impairment, and the amount of impairment provisions made may not necessarily equal the actual amount of future impairment losses.

(1) Impairment test methods for receivables and contract assets

For receivables such as accounts receivable, notes receivable, receivables financing, contract assets, and other receivables arising from daily operating activities such as the sale of goods and the rendering of services, which do not contain significant financing components, the Group uses a simplified measurement method to measure the loss allowance at an amount equal to full lifetime expected losses.

For lease receivables, receivables and contract assets that include significant financing components, the Group opts to use a simplified measurement method, measuring the loss allowance at an amount equal to full lifetime expected losses.

For receivables, except for individually determining the credit loss for those with significant individual amounts and credit impairment that has occurred, the expected credit loss is typically calculated based on the grouping by shared credit risk characteristics, which takes into account the factors that the expected credit loss measurement approach should reflect, and refers to historical credit loss experience to compile a table of accounts receivable age and default loss rates. This table serves as the basis for calculating the expected credit loss. If the credit risk characteristics of a particular customer are significantly different from those of other customers in the grouping, or if there is a significant change in the credit risk characteristics of the customer, such as the customer experiencing severe financial difficulties, and the expected credit loss rate for receivables from that customer is significantly higher than the expected credit loss rate for the age and overdue interval in which they are placed, the Group will provide for the expected credit loss of receivables from that customer on an individual basis.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.9. Financial instruments (continued)

3.9.4. Impairment of financial instruments (continued)

(1) Impairment test methods for receivables and contract assets (continued)

- (a) The grouping categories for accounts receivable (and contract assets) and the basis for their determination
The Group categorizes accounts receivable (and contract assets) based on information such as the age and nature of the receivables, credit risk exposure, and historical collection performance, grouping them according to the similarity and relevance of their credit risk characteristics. For accounts receivable (and contract assets), the Group considers the age of the receivables as the primary factor affecting their credit risk. Therefore, the Group assesses their expected credit losses based on the age of the receivables. The age of the receivables is determined based on the actual recognition date. The groupings determined by the Group are as follows:

Category name	The basis for determining the category	Calculation method
Related party category	This category takes the payments receivable from related parties as the credit risk characteristic	Referring to historical credit loss experience, combined with the current conditions and the forecast of future economic conditions, the exposure at default and the full lifetime expected credit loss rates are used
Aging category	This category takes the age of payments receivable from non-related parties as the credit risk characteristic	Referring to historical credit loss experience, combined with the current conditions and the forecast of future economic conditions, a table of full lifetime expected credit loss rates matched with the age of the receivables are used

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.9. Financial instruments (continued)

3.9.4. Impairment of financial instruments (continued)

(1) Impairment test methods for receivables and contract assets (continued)

(b) The grouping categories for other receivables and the basis for their determination

The Group categorizes other receivables based on information such as the age and nature of the receivables, credit risk exposure, and historical collection performance, grouping them according to the similarity and relevance of their credit risk characteristics. The determined groupings are as follows:

Category name	The basis for determining the category	Calculation method
Related party category	This category takes the payments receivable from related parties as the credit risk characteristic	Referring to historical credit loss experience, combined with the current conditions and forecasts of future economic conditions, assess the expected credit loss rate through Exposure at default and the 12-month expected credit losses
Low-risk category	This category consists of various deposits, security deposits, reserve funds, advances, and other similar items that should be collected in the course of daily operations, and they share the same credit risk characteristics	Referring to historical credit loss experience, combined with the current conditions and forecasts of future economic conditions, assess the expected credit loss rate through Exposure at default and the 12-month expected credit losses, which are considered to be none
Aging category	Other receivables, aside from the aforementioned categories, share similar credit risk characteristics	Based on the table of the age of the receivables and expected credit loss rates of the 12-month expected credit losses and full lifetime expected credit losses

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.9. Financial instruments (continued)

3.9.4. Impairment of financial instruments (continued)

(1) Impairment test methods for receivables and contract assets (continued)

(c) The grouping categories for notes receivable and the basis for their determination

The Group classifies the notes receivable into different groupings based on the credit risk of the acceptor as a shared risk characteristic, and determines the accounting policy and estimates for expected credit loss as follows: a. For bank acceptance drafts where the acceptor is a listed commercial bank, the Group assesses that these receivables carry a low credit risk, and no expected credit loss is recognized; b. For commercial acceptance drafts where the acceptor is a related party, the Group determines the expected loss rate in accordance with the expected credit loss policy of the Group's accounts receivable, and provides for allowances accordingly; c. For drafts where the acceptor is an unlisted commercial bank or a non-related third-party, the Group determines the expected loss rate in accordance with the expected credit loss policy of the Group's accounts receivable, and provides for allowances accordingly. The groupings determined by the Group are as follows:

Category name	The basis for determining the category	Calculation method
Listed bank acceptance draft category	This category takes the acceptor of drafts as the credit risk characteristic, where the acceptor is a listed commercial bank	Referring to historical credit loss experience, combined with the current conditions and the forecast of future economic conditions, the exposure at default and the full lifetime expected credit loss rates are used
Related party category	This category takes the acceptor of drafts as the credit risk characteristic, where the acceptor is a related party	The Group determines the expected loss rate in accordance with the accounting estimate for expected credit losses on accounts receivable, and provides for allowances by referring to the table that matches the full lifetime expected credit loss rates with the aging of the receivables
Aging category	This category takes the acceptor of drafts as the credit risk characteristic, that is, others in addition to the above	The Group determines the expected loss rate in accordance with the accounting estimate for expected credit losses on accounts receivable, and provides for allowances by referring to the table that matches the full lifetime expected credit loss rates with the aging of the receivables

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.9. Financial instruments (continued)****3.9.4. Impairment of financial instruments (continued)**

- (2) Impairment testing methods for debt investments, other debt investments, loan commitments, and financial guarantee contracts

For financial assets (such as debt investments, other debt investments), loan commitments, and financial guarantee contracts that do not use the simplified measurement method mentioned above, the Group adopts the general approach (three-stage model) to provide for expected credit losses. At each balance sheet date, the Group assesses whether there has been a significant increase in credit risk after initial recognition. If there has been no significant increase in credit risk after initial recognition, the asset is in the first stage, where the group measures the loss allowance at an amount equal to the 12-month expected credit losses and calculates interest revenue based on the carrying amount and the effective interest rate. If the credit risk has increased significantly since initial recognition but the asset has not become credit-impaired, it is in the second stage, where the Group measures the loss allowance at an amount equal to full lifetime expected credit losses and calculates interest revenue based on the carrying amount and the effective interest rate. If the asset subsequently has become credit-impaired since initial recognition, it is in the third stage, where the Group measures the loss allowance at an amount equal to full lifetime expected credit losses and calculates interest revenue based on the amortized cost and the effective interest rate. For financial instruments that only have low credit risk at the balance sheet date, the Group presumes that the credit risk has not significantly increased since initial recognition.

Full lifetime expected credit losses refers to expected credit losses that result from all possible default events over the life of the financial instrument. The 12-month expected credit losses refers to expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the balance sheet date (if the expected lifetime of the financial instrument is less than 12 months, it is the expected lifetime), which is part of full lifetime expected credit losses.

For details on the Group's criteria for determining a significant increase in credit risk and the definition of assets that have become credit-impaired, refer to Note 8.1.

3.9.5. The criteria for the recognition and the methods of measurement of financial asset transfers

For financial asset transfer transactions, the Group will derecognize the financial asset if it has transferred almost all the risks and rewards of ownership to the transferee. If it has retained almost all the risks and rewards of ownership, it will not derecognize the financial asset. If it has neither transferred nor retained almost all the risks and rewards of ownership and has given up control of the financial asset, it will derecognize the financial asset and recognize the resulting assets and liabilities. If it has not given up control over the financial asset, it will recognize related financial assets, and related liabilities correspondingly, to the extent of its continued involvement with the transferred financial asset.

When the transfer of financial assets as a whole meets the criteria for derecognition, the difference between the carrying amount of the transferred financial assets on the derecognition date and the sum of the consideration received for the transfer, as well as the amount of the cumulative fair value changes originally recognized in other comprehensive income, corresponding to the part that is derecognized (for the transferred financial assets that simultaneously meet the following criteria: (a) The Group's business model for managing the financial asset aims at both collecting contractual cash flows and selling the financial asset; (b) The contract terms of the financial asset stipulate that the cash flows generated on specific dates are solely payments of principal and interest based on the unpaid principal amount.), is recognized in profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.9. Financial instruments (continued)

3.9.5. The criteria for the recognition and the methods of measurement of financial asset transfers (continued)

When a partial transfer of a financial asset meets the criteria for derecognition, the carrying amount of the financial asset as a whole is allocated between the part that is derecognized and the part that is not derecognized, based on their respective relative fair values. The difference between the sum of the consideration received for the transfer and the cumulative amount of fair value changes originally recognized in other comprehensive income that is attributable to the part that is derecognized (for the transferred financial assets that simultaneously meet the following criteria: (a) The Group's business model for managing the financial asset aims at both collecting contractual cash flows and selling the financial asset; (b) The contract terms of the financial asset stipulate that the cash flows generated on specific dates are solely payments of principal and interest based on the unpaid principal amount.), and the allocated carrying amount, is recognized in profit or loss for the current period.

When continuing involvement with the transferred financial asset is through the provision of a financial guarantee, an asset is recognized for the lower of the carrying amount of the financial asset and the amount of the financial guarantee. The amount of the financial guarantee refers to the maximum amount for which repayment will be required from the consideration received.

3.9.6. Differentiation and Related Treatment Methods of Financial Liabilities and Equity Instruments

The Group differentiates financial liabilities from equity instruments based on the following principles: (a) If the Group cannot unconditionally avoid delivering cash or other financial assets to fulfill a contractual obligation, that obligation meets the definition of a financial liability. Some financial instruments do not explicitly contain terms and conditions that obligate the delivery of cash or other financial assets, but may indirectly form contractual obligations through other terms and conditions. (b) In case of a financial instrument that will or may be settled in the Group's own equity instruments, it is necessary to consider whether the equity instruments used to settle the financial instrument serve as an alternative to cash or other financial assets, or to give the holder the residual claim of the assets of the issuer after deducting all liabilities. If it is the former, the instrument is a financial liability of the issuer; if it is the latter, the instrument is an equity instrument of the issuer. In some cases, a financial instrument contract stipulates that it will or may be settled in the Group's own equity instruments, where the amount of the contractual right or obligation is equal to the number of equity instruments that can be acquired or delivered multiplied by their fair value at the time of settlement. In this case, regardless of whether the amount of the contractual right or obligation is fixed, or varies entirely or partially based on variables other than the market price of the Group's own equity instruments (such as interest rates, the price of a certain commodity, or the price of a certain financial instrument), the contract is classified as a financial liability.

When classifying financial instruments (or their components) in the consolidated financial statements, the Group takes into account all the terms and conditions reached between group members and the holders of the financial instruments. If, as a whole, the Group assumes an obligation to deliver cash, other financial assets, or to settle in any other manner that would make the instrument a financial liability due to the instrument, then the instrument should be classified as a financial liability.

The Group classifies these financial instruments or their components as financial assets, financial liabilities, or equity instruments at the time of initial recognition, based on the contract terms of the preferred stocks, perpetual bonds, etc., issued and the economic substance they reflect, in conjunction with the definitions of financial assets, financial liabilities, and equity instruments.

For financial instruments or their components that are classified as financial liabilities, their related interest, dividends (or distributions), gains or losses, as well as gains or losses from redemption or refinancing, are recognized in the current period's profit or loss by the Group.

For financial instruments or their components that are classified as equity instruments, their issuance (including refinancing), repurchase, sale, or cancellation are treated as changes in equity by the Group, without recognizing the fair value changes of the equity instruments.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.9. Financial instruments (continued)****3.9.7. The offsetting of financial assets and financial liabilities**

The Group presents its financial assets and financial liabilities separately in the balance sheet without offsetting them against each other. However, when the following conditions are met simultaneously, they are presented in the balance sheet at their net amount after offsetting: (a) The Group has a legal right to offset the recognized amounts, and such legal right is currently enforceable; (b) The Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

3.10. Inventory

The group's inventory mainly includes raw materials, turnover materials (consumables), stock goods, etc.

Inventory is initially measured at its cost, which includes the purchase cost, processing cost, and other costs. The perpetual inventory system is applied, and the actual cost of inventory issued or dispatched is determined using the first-in, first-out (FIFO) method. Turnover materials are amortized at once upon their first use.

On the balance sheet date, inventory is measured at the lower of the cost and the net realizable value. If the cost of inventory exceeds its net realizable value, an inventory reserve is provided for, which is recognized in the profit or loss for the period. The net realizable value refers to the amount of the estimated selling price, less the estimated costs to complete production, estimated selling expenses, and related taxes and fees that would be incurred to sell the inventory in daily operating activities.

The Group provides for inventory reserves on an item-by-item basis. In determining its net realizable value, stock goods, work in progress, and raw materials that are intended for sale directly, are valued at the estimated selling price of the inventory minus the estimated selling expenses and related taxes and fees. Raw materials held for production are valued at the estimated selling price of the finished products minus the estimated costs to complete production, estimated selling expenses, and related taxes and fees.

For inventory items in large quantities and of low unit prices, the Group provides for inventory reserves by category; for inventory that is relating to product lines produced and marketed in the same geographical area, has the same or similar end uses or purposes, and cannot be practicably evaluated separately from other items, the Group provides for inventory reserves collectively. In determining its net realizable value, the overall estimated selling price of the inventory category is used, minus the estimated selling expenses and related taxes and fees.

3.11. Contract assets and contract liabilities**3.11.1. Contract assets**

Contract assets refer to the rights of the Group to receive consideration from the customer for goods that have been transferred, and where the right to consideration is dependent on factors other than the passage of time. For example, if the Group sells two distinctly identifiable goods to a customer and has the right to receive payment for one good that has been delivered, but the receipt of that payment is contingent upon the delivery of the other good, the Group recognizes this right to receive payment as a contract asset.

For the determination method and accounting treatment method of the expected credit loss of contract assets, please refer to the relevant content of the impairment of financial assets in Notes 3. 9 above for details.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.11. Contract assets and contract liabilities (continued)

3.11.2. Contract liabilities

Contract liabilities reflect the Group's obligation to deliver goods (or services) to customers for consideration received or receivable from the customer. When the customer has paid the contract consideration or the group has obtained an unconditional right to receive the contract consideration before the group delivers the goods to the customer, a contract liability is recognized at the earlier of the time the customer actually pays the amount or when it becomes due, based on the amount received or receivable.

3.12. Assets related to contract costs

3.12.1. The determination method for the amount of assets related to contract costs

The Group's assets related to contract costs include costs to fulfill a contract and costs to obtain a contract. Based on their liquidity, costs to fulfill a contract are reported in inventory and other non-current assets, while costs to obtain a contract are reported in other current assets and other non-current assets.

Costs to fulfill a contract are those costs incurred by the Group to fulfill a contract, which can be recognized as an asset as costs to fulfill a contract if they do not fall within the scope of relevant accounting standards for inventory, fixed assets, or intangible assets, and all of the following criteria are met: the costs are directly related to a contract or a specific anticipated contract, including direct labour, direct materials, manufacturing overheads (or similar costs), costs explicitly chargeable to the customer, and other costs that are incurred solely due to the contract; the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; the costs are expected to be recovered.

Costs to obtain a contract refer to the incremental costs incurred by the Group to obtain a contract that are expected to be recovered, and these are recognized as an asset. If the amortization period of the asset is not expected to exceed one year, the Group chooses a simplified accounting treatment by expensing them in the current period as incurred. Incremental costs are those that would not have been incurred if the contract had not been secured (such as sales commissions). Other expenses incurred by the Group to obtain a contract, apart from the incremental costs that are expected to be recovered (such as travel expenses that would have been incurred irrespective of whether the contract was obtained), are expensed in the current period as incurred, except for those costs that are explicitly billable to the customer.

3.12.2. Amortisation of assets related to contract costs

The Group's assets related to contract costs are amortized on the same basis as the revenue recognition related to the asset, which are included in the current profit or loss.

3.12.3. Impairment of assets related to contract costs

If the carrying amount of assets related to contract costs exceeds the difference between: (a) the remaining consideration related to the asset that the Group expects to receive for the transfer of goods, and (b) the estimated costs to be incurred for the transfer of those goods, the Group will provide for impairments for the excess and recognize it as impairment losses on assets.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.13. Long-term equity investments**

The Group's long-term equity investments comprise investments in subsidiaries, investments in associates and equity investments in joint ventures.

3.13.1. Judgement of significant influence and joint control

Investments in associates are equity investments in which the Group has significant influence over the investee. Significant influence means that the Group has the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control of those policies. The Company is generally considered to have significant influence over an investee when it owns, directly or indirectly through subsidiaries, more than 20 percent but less than 50 percent of the investee's voting rights, unless there is clear evidence that the Group is not in a position to participate in the investee's production and operation decisions or exercise control over the investee.

An equity investment in an investee in which the Group, together with other joint venturers, exercise joint control over the investee and have rights to the net assets of the investee, is an investment in a joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.. The Group bases its judgement of joint control on the assumption that all parties or party groups, have collective control over the arrangement and that decisions about activities related to the arrangement require the unanimous consent of those parties who have collective control over the arrangement.

3.13.2. Accounting treatment

The Group initially measures long-term equity investments acquired at initial investment cost.

Long-term equity investments acquired through business combinations under common control are initially measured at the acquired share of the carrying amounts of the acquiree's net assets in the consolidated financial statements of the ultimate controlling party on the consolidation date.; if the carrying amounts of the acquiree's net assets on the consolidation date is negative, the initial investment cost is determined as zero.

Long-term equity investments acquired through business combinations not under common control are initially measured at the acquisition costs; for business combinations not under common control that are achieved through multiple transactions and do not constitute a package deal, the initial investment cost is the sum of the carrying amount of the original equity investment and the cost of the additional investment.

Apart from long-term equity investments resulting from business combinations, those acquired by paying cash are initially measured at the actual purchase price paid, plus directly related costs, taxes, and other necessary expenditures incurred to acquire the long-term equity investment. Long-term equity investments acquired by issuing equity securities are measured at the fair value of the equity securities issued. Long-term equity investments acquired through debt restructuring by settling debts with assets are measured at the fair value of the relinquished claims, plus taxes and other costs directly attributable to the investment. In the case of long-term equity investments acquired through non-monetary asset exchanges, where the exchange has commercial substance and the fair value of the assets received or given can be reliably measured, the initial investment cost is determined based on the fair value of the assets given, unless there is conclusive evidence that the fair value of the assets received is more reliable. For non-monetary asset exchanges that do not meet the conditions above, the initial investment cost is measured at the carrying amount of the assets given and related taxes and expenses.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.13. Long-term equity investments (continued)

3.13.2. Accounting treatment (continued)

In the Company's separate financial statements, investments in subsidiaries are accounted for using the cost method. Under the cost method, long-term equity investments are valued at the initial investment cost. When additional investments are made, the fair value of the costs paid for the additional investment, and any related transaction costs incurred are used to increase the carrying amount of the long-term equity investment. Cash dividends (or profits) declared by the investee are recognized as income from investments for the period, in the amount that is the Company's share.

The Group's investments in joint ventures and associates are accounted for using the equity method. Under the equity method, if the initial investment cost of a long-term equity investment exceeds the share of the net fair value of the investee's identifiable assets and liabilities on acquisition of the investment, no adjustment is made to the carrying amount of the long-term equity investment; if the initial investment cost of a long-term equity investment is less than the share of the net fair value of the investee's identifiable assets and liabilities on acquisition of the investment, the difference is adjusted to increase the carrying amount of the long-term equity investment, which is included in the profit or loss in the period in which the investment is acquired.

For subsequent measurement of long-term equity investments accounted for using the equity method, the carrying amount of the investment is adjusted to reflect the changes in the investee's equity during the period of ownership. When recognizing the share of the net profit or loss of the investee, the net profit (or loss) of the investee is adjusted accordingly before recognition, based on the fair value of the investee's identifiable assets and others on acquisition of the investment, in accordance with the Group's accounting policies and the accounting period, eliminating unrealized gains or losses from internal transactions between the Group and its associates and joint ventures that do not constitute a business to the extent of the Group's share (full amount is recognized when internal transaction losses are asset impairment losses). The group recognizes the share of the net losses of the investee to the extent that the carrying amount of the long-term equity investment and other long-term interests that in substance constitute the Group's net investment in the investee are written down to zero, unless the Group has an obligation to bear additional losses.

On disposal of long-term equity investments, the difference between the carrying amount and the actual proceeds received is recognized to income from investments for the current period.

For long-term equity investments accounted for by the equity method, when discontinuing the use of the equity method, all amounts previously recognised in other comprehensive income in relation to that investment under the equity method are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Any equity recognized due to changes in the investee's equity other than net profit or loss, other comprehensive income, and profit distribution is fully transferred to income from investments for the period when discontinuing the use of the equity method.

When a partial disposal of long-term equity investments results in the remaining part still being accounted for under the equity method, the amounts previously recognised in other comprehensive income in relation to that investment under the equity method are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities, and transferred proportionally. Any equity recognized due to changes in the investee's equity other than net profit or loss, other comprehensive income, and profit distribution is also proportionally transferred to income from investments for the period.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.13. Long-term equity investments (continued)****3.13.2. Accounting treatment (continued)**

When a partial disposal of long-term equity investments results in the loss of joint control of, or significant influence over, the investee, and the remaining part is accounted for under the "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7)" after the disposal, the difference between the fair value and the carrying amount of the remaining investments on the date when joint control or significant influence is lost, is recognized in the profit or loss for the current period.

When a partial disposal of long-term equity investments results in the loss of control over the investee, and the remaining part can still enable joint control of, or significant influence over, the investee, the remaining part is remeasured and accounted for using the equity method. The difference between the carrying amount of the disposed part and the consideration is recognized in income from investments, and the remaining part is adjusted as if it had been accounted for using the equity method from the acquisition date; If the remaining part cannot enable joint control of, or significant influence over, the investee after disposal, it is accounted for under the "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7)". The difference between the carrying amount of the disposed part and the consideration is recognized in income from investments, and the difference between the fair value and the carrying amount of the remaining part on the date that control is lost, is recognized in the profit or loss for the current period.

In the case of a step-by-step disposal of equity investments through multiple transactions over time until the loss of control, if these transactions do not constitute a package deal, the Group accounts for each transaction separately; For transactions that are considered a package deal, all the transactions are accounted for as a single transaction for the disposal of a subsidiary and loss of control, but the difference between the proceeds and the corresponding carrying amount of the disposed long-term equity investment of each transaction before loss of control, is recognized as other comprehensive income, and then all are transferred to the current profit or loss upon loss of control.

3.14. Investment Properties

The investment properties of the Group refer to properties held for earning rents or appreciation, or both, including leased land-use rights, land-use rights held for subsequent sale after appreciation, leased houses and buildings. The Group adopts the cost model for measurement.

The Group applies the straight-line method for the depreciation or amortization of its investment properties. The estimated useful lives, residual value rates, and annual depreciation (amortization) rates for various types of investment properties are as follows:

Category	Depreciation Period (Years)	Estimated Residual Value Rate (%)	Annual Depreciation Rate (%)
Houses and buildings	20-40	5.00	2.38-4.75

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.15.Fixed assets

The Group's fixed assets are tangible assets held for production of goods, provision of services, rent, operation or management, and with a useful life of more than one year.

Fixed assets are recognized when the economic benefits related to them are likely to flow into the Group and their costs can be reliably measured. The Group's fixed assets include houses and buildings, transportation equipment, machinery and equipment, among others.

The Group depreciates all fixed assets, except for fully depreciated fixed assets that are still in use and land that is separately accounted for. Depreciation is provided using the straight-line method. The depreciation period (estimated useful life), estimated residual value rate, and annual depreciation rate for each type of the Group's fixed assets are as follows:

Serial Number	Category	Depreciation period (years)	Estimated Residual Value Rate (%)	Annual Depreciation Rate (%)
1	Houses and buildings	20-40	5.00	2.38-4.75
2	Transportation equipment	4	5.00	23.75
3	Machinery and other equipment	3-10	5.00	9.5-31.67

The Group reviews the estimated useful lives, estimated residual values and depreciation methods of fixed assets at the end of each year. If any changes occur, they are treated as changes in accounting estimates.

3.16.Construction in Progress

The cost of construction in progress is determined based on actual expenditures, which include all necessary expenditures incurred during the construction, borrowing costs that should be capitalized before the project reaches its intended usable state, and other related costs.

Upon reaching the intended usable state, construction in progress is transferred to fixed assets at an estimated value based on the project budget, project cost, or actual costs. Depreciation begins in the month following the transfer. Once the final account procedures are completed, any differences in the original cost of the fixed assets are adjusted.

3.17.Borrowing Cost

The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that meet the criteria of capitalization, and includes them in the cost of the related assets, while other borrowing costs are included in the profit or loss for the current period. The capitalization of borrowing costs of assets that the Group identifies as qualifying assets, including fixed assets, investment properties, and inventory that take acquisition, construction or production activities of more than one year to get ready for its intended use or sale, starts when these conditions simultaneously are met: expenditures for the asset have been incurred, borrowing costs have been incurred, necessary activities to prepare the assets for their intended use or sale have been undertaken; ceases once substantially all the activities needed to prepare the qualifying assets for their intended use or sale are completed. Any borrowing costs incurred thereafter are recognized in the profit or loss for the current period. If the acquisition, construction or production activities of qualifying assets is abnormally interrupted, and the interruption lasts for more than three consecutive months, capitalization of borrowing costs is suspended until these activities resume.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.17. Borrowing Cost (continued)**

During each accounting period within the capitalization period, the Group recognizes the capitalized amount of borrowing costs using the following methods: For specific borrowings, the capitalized amount is determined by the actual interest costs incurred during the period, net of the interest income earned from depositing the unused borrowed funds in a bank or the investment income generated from temporary investments with the unused borrowed funds. For general borrowings used, the capitalized amount is determined by multiplying the weighted average of the excess of cumulative expenditures on the asset over the amount of specific borrowings by the capitalization rate of the general borrowings used. The capitalization rate is calculated based on the weighted average interest rate of the general borrowings.

3.18. Intangible Assets

The Group's intangible assets are measured at their actual cost when acquired. Specifically, for intangible assets purchased, the actual cost is determined based on the actual price paid and related expenditures incurred. For intangible assets contributed by investors, the actual cost is determined based on the value stipulated in the investment contract or agreement unless the value is not fair, then the fair value is applied. However, intangible assets acquired in a business combination not under common control, which are owned by the acquiree but not recognized in its separate financial statements,, are recognized and measured at fair value upon initial recognition.

3.18.1. Useful life and basis for its determination, estimation, amortization method, and review procedures

Land-use rights are amortized on a straight-line basis for the duration of the grant period from the date of grant. Other intangible assets are amortized on a straight-line basis over the shortest of the expected period of use, the benefit period specified in the contract, and the legal effective period prescribed by law. The amortization amount is allocated based on the beneficiary, to the cost of related assets or the current period's profit or loss. The estimated useful life and amortization method of intangible assets with a finite useful life are reviewed at the end of each year. If any changes occur, they are treated as changes in accounting estimates.

Serial Number	Category	Amortization period (years)	Basis
1	Software	3-10	Expected benefit period

Intangible assets for which the period during which they are expected to bring economic benefits to the Group cannot be reliably estimated, are considered to have an indefinite useful life and are not amortized. During each accounting period, the Group reviews the estimated useful life of intangible assets with indefinite useful lives.

3.18.2. Scope of research and development expenditures and related accounting treatment

The Group's research and development (R&D) expenditures encompass employee benefits for R&D personnel, costs of direct input (materials, etc.), depreciation and amortization, design fees, equipment commissioning fees, costs of external research and development service, and others.

The Group divides R&D expenditures into research phase expenditures and development phase expenditures based on the nature of the expenditures and the level of uncertainty associated with whether the R&D activities will ultimately result in the formation of an intangible asset. Research phase expenditures are expensed in the current period's profit or loss as incurred. Development phase expenditures are capitalized when the following conditions are met simultaneously:

The Group has assessed that it is technically feasible to complete the intangible asset and to use or sell it; the group has the intention to complete the intangible asset and to use or sell it; the intangible asset is expected to generate economic benefits for the group; the group has adequate technical, financial, and other resources to support the completion of development of the intangible asset and the ability to use or sell the intangible asset; expenditures attributable to the development phase of the intangible asset can be reliably measured. Development phase expenditures that do not meet the capitalization criteria are expensed in the current period's profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.19. Impairment of Long-term Assets

The Group reviews long-term equity investments, investment properties under the cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, and other similar items on each balance sheet date, when there are indications of impairment, the Group conducts impairment tests. For goodwill, intangible assets with indefinite useful lives, and development expenditures that are not ready for intended use or sale, impairment tests are carried out at the end of each year regardless of whether there are any indications of impairment.

3.19.1. Impairment of Non-current Assets Other Than Financial Assets (Excluding Goodwill)

When conducting impairment tests, the Group determines the recoverable amount of an asset as the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset (or "value in use"). If the carrying amount of the asset exceeds its recoverable amount after the impairment test, the difference is recognized as an impairment loss.

The Group estimates the recoverable amount on the basis of an individual asset, unless it is difficult to do so, then the Group determines the recoverable amount on the basis of an asset group (or "cash-generating unit") to which the asset belongs. The identification of a cash-generating unit is based on whether the cash inflows generated by the unit are largely independent of the cash inflows from other assets or groups of assets.

The fair value less costs of disposal, is determined by reference to the prices of sales agreements of similar assets in arm's length transactions or observable market prices, net of incremental costs directly attributable to the disposal of the asset. In estimating the present value of future cash flows, management must estimate the future cash flows expected to be derived from the asset or asset group, and apply an appropriate discount rate to determine the present value.

3.19.2. Impairment of Goodwill

The Group allocate the carrying amount of goodwill acquired in a business combination from the acquisition date on a reasonable and consistent basis, to each of the related cash-generating units, or groups of related cash-generating units if the former is difficult. When testing cash-generating units or groups of units with goodwill for impairment, and there are indications of impairment of the units or groups of units related to goodwill, the Group first tests the units or groups of units excluding any goodwill for impairment, calculates the recoverable amounts, compares them with the carrying amounts, and recognizes impairment losses correspondingly; Then the Group tests the units or groups of units containing the goodwill allocated for impairment, compares the recoverable amounts with the carrying amounts, if the recoverable amount is less than the carrying amount, the amount of impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit (group of units), and then to reduce the carrying amount of other assets of the unit (group of units) pro rata, base on their respective carrying amount excluding any goodwill.

Once recognized, the impairment losses of the assets mentioned above are not reversed in subsequent accounting periods.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.20. Long-term deferred expenses**

The Group's long-term deferred expenses include fit-out expenses and other expenses that have been paid by the Group but should be amortized over a period of more than one year in the current and subsequent periods. These expenses are amortized on a straight-line basis over their benefit periods. If a long-term deferred expense item does not benefit future accounting periods, the unamortized residual value of that item is fully transferred to the current period's profit or loss.

Serial Number	Category	Amortization Period (Years)	Basis
1	Fit-out Expenses	3	Expected benefit period

3.21. Employee benefits

The Group's employee benefits comprises short-term employee benefits, post-employment benefits, termination benefits, and other long-term employee benefits.

Short-term employee benefits: Primarily include employee salaries, bonuses, etc. During the accounting period in which employees render services, the actual short-term employee benefits incurred are recognized as liabilities and included in the current period's profit or loss or costs of related assets based on the beneficiaries.

Post-employment benefits: Primarily include basic pension insurance, unemployment insurance, enterprise annuities and so on. Based on the risks and obligations borne by the Group, these are classified as defined contribution plans. For defined contribution plans, contributions made to separate entities in exchange for services provided by employees during the accounting period are recognized as liabilities on the balance sheet date and included in the current period's profit or loss or costs of related assets based on the beneficiaries.

Termination benefits: Refer to compensations provided to employees to terminate their employment before the expiration of contracts or to encourage them to accept voluntary redundancy. The Group recognizes the employee compensation liabilities arising from termination benefits and includes them in the current period's profit or loss at the earlier of the following dates: (i) when it can no longer withdraw the offer of those termination benefits unilaterally under the termination plan or redundancy proposal; (ii) when it recognizes costs for a restructuring that involves the payment of termination benefits.

3.22. Provisions

The Group recognizes provisions for contingencies such as external guarantees, discounting of commercial acceptance drafts, pending litigation or arbitration, product quality warranties, etc., when the following conditions are met simultaneously: the obligation is a present obligation of the Group; it is probable that to settle the obligation will result in an outflow of economic benefits from the Group; and the amount of the obligation can be reliably estimated.

Provisions are initially measured at the best estimate of the expenditure required to settle the present obligation, taking into account factors such as risks, uncertainties, and the time value of money associated with the contingencies. The Group reviews the current best estimate and adjusts the carrying amount of provisions at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.23. Share-based payment

The equity-settled share-based payments in exchange for the services provided by employees, are measured at the fair value of the equity instruments granted to employees on grant date. If the equity instruments granted vest immediately after the grant, the fair value of the equity instrument on grant date shall be included in the related costs or expenses, with a corresponding increase in capital reserves. If the equity instruments granted do not vest until the counterparty completes a specified period ("**vesting period**") of service or performance condition is satisfied, on each balance sheet date during the vesting period, based on the best available estimate of the number of equity instruments expected to vest, the services received during the current period are included in the related costs or expenses and capital reserves at the fair value of the equity instruments on grant date.

If there are modifications to the terms and conditions of equity-settled share-based payment arrangements, The Group will recognize, as a minimum, the services received under the unmodified terms. In addition, the Group will recognize the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employees as an increase in the services received.

If the equity-settled share-based payment is cancelled, it is accounted for as an acceleration of vesting on the date of cancellation, and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognized immediately. If employees or other parties can choose whether to meet a non-vesting condition, the Group will treat their failure to meet that non-vesting condition during the vesting period as a cancellation. However, if new equity instruments are granted to the employees and, on the date when those new equity instruments are granted, the Group identifies the new equity instruments granted as replacement equity instruments for the cancelled equity instruments, the Group will account for the granting of replacement equity instruments in the same way as a modification of the original grant of equity instruments.

The cash-settled share-based payment is measured at the fair value of the liabilities undertaken by the Group for amounts based on shares or other equity instruments.

If the right vest immediately after the grant, the fair value of the liability incurred is included in the related costs or expenses on grant date, and the liability is increased accordingly; if the rights do not vest until the employees complete a specified period ("**vesting period**") of service or performance condition is satisfied, on each balance sheet date during the vesting period, based on the best available estimate of the vesting situation, the services received during the current period are included in costs or expenses at the fair value of the liabilities undertaken by the Group, and the liability is adjusted accordingly. On each balance sheet date before the settlement of related liabilities and the date of settlement, the fair value of the liabilities is remeasured, with any changes in fair value recognized in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.24. Revenue recognition, its principles and measurement methods**

The Group recognizes revenue when it satisfies a performance obligations, that is, when (or as) the customer obtains control of the related goods or services (i.e. assets). Control of assets refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the assets.

At contract inception, The Group assesses the contract, identifies every single performance obligation in the contract, and determines whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If one of the following criteria is met, it is considered to be a performance obligation satisfied over time, and the Group recognizes revenue over time based on the progress of performance: (a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (b) The Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; (c) The asset created by the Group's performance does not have an alternative use and the Group has an enforceable right to payment for performance completed to date. Otherwise, the Group recognizes revenue at the point when the customer obtains control of the related goods or services.

For performance obligations satisfied over time, the Group determines the appropriate progress of performance using the output method based on the nature of the promised goods and services. The output method determines the progress of performance on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. (the input method is on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.) When the Group is able to reasonably measure the outcome (or "**progress**") of a performance obligation, but expects to recover the costs incurred in satisfying the performance obligation, the Group recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

The Group's operating revenue mainly includes property management services, value-added services to non-property owners, and community value-added services.

3.24.1. Property management service

For property management services, the Group bills a fixed amount for services provided on an annual, quarterly or monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services revenue from properties managed under lump sum basis, where the Group acts as principal and is responsible for providing the property management services to the property owners, the Group entitles to revenue at the value of property management services fee received or receivable and recognises all related property management costs as its cost of service.

3.24.2. Value-added services to non-property owners

Value-added services to non-property owners mainly includes preliminary property management services, design services, landscaping services, pre-delivery services and other customized services, such as repair and maintenance services and property transaction assistance services. The Group agrees the price for each service with the customers.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.24. Revenue recognition, its principles and measurement methods (continued)

3.24.2. Value-added services to non-property owners (continued)

For Value-added services to non-property owners other than landscaping services, the Company recognizes revenue at the point in time when the relevant services are provided. For landscaping services, the Group recognizes revenue over the period of the contract by reference to the progress towards complete satisfaction of the performance obligations. The progress towards complete satisfaction of the performance obligation, in an amount that reflects the consideration expected to be entitled and, depending on the nature of the contract, is measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract; or (b) the physical proportion of the completed contract work.

3.24.3. Community value-added services

For community value-added services mainly relating to services to property owners and residents of our managed properties, which includes community space and resource management services, parking space management services, utility management services and community living services, such as customized waste cleaning and housekeeping services, revenue is recognised when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

3.25. Government grants

Government grants are recognized when the conditions attached to them will be complied with and the grants will be received. If the government grant is in the form of monetary assets, it is measured at the actual amount received. Grants disbursed at fixed quota, or those with conclusive evidence that the related conditions stipulated in the fiscal support policy are met and the fiscal assistance funds are expected to be received at the end of the year, are measured at the amount receivable; government grant that takes the form of non-monetary assets, is measured at its fair value, if the fair value cannot be obtained reliably, it shall be measured at its nominal amount (1 yuan).

The government grants of the Group include grants related to assets and grants related to income. Among them, grants related to assets refer to government grants obtained by the Group to purchase, construct or otherwise acquire long-term assets; grants related to income are government grants other than those related to assets. If the government document does not specify the object of the grant, the Group will make a judgment based on the above-mentioned principles of distinction. If it is difficult to distinguish, it will be classified as grants related to income as a whole.

Government grants related to assets are recognized as deferred income that is included in profit or loss on a reasonable and systematic basis over the useful life of the related assets in stages. If the related assets are sold, transferred, scrapped or damaged before the end of their useful life, the unallocated balance of related deferred income will be transferred to the profit or loss for the period in which the assets are disposed of.

Government grants related to income, which are intended to compensate for related costs, expenses or losses in future periods, are recognized as deferred income, that is included in the profit or loss for the period in which the related costs or losses are recognized, or offset against related costs. Government grants related to daily operating activities are included in other income or offset against related costs (or expenses) based on their economic substance. Government grants unrelated to daily operating activities are included in non-operating income or non-operating expenses.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.26. Deferred tax assets and deferred tax liabilities**

The Group's deferred tax assets and deferred tax liabilities are calculated and recognized based on the temporary differences arising from the differences between the tax bases of assets or liabilities and their carrying amounts, as well as the differences between the tax bases of items that are not recognized as assets or liabilities but whose tax bases can be determined in accordance with tax codes, and their carrying amounts.

The Group recognizes deferred tax liabilities for all taxable temporary differences, except for the following situations: (1) temporary differences that arise from the initial recognition of goodwill or the initial recognition of assets or liabilities in transactions which are not business combinations and affect neither accounting profit nor taxable profit (or net operating loss/tax loss); (2) taxable temporary differences related to investments in subsidiaries, associates, and joint ventures, where the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Group recognizes deferred tax assets for deductible temporary differences, unused tax losses (net operating loss carry forwards) and tax credits to the extent that it is probable future taxable profit will be available against which these deductible temporary differences, unused tax losses and tax credits can be utilized, except for the following situations: (1) temporary differences that arise from the initial recognition of assets or liabilities in transactions which are not business combinations and affect neither accounting profit nor taxable profit (or net operating loss/tax loss); (2) the deductible temporary differences related to investments in subsidiaries, associates, and joint ventures that cannot simultaneously meet the following conditions: the temporary differences will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilised.

The Group recognizes deferred tax assets for all unused tax losses to the extent that there will be sufficient future taxable profit available against which these unused tax losses can be utilized. The management uses significant judgment in estimating the timing and amount of future taxable profit to be available, and combined with tax planning strategies, to determine the amount of deferred tax assets to be recognized, thus there is uncertainty.

On the balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the tax rates expected to be applicable during the period when the assets are realised or the liabilities are settled.

When the following conditions are met simultaneously, the Group will present the net amount after offsetting the deferred tax assets and deferred tax liabilities: The Group has a legally enforceable right to set off current tax assets against current tax liabilities; The deferred tax assets and the deferred tax liabilities pertain to income taxes imposed by the same taxation authority on either the same taxable entity, or different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.27. Leases**3.27.1. Identifying a lease**

At inception of a contract, the Group assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. Each lease component is accounted for in accordance with the lease accounting standards, while the non-lease components are accounted for in accordance with other applicable accounting standards.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.27. Leases (continued)

3.27.2. The Group as the lessee

(1) Recognition of lease

Apart from short-term leases and leases for which the underlying asset is of low value, at the commencement date, the Group recognizes a right-of-use asset and a lease liability for the lease.

The right-of-use asset represents the Group's right to use an underlying asset for the lease term as the lessee, is initially measured at cost. The cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the lessee; (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. When the Group remeasures the lease liability according to the lease accounting standards, the amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset.

The Group applies the straight-line method to depreciate the right-of-use assets based on the pattern in which the assets' future economic benefits are expected to be consumed. If the Group is reasonably certain to obtain the ownership of the underlying asset by the end of the lease term, it depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset; Otherwise, it depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The depreciation charge is included in the cost of other related assets or the current period's profit or loss, depending on the use of the right-of-use asset.

At the commencement date, the Group initially measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments comprise: (a) fixed payments and in-substance fixed payments, less any lease incentives receivable; (b) variable lease payments that depend on an index or a rate; (c) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; (d) payments for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease; (e) amounts expected to be payable by the Group under residual value guarantees.

When calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest on the lease liability in each period during the lease term at a constant periodic rate, and includes them in profit or loss, except for those that should be capitalized.

After the commencement date, the Group measures the lease liability by: increasing the carrying amount to reflect interest on the lease liability; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment, lease modifications, or revised in-substance fixed lease payments, due to a change in the lease term, a change in the assessment or exercise of an option to purchase the underlying asset or to extend/terminate the lease, a change in the amounts expected to be payable under a residual value guarantee, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, etc.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.27. Leases (continued)****3.27.2. The Group as the lessee (continued)****(2) Lease modifications**

Lease modification refers to a change in the scope of a lease, the consideration for a lease, or the lease term, which was not part of the original terms and conditions of the lease, including adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term. The effective date of the lease modification refers to the date when both parties agree to a lease modification.

The Group accounts for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets, or extends the lease term; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope or the extension of lease term and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group allocates the consideration in the modified contract and determines the lease term of the modified lease in accordance with the lease accounting standards, then remeasures the lease liability by discounting the revised lease payments using a revised discount rate. Regarding the effect of above-mentioned adjustments to lease liabilities, the Group accounts for the remeasurement of the lease liability by: (a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease or shorten the lease term, the Group recognize in profit or loss any gain or loss relating to the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

(3) Short-term leases and Leases of low-value assets

For short-term lease that, at the commencement date, has a lease term of 12 months or less, and lease of low-value asset for which the underlying asset is of low value when it is new, the Group elects not to recognize the right-of-use asset and lease liability, the lease payments associated with those leases are recognized as an expense or included in the cost of other related assets on a straight-line basis over the lease term.

3.27.3. The Group as the lessor

The Group, as the lessor, classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset; and others as operating leases.

(1) Finance leases

At the commencement date, the Group recognizes finance lease receivables under a finance lease and derecognizes the underlying asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease.

The net investment in the lease is the sum of the lease payments receivable by the Group under a finance lease; and any unguaranteed residual value accruing to the Group, discounted at the interest rate implicit in the lease. The Group recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on its net investment in the lease. The variable lease payments obtained by the Group that are not included in the measurement of the net investment in the lease, are recognized in profit or loss when they actually occur.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.27. Leases (continued)

3.27.3. The Group as the lessor (continued)

(2) Operating leases

During each period of the lease term, the Group recognizes lease payments from operating leases as income on a straight-line basis.

The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income. The variable lease payments relating to operating leases, obtained by the Group, that are not included in the lease payments, are recognized in profit or loss when they actually occur.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.28. Fair value measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

An asset or a liability measured or disclosed at its fair value in the financial statements, is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities, accessible at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability.

For financial instruments traded in an active market, their fair value is measured at the quoted price; For financial instruments that are not traded in an active market, the Group uses valuation techniques to measure their fair value, with the primary pricing model being the discounted cash flow model. Inputs to valuation techniques mainly include: the risk-free interest rate, credit spread, and liquidity premium for debt instruments; valuation multiples and liquidity discount for equity instruments.

The fair value measurement categorized within Level 3 of the fair value hierarchy is based on the pricing model of the Group such as the discounted cash flow model. The Group also considers the initial transaction price, recent transactions of identical or similar financial instruments, or arm's length transactions (transactions by fully independent third parties) of comparable financial instruments.

On each balance sheet date, the Group reassesses the assets and liabilities that are measured at fair value on a recurring basis in the financial statements to determine whether there are any transfers between the levels of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.29.Changes in significant accounting policies and accounting estimates****3.29.1. Changes in significant accounting policies**

- (1) Implementation of Accounting Standards for Business Enterprises Interpretation No. 17.

The Ministry of Finance issued Accounting Standards for Business Enterprises Interpretation No. 17 (Cai Kuai [2023] No. 21, hereinafter referred to as "Interpretation No. 17") on October 25, 2023, which took effect on January 1, 2024. Interpretation No. 17 covers (i) Classification of current and non-current liabilities, (ii) Disclosure of supplier financing arrangements, and (iii) Accounting treatment of sale-and-leaseback transactions.

The Group implemented Interpretation No. 17 on January 1, 2024. The implementation of this interpretation has no material impact on the financial statements of the Group and the Company for the years 2024 and 2023.

- (2) Implementation of Accounting Standards for Business Enterprises Interpretation No. 18.

The Ministry of Finance issued Accounting Standards for Business Enterprises Interpretation No. 18 (Cai Kuai [2024] No. 24, hereinafter referred to as "Interpretation No. 18") on December 6, 2024, which took effect from the date of issuance. Interpretation No. 18 covers topics such as: (i) Subsequent measurement of investment property held as underlying projects under the floating charge method; (ii) Accounting treatment of assurance-type warranties that do not qualify as single performance obligations.

The Group implemented Interpretation No. 18 on December 6, 2024. Its implementation had no material impact on the financial statements of the Group and the Company for the years 2024 and 2023.

- (3) Except for the matters mentioned above, there were no changes in accounting policies during the reporting period for the Group.

3.29.2. Changes in significant accounting estimates

There were no changes in accounting estimates during the reporting period for the Group.

3.29.3. Retrospective adjustment for business combinations under common control

Pursuant to the "Proposal on the Agreement to Acquire the Equity of Shandong Lujian Industrial Management Co., Ltd." reviewed and approved at the 15th meeting of the first board of directors on February 27, 2024, the Company signed a "Share Transfer Agreement" with its controlling shareholder, Lushang Freda Pharmaceutical Co., Ltd., to acquire 100% of the equity in Shandong Lujian Industrial Management Co., Ltd. (renamed as "Da'antong (Shandong) Mechanical and Electrical Equipment Engineering Co., Ltd." on March 4, 2024, hereinafter referred to as "Da'antong"). The transaction was completed on March 4, 2024, and for the purpose of convenient calculation, February 29, 2024, was designated as the date of combination.

Since both the Company and Da'antong are under the control of Shandong Commercial Group Co., Ltd., and this control is not transitory, the acquisition of Da'antong by the Company constitutes a business combination under common control. In accordance with the "Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements" and relevant regulations, when the Company acquires a subsidiary through a business combination under common control during the reporting period, it shall be deemed that the reporting entity after the combination had always existed in the previous periods. Therefore, the Company is required to make retrospective adjustments to the financial statement data of previous years. Specifically, when preparing the consolidated balance sheet, the Company should adjust the beginning balances of the consolidated balance sheet; When preparing the consolidated income statement and cash flow statement, it should include the items of Da'antong from the beginning of the combination period to the end of the reporting period in the consolidated income statement and consolidated cash flow statement; Meanwhile, adjustments should be made to the relevant items in the comparative statements of the above-mentioned statements, treating the reporting entity after the combination as if it had always existed since the point when the ultimate controlling party began to exercise control.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.29.Changes in significant accounting policies and accounting estimates (continued)

3.29.3. Retrospective adjustment for business combinations under common control (continued)

The Company retroactively adjusted the comparative statements as follows:

(1) Consolidated Balance Sheet

Unit: RMB

Items	December 31 2023 (Before)	December 31 2023 (Restated)	Adjustments
Current assets:			
Cash and bank	411,624,018.91	412,656,582.99	1,032,564.08
Notes receivable	17,917,933.62	17,917,933.62	—
Accounts receivable	295,434,336.15	295,434,336.15	—
Receivables financing	200,000.00	200,000.00	—
Prepayments	1,897,975.45	1,897,975.45	—
Other receivables	3,767,892.22	7,614,437.01	3,846,544.79
Inventories	3,424,031.97	3,424,031.97	—
Contract assets	61,128,423.11	61,128,423.11	—
Other current assets	2,840,033.47	2,840,033.47	—
Total current assets	798,234,644.90	803,113,753.77	4,879,108.87
Non-current assets:			
Investment properties	39,504,900.36	39,504,900.36	—
Fixed assets	50,711,300.46	50,711,300.46	—
Right-of-use assets	1,758,722.04	1,758,722.04	—
Intangible assets	1,083,758.01	1,083,758.01	—
Long-term deferred expenses	2,898,728.72	2,898,728.72	—
Deferred tax assets	6,611,673.12	6,611,673.12	—
Total non-current assets	102,569,082.71	102,569,082.71	—
Total assets	900,803,727.61	905,682,836.48	4,879,108.87
Current liabilities:			
Accounts payable	201,696,808.99	201,696,808.99	—
Payments received in advance	336,976.79	336,976.79	—
Contract liabilities	71,800,943.11	71,800,943.11	—
Employee benefits payable	25,395,648.20	25,395,648.20	—
Tax payables	2,957,855.94	2,958,675.69	819.75
Other payables	60,213,944.23	60,213,944.23	—
Current portion of non-current liabilities	952,518.46	952,518.46	—
Other current liabilities	12,002,961.85	12,002,961.85	—
Total current liabilities	375,357,657.57	375,358,477.32	819.75

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.29.Changes in significant accounting policies and accounting estimates (continued)

3.29.3. Retrospective adjustment for business combinations under common control (continued)

(1) Consolidated Balance Sheet (continued)

Unit: RMB

Items	December 31 2023 (Before)	December 31 2023 (Restated)	Adjustments
Non-current liabilities:			
Lease liabilities	1,740,952.23	1,740,952.23	—
Total non-current liabilities	1,740,952.23	1,740,952.23	—
Total liabilities	377,098,609.80	377,099,429.55	819.75
Equity:			
Share capital	133,340,000.00	133,340,000.00	—
Capital reserves	208,802,523.38	218,802,523.38	10,000,000.00
Surplus reserve	13,003,776.37	13,003,776.37	—
Retained earnings	164,609,236.80	159,487,525.92	-5,121,710.88
Total shareholders' equity attributable to parent company	519,755,536.55	524,633,825.67	4,878,289.12
Non-controlling interests	3,949,581.26	3,949,581.26	—
Total shareholders' equity	523,705,117.81	528,583,406.93	4,878,289.12
Total liabilities and shareholders' equity	900,803,727.61	905,682,836.48	4,879,108.87

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.29.Changes in significant accounting policies and accounting estimates (continued)

3.29.3. Retrospective adjustment for business combinations under common control (continued)

(2) Consolidated Income Statement

Unit: RMB

Items	The year ended 31 December 2023 (Before)	The year ended 31 December 2023 (Restated)	Adjustments
I. Total Revenue	621,021,864.07	956,603,758.64	335,581,894.57
Including: Operating revenue	621,021,864.07	956,603,758.64	335,581,894.57
II. Total Cost	563,942,675.24	908,759,864.51	344,817,189.27
Including: Operating costs	503,956,096.60	826,342,630.54	322,386,533.94
Taxes and surcharges	5,039,986.85	15,143,269.28	10,103,282.43
Selling expenses	—	12,582,942.63	12,582,942.63
Administrative expenses	55,298,315.39	55,326,230.08	27,914.69
Research and development expenses	4,225,020.70	4,225,020.70	—
Finance expenses	-4,576,744.30	-4,860,228.72	-283,484.42
Including: Interest expenses	168,474.84	168,474.84	—
Interest income	6,724,090.70	7,046,780.64	322,689.94
Add: Other income	2,806,605.97	2,821,209.20	14,603.23
Income from investments	—	16,700,521.00	16,700,521.00
Credit impairment losses	-8,341,428.45	-9,241,076.41	-899,647.96
Impairment losses on assets	-202,129.34	-1,118,631.67	-916,502.33
Gains on disposal of assets	—	—	—
III. Operating profit			
(Loss indicated with "-")	51,342,237.01	57,005,916.25	5,663,679.24
Add: Non-operating income	78,087.87	147,037.48	68,949.61
Less: Non-operating expenses	362,097.78	448,200.48	86,102.70
IV. Profit before tax			
(Loss indicated with "-")	51,058,227.10	56,704,753.25	5,646,526.15
Less: Income tax	10,797,975.76	10,797,975.76	—
V. Net profit			
(Net Loss indicated with "-")	40,260,251.34	45,906,777.49	5,646,526.15
(I) Classified by going concern			
1. Net profit from continuing operations	40,260,251.34	45,906,777.49	5,646,526.15
2. Net profit from discontinued operations	—	—	—
(II) Classified by ownership of the equity			
1. Net profit attributable to parent company	39,431,509.26	45,078,035.41	5,646,526.15
2. Net profit attributable to non-controlling interests	828,742.08	828,742.08	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.29.Changes in significant accounting policies and accounting estimates (continued)

3.29.3. Retrospective adjustment for business combinations under common control (continued)

(2) Consolidated Income Statement (continued)

Unit: RMB

Items	The year ended 31 December 2023 (Before)	The year ended 31 December 2023 (Restated)	Adjustments
VI. Other comprehensive income, net of tax	—	—	—
Other comprehensive income after tax attributable to parent company	—	—	—
(I) Other comprehensive income that will not be reclassified into profit or loss	—	—	—
(II) Other comprehensive income that may be reclassified into profit or loss	—	—	—
Other comprehensive income attributable to non-controlling interests after tax	—	—	—
VII. Total comprehensive income	40,260,251.34	45,906,777.49	5,646,526.15
Total comprehensive income attributable to parent company	39,431,509.26	45,078,035.41	5,646,526.15
Total comprehensive income attributable to non-controlling interests	828,742.08	828,742.08	—
VIII. Earnings per share (EPS):			
(I) Basic earnings per share (Yuan per share)	0.30	0.34	0.04
(II) Diluted earnings per share (Yuan per share)	0.30	0.34	0.04

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.29.Changes in significant accounting policies and accounting estimates (continued)

3.29.3. Retrospective adjustment for business combinations under common control (continued)

(3) Consolidated Cash Flow Statement

Unit: RMB

Items	The year ended 31 December 2023 (Before)	The year ended 31 December 2023 (Restated)	Adjustments
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services	644,495,311.70	990,800,139.90	346,304,828.20
Receipts of taxes refunds	480,579.23	480,579.23	—
Other cash receipts relating to operating activities	65,457,687.52	82,649,847.20	17,192,159.68
Total cash inflows from operating activities	710,433,578.45	1,073,930,566.33	363,496,987.88
Cash payments for goods and services	442,913,480.26	738,313,910.25	295,400,429.99
Cash payments to and on behalf of employees	160,505,605.80	164,270,250.55	3,764,644.75
Payments of all types of taxes and surcharges	51,202,426.83	81,067,221.20	29,864,794.37
Other cash payments relating to operating activities	61,737,903.24	74,462,711.36	12,724,808.12
Total cash outflows from operating activities	716,359,416.13	1,058,114,093.36	341,754,677.23
Net cash flows from operating activities	-5,925,837.68	15,816,472.97	21,742,310.65
II. Cash flows from investing activities:			
Cash receipts from sales and withdrawals of investments	—	—	—
Cash receipts from returns on investments	—	—	—
Net proceeds from disposals of fixed assets, intangible assets and other long-term assets	30,025.00	30,025.00	—
Net proceeds from disposals of subsidiaries and other business units	—	3,766,415.66	3,766,415.66
Other cash receipts relating to investing activities	—	—	—
Total cash inflows from investing activities	30,025.00	3,796,440.66	3,766,415.66
Cash payments for acquisition and construction of fixed assets, intangible assets and other long-term assets	5,603,625.29	5,603,625.29	—
Cash payments for investments	—	—	—
Net cash payments for acquisitions of subsidiaries and other business units	—	—	—
Other cash payments relating to investing activities	—	—	—
Total cash outflows from investing activities	5,603,625.29	5,603,625.29	—
Net cash flows from investing activities	-5,573,600.29	-1,807,184.63	3,766,415.66

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.29.Changes in significant accounting policies and accounting estimates (continued)

3.29.3. Retrospective adjustment for business combinations under common control (continued)

(3) Consolidated Cash Flow Statement

Unit: RMB

Items	The year ended 31 December 2023 (Before)	The year ended 31 December 2023 (Restated)	Adjustments
III. Cash flows from financing activities:			
Cash receipts from capital contributions	—	10,000,000.00	10,000,000.00
Including: cash receipts from capital injection into subsidiaries by non-controlling shareholders	—	—	—
Cash receipts from borrowings	—	70,000,000.00	70,000,000.00
Other cash receipts relating to financing activities	—	—	—
Total cash inflows from financing activities	—	80,000,000.00	80,000,000.00
Cash paid for repayments of debts	—	—	—
Cash payments for dividends, profits and interests	3,634,375.62	24,721,802.33	21,087,426.71
Including: dividends and profits paid by subsidiaries to non-controlling shareholders	—	—	—
Other cash payments relating to financing activities	2,615,413.48	85,417,413.48	82,802,000.00
Total cash outflows from financing activities	6,249,789.10	110,139,215.81	103,889,426.71
Net cash flows from financing activities	-6,249,789.10	-30,139,215.81	-23,889,426.71
IV. Effect of changes in foreign exchange rates on cash and cash equivalents	33.24	33.24	—
V. Net increase in cash and cash equivalents	-17,749,193.83	-16,129,894.23	1,619,299.60
Add: Opening balance of cash and cash equivalents	428,811,504.41	428,224,768.89	-586,735.52
VI. Closing balance of cash and cash equivalents	411,062,310.58	412,094,874.66	1,032,564.08

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

4. Taxes

4.1. Main taxes and tax rates

Categories of taxes	Tax basis/type of income	Tax rate
VAT	General Tax Accounting Method: Calculate the output tax based on the revenue from the sale of goods, taxable labor, and taxable services as stipulated by tax laws. After deducting the input tax credits allowed for deduction in the current period, the balance is the value-added tax payable Simplified Tax Accounting Method: Calculate the value-added tax based on the sales amount and the VAT collection rate without deducting input tax credits	13%、9%、6% 3%
Urban maintenance and construction tax	Amount paid of turnover taxes	7%、5%
Corporate income tax	Taxable profit	5%、15%、25%
Property tax	Original value of the property Rental income	1.2% 12%

Explanation of income tax rates of different tax payers

Name of taxpayer	Income tax rate
Lushang Life Service Co., LTD	25%
Shandong Blue Shore garden engineering Co., LTD	25%
Shandong Lushang Architectural design Co., LTD	15%
Shandong HuiBangDa Furbishing Engineering Co., Ltd.	25%
Shandong Lishengshan adjacent catering management Co., LTD	5%
Shandong Lushang Tang 'an Property Co., LTD	5%
Da'antong (Shandong) Mechanical and Electrical Equipment Engineering Co., Ltd.	5%

4.2. Tax Incentives

- 4.2.1. "Announcement on Further Implementing Preferential Income Tax Policies for Small and Micro Enterprises" (Ministry of Finance and State Taxation Administration Announcement No. 13 of 2022): For small and micro enterprises with an annual taxable income exceeding 1 million yuan but not more than 3 million yuan, 25% of the amount exceeding 1 million yuan is included in the taxable income, and the enterprise income tax is paid at a tax rate of 20%. "Announcement on Income Tax Preferences for Small and Micro Enterprises and Individual Businesses" (Ministry of Finance and State Taxation Administration Announcement No. 6 of 2023): For small and micro enterprises with an annual taxable income not exceeding 1 million yuan, 25% of the amount is included in the taxable income, and the enterprise income tax is paid at a tax rate of 20%. "Announcement on Further Supporting the Development of Small and Micro Enterprises and Individual Businesses Related to Tax and Fee Policies" (Ministry of Finance and State Taxation Administration Announcement No. 12 of 2023): The policy of reducing the taxable income of small and micro enterprises by 25% and paying enterprise income tax at a tax rate of 20% will continue until December 31, 2027; from January 1, 2023, to December 31, 2027, resource tax (excluding resource tax on water resources), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction stamp duty), agricultural land occupation tax, and educational surcharges, and local educational surcharges for value-added tax small-scale taxpayers, small and micro enterprises, and individual businesses will be reduced by half.
- 4.2.2. "Announcement on Further Improving the Policy of Additional Deduction of R&D Expenses Before Tax" (Ministry of Finance and State Taxation Administration Announcement No. 7 of 2023): For enterprises conducting R&D activities, the actual R&D expenses incurred that do not form intangible assets and are included in the current period's profit and loss, on the basis of the standard deduction according to the actual amount, an additional 100% of the actual amount will be deducted before tax from January 1, 2023; for those that form intangible assets, 200% of the cost of intangible assets will be amortized before tax from January 1, 2023.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements

The following amounts are in Renminbi Yuan unless otherwise specified, The end of the period refers to December 31, 2024, the beginning refers to January 1, 2024, "the current period" refers to the year ended December 31, 2024, "the previous period" refers to the year ended December 31, 2023.

5.1. Cash and bank

Item	Ending balance	Opening balance
Cash on hand	4,015.10	5,455.50
Bank deposit	117,786,909.68	134,582,458.09
Money deposited with the finance company	307,380,783.75	277,506,961.07
Unexpired interest receivable	1,386,711.81	561,708.33
Total	426,558,420.34	412,656,582.99

5.2. Notes receivable

5.2.1. Classification of notes receivable

Item	Ending balance	Opening balance
Bank acceptance drafts		
Commercial acceptance drafts	46,441,738.61	17,917,933.62
Total	46,441,738.61	17,917,933.62

5.2.2. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis					
Provision for bad debts on a collective basis	46,779,839.39	100.00	338,100.78	0.72	46,441,738.61
Including: Listed Bank Acceptance					
Drafts Portfolio					
Related party portfolio	40,274,536.11	86.09	120,823.65	0.30	40,153,712.46
Aging portfolio	6,505,303.28	13.91	217,277.13	3.34	6,288,026.15
Total	46,779,839.39	100.00	338,100.78	0.72	46,441,738.61

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.2. Notes receivable (Continued)

5.2.2. Disclosure by the method of provision for bad debts (Continued)

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis					
Provision for bad debts on a collective basis	18,040,920.49	100.00	122,986.87	0.68	17,917,933.62
Including: Listed Bank Acceptance Drafts Portfolio					
Related party portfolio	14,743,920.49	81.72	40,261.45	0.27	14,703,659.04
Aging portfolio	3,297,000.00	18.28	82,725.42	2.51	3,214,274.58
Total	18,040,920.49	100.00	122,986.87	0.68	17,917,933.62

5.2.3. Provision for bad debts on notes receivable accrued, recovered or reversed during the period

Type	Opening balance	Changes during the period				Ending balance
		Accrue	Recover or Reverse	Transfer or Write off	Other changes	
Bank Acceptance Drafts Portfolio						
Related party portfolio	40,261.45	91,020.62	—	—	10,458.42	120,823.65
Aging portfolio	82,725.42	207,825.67	—	—	73,273.96	217,277.13
Total	122,986.87	298,846.29	—	—	83,732.38	338,100.78

Note: Other changes represent amounts transferred from disposal of subsidiaries, as detailed in note “VI · Changes in scope of consolidation”.

5.2.4. Notes receivable endorsed or discounted at the end of the period and not yet due at the balance sheet date

Item	The amount derecognized at the end of the period	The amount not derecognized at the end of the period
Bank acceptance drafts		
Commercial acceptance drafts	—	13,886,175.22
Total	—	13,886,175.22

5.2.5. The aging analysis of notes receivable

The Group's notes receivable at the end of the period are aged within 180 days.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.3. Accounts receivable

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

Aging	Ending balance	Opening balance
Within 1 year	181,445,322.17	200,600,530.37
1-2 years	63,133,604.85	94,489,849.97
2-3 years	48,509,746.68	11,553,291.83
Over 3 years	12,952,663.67	7,954,391.73
Subtotal	306,041,337.37	314,598,063.90
Less: Provision for bad debts	29,676,596.38	19,163,727.75
Total	276,364,740.99	295,434,336.15

5.3.2. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis	—	—	—	—	—
Provision for bad debts on a collective basis	306,041,337.37	100.00	29,676,596.38	9.70	276,364,740.99
Including: Aging portfolio	173,145,812.24	56.58	27,406,152.80	15.83	145,739,659.44
Related party portfolio	132,895,525.13	43.42	2,270,443.58	1.71	130,625,081.55
Total	306,041,337.37	100.00	29,676,596.38	9.70	276,364,740.99

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis	—	—	—	—	—
Provision for bad debts on a collective basis	314,598,063.90	100.00	19,163,727.75	6.09	295,434,336.15
Including: Aging portfolio	177,084,911.10	56.29	18,083,691.86	10.21	159,001,219.24
Related party portfolio	137,513,152.80	43.71	1,080,035.89	0.79	136,433,116.91
Total	314,598,063.90	100.00	19,163,727.75	6.09	295,434,336.15

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.3. Accounts receivable (Continued)

5.3.2. Disclosure by the method of provision for bad debts (Continued)

Accounts receivable with bad debt provision based on grouping of credit risk characteristics.

(1) Aging portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	98,154,843.57	3,274,434.23	3.34
1-2 years	38,684,506.77	4,893,874.35	12.65
2-3 years	24,463,627.93	7,395,010.25	30.23
Over 3 years	11,842,833.97	11,842,833.97	100.00
Total	173,145,812.24	27,406,152.80	15.83

(2) Related party portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	83,290,478.60	246,826.84	0.30
1-2 years	24,449,098.08	298,873.55	1.22
2-3 years	24,046,118.75	614,913.49	2.56
Over 3 years	1,109,829.70	1,109,829.70	100.00
Total	132,895,525.13	2,270,443.58	1.71

5.3.3. Provision for bad debts on accounts receivable accrued, recovered or reversed during the period

Type	Opening balance	Changes during the period		Ending balance
		Accrue	Other changes	
Provision for bad debts on an individual basis	—	—	—	—
Provision for bad debts on a collective basis	19,163,727.75	10,757,221.62	244,352.99	29,676,596.38
Including: Aging portfolio	18,083,691.86	9,532,210.66	209,749.72	27,406,152.80
Related party portfolio	1,080,035.89	1,225,010.96	34,603.27	2,270,443.58
Total	19,163,727.75	10,757,221.62	244,352.99	29,676,596.38

Note: Other changes represent amounts transferred from disposal subsidiaries, as detailed in note "6.Changes in scope of consolidation".

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.3. Accounts receivable (Continued)

5.3.4. The situation of the top five accounts receivable and contract assets at the end of the period, aggregated by the debtor.

Name	Balance of accounts receivable	Balance of contract assets	Balance of accounts receivable and contract assets	Proportion of the total ending balance(%)	The total of provisions for bad debts
Heze Lushang Real Estate Co., LTD	10,252,884.40	8,637,651.01	18,890,535.41	5.13	114,864.94
Zibo Lushang Real Estate Co., Ltd.	10,164,335.65	6,799,366.19	16,963,701.84	4.61	38,912.11
Haerbin Lushang Real Estate Co., Ltd.	7,402,516.51	7,827,400.56	15,229,917.07	4.14	21,936.96
Mount Taishan Youcun Revitalization Ecotourism Development (Shandong) Co., Ltd.	8,010,264.15	4,834,553.48	12,844,817.63	3.49	74,726.85
Jinan Licheng District people's government Tangye sub-district office	12,745,496.42	—	12,745,496.42	3.46	576,791.12
Total	48,575,497.13	28,098,971.24	76,674,468.37	20.83	827,231.98

5.4. Receivables Financing

Item	Ending balance	Opening balance
Bank acceptance drafts	—	200,000.00
Total	—	200,000.00

5.5. Prepayments

5.5.1. Disclosure by aging

Item	Ending balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	2,659,546.89	85.09	1,885,338.99	99.33
1–2 year	466,137.16	14.91	12,636.46	0.67
Total	3,125,684.05	100.00	1,897,975.45	100.00

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.5. Prepayments (Continued)

5.5.2. The situation of the top five prepayments at the end of the period, aggregated by the payee

Name	Ending balance	Aging	Proportion of the total ending balance (%)
Shandong Lushang Technology Group Co., Ltd.	535,754.72	Within 1 year, 1-2 years	17.14
Shandong Gaojie Tongxu elevator Co., LTD	424,592.00	Within 1 year	13.58
State Grid Shandong Electric Power Company Jinan power supply company	312,160.88	Within 1 year	9.99
State Grid Shandong Electric Power Company Linyi power supply company	311,665.70	Within 1 year	9.97
Shandong Caozhou Municipal Engineering Co., Ltd.	260,052.25	1-2 years	8.32
Total	1,844,225.55	—	59.00

5.6. Other receivables

5.6.1. Disclosure by nature

Nature	Ending balance	Opening balance
Security deposit, deposit	1,221,965.00	1,909,769.79
Reserve fund	—	3,150.00
Advanced social security and housing fund	175,825.72	155,138.45
Payments for projects	847,028.96	400,850.00
Related party transactions	872,299.73	5,237,909.43
Others	803,115.55	161,199.62
Subtotal	3,920,234.96	7,868,017.29
Less: Provision for bad debts	587,661.38	253,580.28
Total	3,332,573.58	7,614,437.01

5.6.2. Disclosure by aging

Aging	Ending balance	Opening balance
Within 1 year	2,414,612.96	6,054,333.91
1-2 years	174,738.49	678,341.34
2-3 years	290,042.47	625,941.04
Over 3 years	1,040,841.04	509,401.00
Subtotal	3,920,234.96	7,868,017.29
Less: Provision for bad debts	587,661.38	253,580.28
Total	3,332,573.58	7,614,437.01

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.6. Other receivables (Continued)

5.6.3. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis	177,303.91	4.52	177,303.91	100.00	—
Provision for bad debts on a collective basis	3,742,931.05	95.48	410,357.47	10.96	3,332,573.58
Including: Related party portfolio	872,299.73	22.25	7,839.47	0.90	864,460.26
Low risk portfolio	2,419,781.32	61.73	—	—	2,419,781.32
Aging portfolio	450,850.00	11.50	402,518.00	89.28	48,332.00
Total	3,920,234.96	100.00	587,661.38	14.99	3,332,573.58

Type	Book balance		Opening balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis	248,804.91	3.16	248,804.91	100.00	—
Provision for bad debts on a collective basis	7,619,212.38	96.84	4,775.37	0.06	7,614,437.01
Including: Related party portfolio	5,237,909.43	66.57	4,775.37	0.09	5,233,134.06
Low risk portfolio	2,381,302.95	30.27	—	—	2,381,302.95
Total	7,868,017.29	100.00	253,580.28	3.22	7,614,437.01

(1) Other receivables for which bad debt provision is made on an individual basis

Name	Ending balance		Opening balance		Provisioning ratio (%)	Reason for provision
	Book balance	Provision for bad debts	Book balance	Provision for bad debts		
Tai 'an Housing Administration Bureau Property Division	—	—	51,855.80	51,855.80	100.00	Recovery risk is expected
Shandong Hengchang Law Firm	—	—	17,093.00	17,093.00	100.00	Recovery risk is expected
Owner maintenance fee	3,750.00	3,750.00	3,750.00	3,750.00	100.00	Recovery risk is expected
Jinan Red police safety technical service Co., LTD	2,000.00	2,000.00	2,000.00	2,000.00	100.00	Recovery risk is expected
Tai 'an Mingzhu fitness Co., LTD	—	—	2,552.20	2,552.20	100.00	Recovery risk is expected
Others	171,553.91	171,553.91	171,553.91	171,553.91	100.00	Recovery risk is expected
Total	177,303.91	177,303.91	248,804.91	248,804.91	100.00	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.6. Other receivables (Continued)

5.6.3. Disclosure by the method of provision for bad debts (Continued)

(2) Other receivables with bad debt provision based on grouping of credit risk characteristics

5.6.3.1. Related party portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	577,299.70	1,710.79	0.30
1-2 years	106,018.90	1,296.00	1.22
2-3 years	188,981.13	4,832.68	2.56
Total	872,299.73	7,839.47	0.90

5.6.3.2. Low risk portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	1,787,313.26	—	—
1-2 years	65,568.06	—	—
2-3 years	59,177.00	—	—
Over 3 years	507,723.00	—	—
Total	2,419,781.32	—	—

5.6.3.2. Aging portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	50,000.00	1,668.00	3.34
1-2 years	—	—	—
2-3 years	—	—	—
Over 3 years	400,850.00	400,850.00	100.00
Total	450,850.00	402,518.00	89.28

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.6. Other receivables (Continued)

5.6.3. Disclosure by the method of provision for bad debts (Continued)

(3) Provision for bad debts of other receivables in ECL general approach

	Stage 1 Expected credit losses over the next 12 months	Stage 2 Lifetime expected credit losses (no credit impairment)	Stage 3 Lifetime expected credit losses (credit-impaired)	Total
Provision for bad debts				
Opening balance	4,775.37	—	248,804.91	253,580.28
Opening balance in the current period	—	—	—	—
– Transfer into stage 2	—	—	—	—
– Transfer into stage 3	—	—	—	—
– Reverse into stage 2	—	—	—	—
– Reverse into stage 1	—	—	—	—
Accrue in the period	63,455.58	—	400,850.00	464,305.58
Reverse in the period	—	—	68,948.80	68,948.80
Transfer in the period	—	—	—	—
Write-off in the period	—	—	2,552.20	2,552.20
Other changes	58,723.48	—	—	58,723.48
Ending balance	9,507.47	—	578,153.91	587,661.38

(4) Provision for bad debts on other receivables accrued, recovered or reversed during the period

Type	Opening balance	Accrue	Changes during the period Recover or Reverse	Transfer or Write off	Other changes	Ending balance
Provision for bad debts on an individual basis	248,804.91	—	68,948.80	2,552.20	—	177,303.91
Provision for bad debts on a collective basis	4,775.37	464,305.58	—	—	58,723.48	410,357.47
Including: Related party portfolio	4,775.37	61,787.58	—	—	58,723.48	7,839.47
Low risk portfolio	—	—	—	—	—	—
Aging portfolio	—	402,518.00	—	—	—	402,518.00
Total	253,580.28	464,305.58	68,948.80	2,552.20	58,723.48	587,661.38

Note: Other changes represent amounts transferred from disposal of subsidiaries, as detailed in note “6.Changes in scope of consolidation”.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.6. Other receivables (Continued)

5.6.3. Disclosure by the method of provision for bad debts (Continued)

(5) Other receivables actually written off in the current period

Item	Amount written off
Tai 'an Mingzhu fitness Co., LTD	2,552.20

(6) The situation of the top five other receivables at the end of the period, aggregated by the debtor

Name	Nature	Ending balance	Aging	Proportion of total other receivables (%)	Provision for bad debts
Jinan City construction engineering construction drawing review Co., LTD	Payments for projects	446,178.96	Within 1 year	11.38	—
Qilu Medical College	Related party transactions	426,299.70	Within 1 year	10.87	1,263.32
	Security deposit				
Zibo Boshan green Yan Garden engineering Co., LTD	Payments for projects	400,850.00	Over 3 years	10.23	400,850.00
State grid Shandong electric power company Dongying power supply company	Security deposit	400,000.00	Over 3 years	10.2	—
Jinan affordable housing service center	Payment on behalf of others	298,514.00	Within 1 year	7.61	—
Total	—	1,971,842.66	—	50.29	402,113.32

5.7. Inventory

Item	Ending balance			Opening balance		
	Book balance	Inventory reserve	Book value	Book balance	Inventory reserve	Book value
Raw materials	1,771,393.69	—	1,771,393.69	620,617.80	—	620,617.80
Stock goods	5,341,598.58	—	5,341,598.58	2,407,321.04	—	2,407,321.04
Turnover materials	—	—	—	396,093.13	—	396,093.13
Total	7,112,992.27	—	7,112,992.27	3,424,031.97	—	3,424,031.97

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.8. Contract Assets

5.8.1. Contract Assets

Item	Book balance	Ending balance Provision for bad debts	Book value	Book balance	Opening balance Provision for bad debts	Book value
Landscape greening project	37,450,053.23	162,143.81	37,287,909.42	33,819,901.18	159,420.92	33,660,480.26
Design service	6,748,998.07	2,213.28	6,746,784.79	4,798,998.07	1,094.11	4,797,903.96
Hardcover engineering	17,809,616.71	87,936.88	17,721,679.83	22,711,653.20	41,614.31	22,670,038.89
Total	62,008,668.01	252,293.97	61,756,374.04	61,330,552.45	202,129.34	61,128,423.11

5.8.2. Disclosure by the method of provision for bad debts

Type	Book balance Amount	Proportion (%)	Ending balance Provision for bad debts Amount	Provisioning ratio (%)	Book value
Provision for bad debts on an individual basis					
Provision for bad debts on a collective basis	62,008,668.01	100.00	252,293.97	0.41	61,756,374.04
Including: Related party portfolio	50,477,743.03	81.40	159,818.30	0.32	50,317,924.73
Third party projects	11,530,924.98	18.60	92,475.67	0.80	11,438,449.31
Total	62,008,668.01	100.00	252,293.97	0.41	61,756,374.04

Type	Book balance Amount	Proportion (%)	Opening balance Provision for bad debts Amount	Provisioning ratio (%)	Book value
Provision for bad debts on an individual basis					
Provision for bad debts on a collective basis	61,330,552.45	100.00	202,129.34	0.33	61,128,423.11
Including: Related party portfolio	41,811,529.24	68.17	98,529.18	0.24	41,713,000.06
Third party projects	19,519,023.21	31.83	103,600.16	0.53	19,415,423.05
Total	61,330,552.45	100.00	202,129.34	0.33	61,128,423.11

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.8. Contract Assets (Continued)

5.8.3. Provision for bad debts on contract assets accrued, recovered or reversed during the period

Item	Opening balance	Accrue	Recover or Reverse	Transfer or Write off	Other changes	Ending balance
Related party portfolio	98,529.18	80,692.88	—	—	19,403.76	159,818.30
Third party projects	103,600.16	78.25	—	—	11,202.74	92,475.67
Total	202,129.34	80,771.13	—	—	30,606.50	252,293.97

Note: Other changes represent amounts transferred from disposal of subsidiaries, as detailed in note“6. Changes in scope of consolidation”.

5.9. Other current assets

Item	Ending balance	Opening balance
Value-added tax credit carryover	497,049.22	2,520,906.02
Prepaid other taxes and fees	106,174.65	319,127.45
Total	603,223.87	2,840,033.47

5.10. Investment properties

5.10.1. Investment properties measured at cost

Item	Houses and buildings	Total
I. Original cost		
1. Opening balance	39,504,900.36	39,504,900.36
2. The increase in the current period	2,054,158.95	2,054,158.95
(1) Purchase	2,054,158.95	2,054,158.95
3. The amount reduced in the current period	—	—
4. Ending balance	41,559,059.31	41,559,059.31
II. Accumulated depreciation		
1. Opening balance	—	—
2. The increase in the current period	1,784,189.52	1,784,189.52
(1) Provision or amortization	1,784,189.52	1,784,189.52
3. The amount reduced in the current period	—	—
4. Ending balance	1,784,189.52	1,784,189.52
III. Accumulated Impairment Losses		
IV. Book value		
1. Book value at the end of the period	39,774,869.79	39,774,869.79
2. Book value at the beginning of the period	39,504,900.36	39,504,900.36

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.10. Investment properties

5.10.2. Investment properties for which the property rights certificate has not been completed

Item	Book value	Reasons for not having completed the property rights certificate
Jinan Inzone Jingdu civil air defense parking spaces	30,432,529.73	Civil air defense parking spaces
Dongying City Square parking spaces	2,021,634.75	Being processed
Total	32,454,164.48	

5.11. Fixed assets

Item	Ending balance	Opening balance
Fixed assets	48,738,575.11	50,711,300.46
Fixed assets in liquidation	—	—
Total	48,738,575.11	50,711,300.46

The situation of fixed assets

Item	Houses and buildings	Transportation equipment	Machinery and other equipment	Total
I. Original cost				
1. Opening balance	41,793,419.69	14,484,448.05	15,544,897.68	71,822,765.42
2. The increase in the current period	—	879,780.34	3,219,528.15	4,099,308.49
(1) Purchase	—	879,780.34	3,219,528.15	4,099,308.49
(2) Transfer from Construction in Progress	—	—	—	—
(3) Other Transfer	—	—	—	—
3. The amount reduced in the current period	—	54,229.47	911,295.27	965,524.74
(1) Dispose of or scrap	—	54,229.47	865,153.69	919,383.16
(2) Reduction in disposal of subsidiaries	—	—	46,141.58	46,141.58
(3) Other Reductions	—	—	—	—
4. Ending balance	41,793,419.69	15,309,998.92	17,853,130.56	74,956,549.17
II. Accumulated depreciation				
1. Opening balance	4,292,928.36	6,566,344.99	10,252,191.61	21,111,464.96
2. The increase in the current period	992,593.68	2,644,533.32	2,380,070.31	6,017,197.31
(1) Accrue	992,593.68	2,644,533.32	2,380,070.31	6,017,197.31
(2) Other Transfer	—	—	—	—
3. The amount reduced in the current period	—	52,380.54	858,307.67	910,688.21
(1) Dispose of or scrap	—	52,380.54	827,216.03	879,596.57
(2) Reduction in disposal of subsidiaries	—	—	31,091.64	31,091.64
(3) Other Reductions	—	—	—	—
4. Ending balance	5,285,522.04	9,158,497.77	11,773,954.25	26,217,974.06
III. Accumulated Impairment Losses				
IV Book value				
1. Book value at the end of the period	36,507,897.65	6,151,501.15	6,079,176.31	48,738,575.11
2. Book value at the beginning of the period	37,500,491.33	7,918,103.06	5,292,706.07	50,711,300.46

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.12. Right-of-use assets

Item	Houses and buildings	Total
I. Original cost		
1. Opening balance	3,908,271.10	3,908,271.10
2. The increase in the current period	—	—
3. The amount reduced in the current period	—	—
4. Ending balance	3,908,271.10	3,908,271.10
II. Accumulated depreciation		
1. Opening balance	2,149,549.06	2,149,549.06
2. The increase in the current period	781,654.20	781,654.20
(1) Accrue	781,654.20	781,654.20
3. The amount reduced in the current period	—	—
4. Ending balance	2,931,203.26	2,931,203.26
III. Accumulated Impairment Losses		
IV. Book value		
1. Book value at the end of the period	977,067.84	977,067.84
2. Book value at the beginning of the period	1,758,722.04	1,758,722.04

5.13. Intangible assets

Item	Software	Total
I. Original cost		
1. Opening balance	3,258,292.97	3,258,292.97
2. The increase in the current period	457,957.45	457,957.45
(1) purchase	457,957.45	457,957.45
3. The amount reduced in the current period	—	—
4. Ending balance	3,716,250.42	3,716,250.42
II. Accumulated amortization		
1. Opening balance	2,174,534.96	2,174,534.96
2. The increase in the current period	886,134.96	886,134.96
(1) Accrue	886,134.96	886,134.96
3. The amount reduced in the current period	—	—
4. Ending balance	3,060,669.92	3,060,669.92
III. Accumulated Impairment Losses		
IV. Book value		
1. Book value at the end of the period	655,580.50	655,580.50
2. Book value at the beginning of the period	1,083,758.01	1,083,758.01

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.14. Long-term deferred expenses

Item	Opening balance	Increase in the current period	Amortization in the current period	Other reduction	Ending balance
Fit-out cost	2,898,728.72	4,443,115.86	1,266,671.06	—	6,075,173.52
Total	2,898,728.72	4,443,115.86	1,266,671.06	—	6,075,173.52

5.15. Deferred Tax Assets and Deferred Tax Liabilities

5.15.1. Unoffset deferred tax assets

Item	Ending balance		Opening balance	
	Deductible temporary differences	Deferred Tax Assets	Deductible temporary differences	Deferred Tax Assets
Credit impairment loss	30,602,358.54	6,689,925.43	19,540,294.90	4,494,399.90
Asset impairment provision	252,293.97	54,058.47	202,129.34	44,641.18
Employee benefits payable	2,939,550.34	584,500.43	9,416,789.34	1,953,418.61
Lease liabilities	2,624,841.77	393,726.27	2,553,478.25	383,021.74
Total	36,419,044.62	7,722,210.60	31,712,691.83	6,875,481.43

5.15.2. Unoffset deferred tax liabilities

Item	Ending balance		Opening balance	
	Taxable temporary differences	Deferred Tax Liabilities	Taxable temporary differences	Deferred Tax Liabilities
Right-of-use assets	977,067.84	146,560.18	1,758,722.04	263,808.31
Total	977,067.84	146,560.18	1,758,722.04	263,808.31

5.15.3. Deferred tax assets or liabilities presented net of offsets

Item	Offset amount of deferred tax assets and liabilities at the end of the period	Ending balance of deferred tax assets or liabilities after offset	Offset amount of deferred tax assets and liabilities at the beginning of the period	Opening balance of deferred tax assets or liabilities after offset
Deferred Tax Assets	146,560.18	7,575,650.42	263,808.31	6,611,673.12
Deferred Tax Liabilities	146,560.18	—	263,808.31	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.16. Short-term borrowings

Category of borrowings	Ending balance	Opening balance
Credit borrowings	8,008,317.81	—
Total	8,008,317.81	—

5.17. Accounts payable

5.17.1. Accounts payable

Item	Ending balance	Opening balance
Payable for project costs	83,817,728.39	89,371,698.92
Payable for construction	72,234,232.98	93,194,280.36
Payable for expenses	—	1,975,297.20
Payable for materials	659,547.79	9,657,093.08
Accounts payable by tentative estimate	1,705,399.10	780,864.97
Others	7,410,722.77	6,717,574.46
Total	165,827,631.03	201,696,808.99

5.17.2. The aging analysis of accounts payable based on transaction date is as follows:

Aging	Ending balance	Opening balance
Within 1 year	119,403,058.28	152,737,044.34
1-2 years	26,315,674.51	38,495,716.53
2-3 years	11,887,664.11	9,296,755.27
Over 3 years	8,221,234.13	1,167,292.85
Total	165,827,631.03	201,696,808.99

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.17 .Accounts payable (Continued)

5.17.3.Important accounts payable aged over 1 year

Name	Ending balance	Reasons for not being repaid or transferred
Shandong Guorui Municipal Garden Engineering Co., LTD	5,164,378.85	unsettled
Qingdao Longde Municipal Landscape Construction Co., Ltd.	4,560,497.20	unsettled
Qingdao Shangjing Landscape Engineering Co., Ltd.	4,303,077.38	unsettled
Shandong Lanfeng Construction Co. LTD	3,249,105.13	unsettled
Shandong Huamai Ronghui Information Technology Co., Ltd.	2,822,979.90	unsettled
Shandong Changshi Construction Engineering Co., LTD	2,392,875.53	unsettled
Shandong Fengyi landscape Engineering Co., LTD	2,045,321.65	unsettled
Shandong urban and rural development Group Decoration Co., Ltd	1,562,972.98	unsettled
China Zhongyuan International Engineering Co., LTD	1,329,005.60	unsettled
Shandong Junmao Municipal Garden Engineering Co., LTD	1,206,794.53	unsettled
Shandong Zhanhong Huashang decoration engineering Co., LTD	1,122,566.93	unsettled
Total	29,759,575.68	—

5.18. Payments received in advance

Type	Ending balance	Opening balance
Lease	316,079.43	336,976.79
Total	316,079.43	336,976.79

5.19. Contract liabilities

Item	Ending balance	Opening balance
Property management fee	79,092,601.23	67,504,491.47
Community value-added service	1,476,420.98	4,164,548.01
Landscaping and design services	—	131,903.63
Total	80,569,022.21	71,800,943.11

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.20. Employee benefits payable

5.20.1. Employee benefits payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term benefits	21,854,669.02	131,912,883.46	136,222,544.54	17,545,007.94
Post-employment benefits (defined contribution plan)	3,540,979.18	16,134,168.52	18,427,615.49	1,247,532.21
Dismissal benefits	—	1,462,337.11	1,462,337.11	—
Total	25,395,648.20	149,509,389.09	156,112,497.14	18,792,540.15

5.20.2. List of short-term benefits

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Salaries, bonuses, allowances and subsidies	9,163,943.52	105,520,914.75	104,590,358.44	10,094,499.83
Employee welfare expenses	—	12,416,480.04	12,416,480.04	—
Social insurance premiums Including: Basic medical insurance premiums	2,230,542.85	6,844,783.37	8,039,843.34	1,035,482.88
Work injury insurance	1,988,007.60	6,457,413.13	7,594,004.66	851,416.07
Housing Fund	242,535.25	387,370.24	445,838.68	184,066.81
Trade union funds and employee education funds	3,645,267.21	5,052,562.82	8,041,294.78	656,535.25
Short-term cumulative paid absences	6,814,915.44	1,978,024.40	3,034,449.86	5,758,489.98
Others	—	7,957.00	7,957.00	—
	—	92,161.08	92,161.08	—
Total	21,854,669.02	131,912,883.46	136,222,544.54	17,545,007.94

5.20.3. List of defined contribution plans

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Basic pension insurance	3,386,179.30	12,507,042.33	14,695,414.71	1,197,806.92
Unemployment insurance premiums	154,799.88	524,361.25	629,435.84	49,725.29
Enterprise annuity contributions	—	3,102,764.94	3,102,764.94	—
Total	3,540,979.18	16,134,168.52	18,427,615.49	1,247,532.21

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.20. Employee benefits payable (Continued)

5.20.3. List of defined contribution plans (Continued)

Basic Pension Insurance refers specifically to the defined contribution retirement scheme administered and operated by the local municipal government. The Group's employees are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

5.21. Taxes payable

Item	Ending balance	Opening balance
VAT	1,598,751.88	440,443.82
Corporate income tax	3,644,673.54	1,823,746.17
Urban maintenance and construction tax	174,304.06	152,328.12
Education surcharge	78,184.47	68,007.60
Local education surcharge	49,060.86	42,276.26
Personal Income Tax	65,311.21	28,720.77
Property tax	124,300.23	379,812.45
Land use tax	581.22	581.22
Stamp duty	13,513.31	22,759.28
Employment security for the disabled	22,368.32	—
Total	5,771,049.10	2,958,675.69

5.22. Other payables

Item	Ending balance	Opening balance
Dividends payable	10,213,740.00	10,740,000.00
Other payables	49,454,437.43	49,473,944.23
Total	59,668,177.43	60,213,944.23

5.22.1. Dividends payable

Item	Ending balance	Opening balance
Common stock dividends	10,213,740.00	10,740,000.00
Total	10,213,740.00	10,740,000.00

Note: The aforementioned dividends payable, which have remained unpaid for over one year, are primarily dividends payable due to the controlling shareholder, Lushang Freda Pharmaceutical Co., LTD., which has not yet requested payment.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.22. Other payables (Continued)

5.22.2. Other payables

(1) Other payables presented by the nature

Nature of payment	Ending balance	Opening balance
Deposit and security deposit	28,084,358.15	26,692,561.67
Advanced payments of others	1,275,996.35	1,807,743.52
Escrow funds	8,553,839.88	7,519,181.24
Funds for the Party's organizational work	1,738,150.24	1,904,958.76
Public maintenance funds	2,555,731.04	2,970,899.28
Energy fees	1,301,186.49	1,595,214.83
Intermediary fees	4,354,918.26	4,261,616.05
Others	1,590,257.02	2,721,768.88
Total	49,454,437.43	49,473,944.23

(2) Important other payables aged over 1 year

Name	Ending balance	Reasons for not being repaid or transferred
Toppan Merrill Financial printing Co., LTD	4,354,918.26	unsettled
Total	4,354,918.26	—

5.23. Current portion of non-current liabilities

Item	Ending balance	Opening balance
Long-term payables due within 1 year	—	139,992.44
Lease liabilities due within 1 year	2,624,841.77	812,526.02
Total	2,624,841.77	952,518.46

5.24. Other current liabilities

Item	Ending balance	Opening balance
Payments of negotiable instruments endorsed but not yet derecognized	13,886,175.22	7,692,236.13
Pending output VAT	4,799,117.78	4,310,725.72
Total	18,685,293.00	12,002,961.85

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.25. Lease liabilities

Item	Ending balance	Opening balance
Within 1 year	2,651,668.60	883,889.52
1-2 years	—	883,889.54
2-3 years	—	883,889.54
3-4 years	—	—
Subtotal of lease payments	2,651,668.60	2,651,668.60
Less: Unrecognized financing costs	26,826.83	98,190.35
Present value of lease payments	2,624,841.77	2,553,478.25
Less: Lease liabilities due within 1 year	2,624,841.77	812,526.02
Total	—	1,740,952.23

5.26. Share capital

Item	Opening balance	Issue new shares	Increase or decrease during the period				Subtotal	Ending balance
			Bonus shares	Reserves transfer into Shares	Other			
Total number of shares	133,340,000.00	—	—	—	—	—	—	133,340,000.00

5.27. Capital reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Capital surplus (share premium)	218,802,523.38	—	4,878,300.00	213,924,223.38
Total	218,802,523.38	—	4,878,300.00	213,924,223.38

The decrease of RMB 4,878,300.00 in capital surplus for the current period is due to the payment of the consideration for business combination under common control.

5.28. Surplus Reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	13,003,776.37	3,960,750.20	—	16,964,526.57
Total	13,003,776.37	3,960,750.20	—	16,964,526.57

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.29. Retained earnings

Item	Current period	Previous period
Retained earnings at the end of the previous period before adjustment	159,487,525.92	142,800,857.91
Total retained earnings adjustments at the beginning of the period (increase +, decrease -)	—	-10,768,237.03
Including: Retrospective Adjustments due to Accounting Standards for Business Enterprises and related new requirements	—	—
Changes in accounting policies	—	—
Corrections of material prior period errors	—	—
Business combinations under common control	—	-10,768,237.03
Other reasons	—	—
The adjusted retained earnings at the beginning of the period	159,487,525.92	132,032,620.88
Add: Net profit attributable to the parent company's shareholders for the period	45,091,464.06	45,078,035.41
Less: Appropriation to statutory surplus reserve	3,960,750.20	3,248,754.75
Appropriation to arbitrary surplus reserve	—	—
Common stock dividends	—	14,374,375.62
Common stock dividends transferred to share capital	—	—
Retained earnings at the end of the period	200,618,239.78	159,487,525.92

5.30. Operating revenue and operating costs

5.30.1. Operating revenue and operating costs

Item	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	607,769,943.85	492,648,255.60	930,811,392.53	808,342,788.52
Other business	1,148,679.98	332,302.68	25,792,366.11	17,999,842.02
Total	608,918,623.83	492,980,558.28	956,603,758.64	826,342,630.54

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.30. Operating revenue and operating costs (Continued)

5.30.2. The situation of the revenue generated by the contract

Contract classification	Amount in the current period		Total
	Main business	Other business	
Service type			
Including: Property management services	332,539,687.94	1,148,679.98	333,688,367.92
Community value-added services	145,435,242.61	—	145,435,242.61
Value-added services to non-property owners	129,795,013.30	—	129,795,013.30
Real Estate	—	—	—
Leasing	—	—	—
Classified by operating area			
Including: China	607,769,943.85	1,148,679.98	608,918,623.83
Classification by the time of the transfer of services			
Including: Transfer at a point in time	136,882,225.18	—	136,882,225.18
Transfer overtime	470,887,718.67	1,148,679.98	472,036,398.65
Total	607,769,943.85	1,148,679.98	608,918,623.83

Contract classification	Amount in the previous period		Total
	Main business	Other business	
Service type			
Including: Property management services	316,147,095.53	1,142,505.00	317,289,600.53
Community value-added services	135,790,475.31	—	135,790,475.31
Value-added services to non-property owners	167,941,788.23	—	167,941,788.23
Real Estate	310,932,033.46	—	310,932,033.46
Leasing	—	24,649,861.11	24,649,861.11
Classified by operating area			
Including: China	930,811,392.53	25,792,366.11	956,603,758.64
Classification by the time of the transfer of services			
Including: Transfer at a point in time	431,830,483.41	549,296.06	432,379,779.47
Transfer overtime	498,980,909.12	25,243,070.05	524,223,979.17
Total	930,811,392.53	25,792,366.11	956,603,758.64

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.31. Taxes and surcharges

Item	Amount in the current period	Amount in the previous period
Urban maintenance and construction tax	1,372,199.37	2,232,524.25
Education surcharge	596,368.50	986,413.26
Local education surcharge	397,407.96	622,157.57
Stamp duty	122,390.57	548,641.50
Property tax	1,150,789.81	4,446,326.23
Land use tax	61,573.76	25,775.94
Environmental protection tax	862.59	5,227.28
Vehicle and vessel use tax	4,468.46	3,060.96
Water resource tax	—	449,307.00
Land value added tax	—	5,817,642.79
Others	—	6,192.50
Total	3,706,061.02	15,143,269.28

5.32. Selling expense

Item	Amount in the current period	Amount in the previous period
Advertising and promotion expenses	—	4,269,974.34
Commission expenses	—	8,312,968.29
Total	—	12,582,942.63

5.33. Administrative expenses

Item	Amount in the current period	Amount in the previous period
Employee benefits	36,067,367.55	38,747,257.05
Other intermediary fees	3,459,940.87	6,645,316.17
Auditors' remuneration	350,000.00	450,000.00
— Audit services	280,000.00	400,000.00
— Non-audit services	70,000.00	50,000.00
Depreciation and amortization	2,820,176.13	2,826,108.47
Information technology service fee	1,573,402.05	—
Travel expenses	1,284,838.27	1,268,824.46
Service charge	782,879.37	363,547.98
Office expenses	762,410.97	714,854.61
Business entertainment expenses	598,125.87	613,212.67
Transportation expense	386,565.83	366,502.36
Tax cost	347,871.82	340,965.78
Network communication fee	157,659.98	345,124.50
Premium fee	92,375.72	102,345.09
Lease cost	91,430.37	132,416.76
Others	1,482,739.84	2,409,754.18
Total	50,257,784.64	55,326,230.08

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.34.R&D expenses

Item	Amount in the current period	Amount in the previous period
Employee benefits	5,078,233.37	4,172,959.20
Depreciation and amortization	10,186.66	52,061.50
Total	5,088,420.03	4,225,020.70

5.35.Finance expenses

Item	Amount in the current period	Amount in the previous period
Interest expenses	287,299.69	168,474.84
Less: Interest income	6,386,971.69	7,046,780.64
Plus: Exchange losses	356,534.42	750,377.30
Bank charges and others	1,150,076.95	1,267,699.78
Total	-4,593,060.63	-4,860,228.72

5.36.Other income

Sources of other income	Amount in the current period	Amount in the previous period
Government grants	1,253,845.58	1,006,744.20
Military personnel and veteran's relief	161,657.86	445,500.10
VAT additional deduction	—	1,276,175.19
Refund of charges for personal income taxes	24,507.58	79,039.71
Re-employment tax incentives and deductions	—	13,750.00
Others	1,126.25	—
Total	1,441,137.27	2,821,209.20

5.37.Income from investments

Item	Amount in the current period	Amount in the previous period
Investment income from disposal of long-term equity investments	-379,945.42	16,700,521.00
Total	-379,945.42	16,700,521.00

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.38.Credit impairment losses

Item	Amount in the current period	Amount in the previous period
Bad debt loss on accounts receivable	-10,757,221.62	-8,172,106.12
Bad debt loss on other receivables	-395,356.79	-945,983.42
Bad debt loss on notes receivable	-298,846.29	-122,986.87
Total	-11,451,424.70	-9,241,076.41

5.39.Impairment losses on assets

Item	Amount in the current period	Amount in the previous period
Inventory write-down	—	-916,502.33
Impairment losses of contract assets	-80,771.13	-202,129.34
Total	-80,771.13	-1,118,631.67

5.40.Non-operating income

5.40.1.Non-operating income details

Item	Amount in the current period	Amount in the previous period	Amount included in non-recurring gains and losses for the current period
Gains from scrapping of non-current assets	450.00	60.00	450.00
Government grants	8,270,000.00	—	8,270,000.00
others	57,163.45	146,977.48	57,163.45
Total	8,327,613.45	147,037.48	8,327,613.45

5.40.2.Government grants recognized in profit or loss for the current period

Item	Amount in the current period	Amount in the previous period	Asset-related/ Income related
2022 Jinjiutiao government subsidy	8,200,000.00	—	Income related
Rewards for service enterprises above certain scale for the year 2022	50,000.00	—	Income related
Municipal level rewards for enterprises above certain scale for the year 2021	20,000.00	—	Income related
Total	8,270,000.00	—	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.41. Non-operating expenses

Item	Amount in the current period	Amount in the previous period	Amount included in non-recurring gains and losses for the current period
Losses from scrapping of non-current assets	39,493.06	135,526.29	39,493.06
Donation	4,000.00	721.92	4,000.00
Overdue payment penalties	38,544.56	67,971.68	38,544.56
Fines	67,000.00	50,200.00	67,000.00
Other	83,372.69	193,780.59	83,372.69
Total	232,410.31	448,200.48	232,410.31

5.42. Income tax expense

5.42.1. Income tax expense

Item	Amount in the current period	Amount in the previous period
Current income tax expense in accordance with tax codes which includes: corporate income tax in mainland China	15,042,733.94	12,289,664.46
Deferred Income Taxes expense	15,042,733.94	12,289,664.46
	-1,064,280.36	-1,491,688.70
Total	13,978,453.58	10,797,975.76

5.42.2. The process of adjusting from accounting profit to income tax expense

Item	Amount in the previous period
Consolidated profit before tax	59,103,059.65
Income tax expense at statutory/applicable tax rate	14,775,764.92
Effect of different tax rates applied to subsidiaries	-701,834.88
Effect of adjusting income tax for previous periods	-184,809.25
Effect of non-deductible costs, expenses and losses	548,362.89
Effect of using Trade Union Funds and Employee Education Funds for which no Deferred Tax Assets were recognized in prior periods	-157,393.57
Effect of additional deductions for research and development expenses	-763,263.00
Effect of adjustments of investment income recognized under the equity method or investment income at the consolidation level upon the disposal of subsidiaries	561,048.86
Changes in the opening balances of deferred tax assets/liabilities due to changes in tax rates	-34,075.13
Effect of additional deductions for the disabled	-65,347.26
Income tax expense	13,978,453.58

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.43. Cash flow statement items

5.43.1. Cash flows from operating activities

(1) Other cash receipts relating to operating activities

Item	Amount in the current period	Amount in the previous period
Receipts of current accounts and others	69,738,469.16	74,497,117.63
Government grants	9,523,845.58	1,090,297.04
Interest income	5,561,968.21	7,062,432.53
Total	84,824,282.95	82,649,847.20

(2) Other cash payments relating to operating activities

Item	Amount in the current period	Amount in the previous period
Payments of current accounts and others	75,771,784.32	46,558,744.74
Cash payments for administrative expenses	11,639,938.37	13,724,949.87
Cash payments for finance expenses	1,150,076.95	1,267,698.78
Non-operating expenses	167,617.25	311,096.15
Cash payments for selling expenses	—	12,600,221.82
Total	88,729,416.89	74,462,711.36

5.43.2. Cash flows from financing activities

(1) Other cash payments relating to financing activities

Item	Amount in the current period	Amount in the previous period
Intra-group transactions	—	82,802,000.00
Lease payments made	140,610.79	2,615,413.48
Payment for the consideration in a business combination under common control	4,878,300.00	—
Total	5,018,910.79	85,417,413.48

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.44. Supplementary information on cash flow statement

5.44.1. Supplementary information on cash flow statement

Item	Amount in the current period	Amount in the previous period
1. Reconciliation of net profit to cash flow from operating activities:	—	—
Net profit	45,124,606.07	45,906,777.49
Add: Impairment losses on assets	80,771.13	1,118,631.67
Credit impairment losses	11,451,424.70	9,241,076.41
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	8,583,041.03	6,506,606.00
Amortization of intangible assets	886,134.96	881,086.87
Amortization of long-term deferred expenses	1,266,671.06	386,567.83
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are listed with "—")	—	—
Losses on scrapping of fixed assets (gains are listed with "—")	-39,043.06	136,382.41
Loss from changes in fair value (gains are listed with "—")	—	—
Finance expenses (gains are listed with "—")	643,834.11	918,852.14
Investment losses (gains are listed with "—")	379,945.42	-16,700,521.00
Decrease in Deferred Tax Assets (increase is listed with "—")	-1,064,280.36	-1,491,688.70
Increase in Deferred Tax Liabilities (decrease is listed with "—")	—	—
Decrease in inventory (increase is listed with "—")	-3,688,960.30	-39,969,299.98
Decrease in operating receivables (increase is listed with "—")	-43,545,002.84	86,618,525.21
Increase in operating payables (decrease is listed with "—")	-25,577,976.87	-77,736,523.38
Other	—	—
Net cash flow from operating activities	-5,498,834.95	15,816,472.97
2. Significant investing and financing activities that do not involve cash receipts and payments:	—	—
Debt to capital	—	—
Convertible corporate bonds maturing within one year	—	—
Fixed assets acquired through finance lease	—	—
3. Net change in cash and cash equivalents	—	—
Ending balance of cash	425,171,708.53	412,094,874.66
Less: opening balance of cash	412,094,874.66	428,224,768.89
Add: ending balance of cash equivalents	—	—
Less: opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	13,076,833.87	-16,129,894.23

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

5. Notes to items in the consolidated financial statements (CONTINUED)

5.44.2. Net cash received from disposal of subsidiaries during the period

Item	Amount
Cash and cash equivalents received from disposal of subsidiaries during the period	21,864,000.00
Less: Cash and cash equivalents held by the subsidiaries at the date of loss of control	722,891.62
Add: Cash or cash equivalents received in the current period from disposal of subsidiaries in previous periods	3,818,400.00
Net cash received from disposal of subsidiaries	24,959,508.38

5.44.3. Composition of cash and cash equivalents

Item	Ending balance	Opening balance
Cash	425,171,708.53	412,094,874.66
Of which: cash on hand	4,015.10	5,455.50
Deposits that can be used for payment at any time	425,167,693.43	412,089,419.16
Cash equivalents		
Balance of cash and cash equivalents at the end of the period	425,171,708.53	412,094,874.66
Of which: cash and cash equivalents restricted in use by the parent company or subsidiaries in the Group	—	—

5.45. Monetary items of foreign currency

Item	Ending balance in foreign currency	Exchange rate	Ending balance translated into RMB
Monetary funds	—	—	24,006.79
Of which: HKD	25,924.14	0.92604	24,006.79
Other payables	—	—	4,354,918.26
Of which: HKD	4,702,732.34	0.92604	4,354,918.26

5.46. Leasing

The Group as the lessee

Item	Amount in the current period
Interest expenses on lease liabilities	71,981.87
Short-term lease expenses recognised in profit or loss using the simplified approach	1,803,902.46
Lease expenses for low-value assets (other than short-term leases) recognised in profit or loss using the simplified approach	—
The expenses relating to variable lease payments not included in the measurement of lease liabilities	—
Income from subleasing right-of-use assets	—
Total cash outflows for leases	2,427,298.03
Gains or losses arising from sale and leaseback transactions	—
Cash inflows from sale and leaseback transactions	—
Cash outflows from sale and leaseback transactions	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

6. Changes in scope of consolidation.

6.1. Business combinations under common control

6.1.1. Business combinations under common control during the period

Name of the acquiree	Percentage of equity acquired in business combinations	Basis for constituting a business combination under common control	Date of combination	Basis for determining the date of combination	Revenue of the acquiree from the beginning of the year of combination to the date of combination	Net profit of the acquiree from the beginning of the year of combination to the date of combination	Revenue of the acquiree for the comparative period	Net profit of the acquiree for the comparative period
Da'antong (Shandong) Mechanical and Electrical Equipment Engineering Co., Ltd.	100.00%	Both parties were under the ultimate control of Shandong Commercial Group Co., LTD.	February 29, 2024	The registration of change to shareholders completed		12,422.39	335,581,894.57	5,646,526.15

For details, please refer to Note 3.29.3. Retroactive Adjustment for Business Combinations under Common Control.

6.1.2. Consolidation cost

Item	Da'antong
Cash	4,878,300.00
Book value of non-cash assets	—
Book value of debt issued or assumed	—
Book value of equity securities issued	—
Total consolidation cost	4,878,300.00

6.1.3. Book value of assets and liabilities of the acquiree at the date of combination

Item	Da'antong The date of combination	Da'antong The end of the previous year
Assets:		
Cash and bank	4,891,114.67	1,032,564.08
Other receivables	—	3,846,544.79
Liability:		
Tax payables	403.16	819.75
Total owners' equity	4,890,711.51	4,878,289.12
Less: Non-controlling interests		
Net assets acquired	4,890,711.51	4,878,289.12

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

6. Changes in scope of consolidation. (CONTINUED)

6.2. Disposal of subsidiaries

Transactions or events involving loss of control over subsidiaries during the period

Name of the subsidiary	Disposal price at the point of loss of control	Percentage disposed at the point of loss of control	Means of disposal at the point of loss of control	The point of loss of control	Basis for determining the point of loss of control	The difference between the disposal price and the share of the net assets of the subsidiary at the consolidated financial statement level corresponding to the disposed investment
Shandong urban and rural development Group Decoration Co., Ltd	21,864,000.00	100.00%	Transfer of equity	2024-5-31	The registration of change to shareholders completed and the consideration received	-379,945.42

"Proposal on the Agreed Transfer of Shares in Shandong urban and rural development Group Decoration Co., Ltd." (Used to be known as Shandong Huibangda Decoration Engineering Co., Ltd) approved by the 15th meeting of the first board of directors on February 27, 2024, the company entered into a share transfer agreement with Shandong Urban and Rural Development Group Co., Ltd. Under the agreement, the company transferred 100% of its shares in Shandong urban and rural development Group Decoration Co., Ltd. (the target company) to Shandong Urban and Rural Development Group Co., Ltd. for a transfer price of RMB 21,864,000. The company received the aforementioned transfer price on May 31, 2024.

6.3. Changes in the scope of consolidation due to other reasons

None.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

7. Interests in other entities

7.1. Interests in subsidiaries

7.1.1. Composition of enterprise groups

Subsidiary name	Registered capital	Issued and paid-up capital	Main place of business	Place of incorporation/ registration	Nature of business	Shareholding(%)		Method of acquisition
						Direct	Indirect	
Shandong Blue Shore garden engineering Co., LTD	20,000,000.00	20,000,000.00	Jinan	Jinan	Engineering and construction industry	100.00		Business combinations under common control
Shandong Lushang Architectural design Co., LTD	5,000,000.00	5,000,000.00	Jinan	Jinan	Architectural decoration, renovation and other construction	100.00		Business combinations under common control
Shandong Lishengshan adjacent catering management Co., LTD	5,000,000.00	5,000,000.00	Jinan	Jinan	Business service industry	100.00		Establish through investment
Shandong Lushang Tang 'an Property Co., LTD	3,000,000.00	300,000.00	Jinan	Jinan	Real estate industry	41.00		Establish through investment
Da'antong (Shandong) Mechanical and Electrical Equipment Engineering Co., Ltd.	10,000,000.00	10,000,000.00	Jinan	Jinan	Business service industry	100.00		Business combinations under common control

Note: Jinan Shangxin Investment Partnership (Limited Partnership) holds 10% of Shandong Lushang Tang 'an Property Co., LTD., and its shareholders' rights are fully entrusted to the Company. The Company enjoys 51% of the voting rights at the shareholders' meeting and has the right to exercise control over the operation and management activities of the entity. Therefore, the Company includes Shandong Lushang Tang 'an Property Co., LTD.in the scope of consolidation.

7.1.2. Significant non-wholly owned subsidiaries

Subsidiary name	Shareholding of non-controlling interests (%)	Profit attributable to non-controlling interests for the period	Dividends declared to non-controlling interests for the period	Non-controlling interests
Shandong Lushang Tang 'an Property Co., LTD	59.00	33,142.01	—	3,982,723.27

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

7. Interests in other entities (CONTINUED)

7.1. Interests in subsidiaries (Continued)

7.1.3. Significant information of non-wholly owned subsidiaries

Subsidiary name	Current assets	Non-current assets	Ending balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Shandong Lushang Tang 'an Property Co., LTD	13,431,981.99	85,267.13	13,517,249.12	6,976,281.48	—	6,976,281.48

Subsidiary name	Current assets	Non-current assets	Opening balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Shandong Lushang Tang 'an Property Co., LTD	12,712,898.96	61,508.24	12,774,407.20	6,288,676.25	—	6,288,676.25

Subsidiary name	Operating revenue	Amount in the current period		Net cash flows from operating activities
		Net profit	Other comprehensive income after tax	
Shandong Lushang Tang 'an Property Co., LTD	5,773,626.16	55,236.69	55,236.69	49,250.48

Subsidiary name	Operating revenue	Amount in the previous period		Net cash flows from operating activities
		Net profit	Other comprehensive income after tax	
Shandong Lushang Tang 'an Property Co., LTD	11,384,152.13	1,404,647.60	1,404,647.60	-1,450,745.82

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

8. Risks associated with financial instruments

In its daily activities, the Group is exposed to risks arising from various financial instruments, mainly including market risks (such as exchange rate risk, interest rate risk), credit risk, and liquidity risk. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate these risks are described below. The management of the Group manages and monitors these exposures to ensure that the above risks are kept within limits.

8.1. Management objectives and policies of various types of risk

The Group's objective in engaging in risk management is to strike an appropriate balance between risk and return, to minimise the negative impact of risk on the Group's operating performance and to maximise the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Group's risk management is to identify and analyse the various risks to which the Group is exposed, establish appropriate risk tolerance limits and manage the risks, and monitor the various risks in a timely and reliable manner to keep the risks within the limits.

8.1.1. Market risk**(1) Exchange rate risk**

The Group's exposure to exchange rate risk relates primarily to HKD. The Group's other major business activities are denominated and settled in RMB. As at December 31, 2024, the Group's assets and liabilities are all in RMB, except for the HKD balances of assets and liabilities as described in the table below. The exchange rate risk arising from the assets and liabilities with HKD balances may have an impact on the Group's results of operations.

Item	December 31, 2024	December 31, 2023
Cash and cash equivalents – HKD	25,924.14	2,567.14
Other payables – HKD	4,702,732.34	4,702,732.34

The Group continuously monitors the scale of foreign currency transactions and foreign currency assets and liabilities, closely watching the impact of exchange rate fluctuations on the Group, in order to minimize the exchange rate risk faced.

The Group currently has no outstanding forward foreign exchange contracts or currency swap contracts.

(2) Interest rate risk

The Group's interest rate risk arises from interest-bearing debt such as borrowings from banks and other liabilities. Financial liabilities with floating interest rates expose the Group to interest rate risk in cash flows and financial liabilities with fixed interest rates expose the Group to interest rate risk in fair value. The Group determines the relative proportions of fixed-rate and floating-rate contracts based on the prevailing market conditions. As at December 31, 2024, the Group's interest-bearing debt mainly consisted of RMB-denominated fixed-rate short-term borrowing contracts amounting to RMB8,008,317.81.

The Group continuously monitors the impact of interest rate levels on our group and makes timely adjustments based on the latest market conditions.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

8. Risks associated with financial instruments (CONTINUED)**8.1. Management objectives and policies of various types of risk (Continued)****8.1.2. Credit risk**

The Group manages credit risk on a group basis. Credit risk mainly arises from monetary funds, notes receivable, accounts receivable, receivables financing, other receivables, and contract assets.

To mitigate credit risk, the Group has established appropriate credit policies and implemented other monitoring procedures to ensure that necessary measures are taken to recover overdue receivables. Furthermore, the Group reviews the recoverability of each individual receivable at each balance sheet date to ensure adequate provisions for bad debts are made for amounts deemed uncollectible. Consequently, the Group's management believes that the credit risk borne by the Group has been significantly reduced.

The Group's liquid funds are deposited in banks with high credit ratings, thus minimizing the credit risk associated with liquid funds.

The Group adopts necessary policies to ensure that all sales customers have good credit histories. As part of its credit risk asset management, the Group utilizes aging to assess impairment losses for accounts receivable, contract assets, and other receivables. With a large number of customers involved in the Group's accounts receivable, contract assets, and other receivables, aging information reflects these customers' solvency and bad debt risks. The Group calculates historical actual bad debt rates for different aging periods based on historical data and adjusts them using forward-looking information such as predictions of current and future economic conditions to derive expected loss rates.

Among the Group's customers for accounts receivable and contract assets, the top five combined amount to RMB76,674,468.37, accounting for 20.83% of the Group's total accounts receivable and contract assets. Due to the diversity of customers, the Group does not have significant credit concentration risk.

(1) Criteria for Determining a Significant Increase in Credit Risk

At each balance sheet date, the Group determines whether the credit risk of a financial instrument has increased significantly since its initial recognition by comparing the probability of default over the expected lifetime of the instrument as determined at initial recognition with the probability of default over the expected lifetime of the instrument as determined at the balance sheet date. However, if the Group determines that a financial instrument has only low credit risk at the balance sheet date, it may assume that the credit risk of the financial instrument has not increased significantly since its initial recognition.

The Group's primary criteria for determining a significant increase in credit risk include significant changes in one or more of the following indicators: the debtor's operating environment, internal and external credit ratings, and actual or expected operating results are under significant adverse changes.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

8. Risks associated with financial instruments (CONTINUED)**8.1. Management objectives and policies of various types of risk (Continued)****8.1.2. Credit risk (Continued)****(2) Definition of Credit-Impaired Assets**

A financial asset becomes credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset occur. The Group's primary criterion for determining credit impairment is that if internal or external information indicates that the contractual cash flows may not be fully collectible before considering any credit enhancements held, the Group considers the asset to be credit-impaired. Credit impairment of a financial asset may result from the combined effect of multiple events and may not necessarily be caused by a single identifiable event.

Observable evidence of credit impairment for financial assets includes: significant financial difficulties experienced by the issuer or debtor; debtor's default, such as failure to pay interest or principal, or delinquency; concessions granted by the Group to the debtor that would not be made in any other circumstances due to economic or contractual considerations related to the debtor's financial difficulties; high likelihood of the debtor's bankruptcy or other financial restructuring; and the disappearance of an active market for the financial asset due to the issuer's or debtor's financial difficulties.

(3) Credit Risk Exposure

As of December 31, 2024, the Group's maximum credit risk exposure that could result in financial loss primarily arises from the loss of financial assets due to the failure of the counterparty to fulfill its obligations.

The Group's credit risk exposure includes both on-balance-sheet and off-balance-sheet items involving credit risk. At the balance sheet date, the carrying value of the Group's financial assets represents its maximum credit risk exposure.

8.1.3. Liquidity Risk

Liquidity risk refers to the risk that the Group may be unable to meet its financial obligations on their due dates. The Group manages liquidity risk by ensuring sufficient liquidity to meet maturing obligations without incurring unacceptable losses or damaging its corporate reputation. The Group regularly analyzes its debt structure and maturity profile to ensure ample funding. The Group's management monitors the utilization of borrowings and ensures compliance with loan agreements.

The Group's financial liabilities and off-balance-sheet guarantee items are analyzed by the undiscounted remaining contractual obligations as follows, as of December 31, 2024:

Item	Within 1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
Short-term borrowings	8,008,317.81			8,008,317.81	
Accounts payable	165,827,631.03			165,827,631.03	
Other payables	59,668,177.43			59,668,177.43	
Employee benefits payable	18,792,540.15			18,792,540.15	
Taxes payable	5,771,049.10			5,771,049.10	
Current portion of non-current liabilities	2,624,841.77			2,624,841.77	

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

8. Risks associated with financial instruments (CONTINUED)

8.2. Sensitivity Analysis

The Group employs sensitivity analysis techniques to assess the potential impact of reasonable and likely changes in risk variables on current profit or loss and shareholders' equity. It is important to note that changes in any risk variable rarely occur in isolation, and the correlation between variables can significantly affect the ultimate impact of a change in a particular risk variable. Therefore, the following analysis assumes that each variable change occurs independently.

Foreign Exchange Risk Sensitivity Analysis

Foreign exchange risk sensitivity analysis assumes that all hedging activities related to net investments in foreign operations and cash flow hedges are highly effective.

Based on the above assumption and with all other variables held constant, the potential after-tax impact of reasonable changes in exchange rates on current profit or loss and equity for the period January to December 2024 is as follows:

Item	Exchange Rate Change	January – December 2024	
		Impact on Net Profit	Impact on Shareholders' equity
HKD	Appreciates by 5% against RMB	-216,545.58	-216,545.58
HKD	Depreciates by 5% against RMB	-216,545.58	-216,545.58

9. Fair value

9.1. Fair value of financial assets and financial liabilities measured at fair value

The Group had no assets or liabilities measured at fair value at the end of the period.

9.2. Fair value of financial assets and financial liabilities not measured at fair value

The carrying values of financial assets and liabilities not measured at fair value differ little from their fair values.

10. Related parties and related transactions

10.1. Related party relationship

10.1.1. The parent company of the Company

Parent company's name	Place of registration	Nature of business	Registered capital (ten thousand yuan)	Shareholding of the Company (%)	Percentage of voting rights (%)
Lushang Freda Pharmaceutical Co., LTD	Shandong Province	Pharmaceutical manufacturing industry	101,656.8775	71.32	71.32

Note: The ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.

10.1.2. The company's subsidiaries

For details about the subsidiaries, please refer to the relevant content in Note "7.1.1. Composition of the Enterprise Group".

10.1.3. Joint ventures and associates of the Company

The Group does not have any joint ventures or associates.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.1. Related party relationship (Continued)

10.1.4. Other related parties

Other related parties' names	The relationship between the related parties and the Company
Beijing Inzone Hezhi Real Estate Development Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Dongying Inzone Real Estate Development Co. LTD	Under the common control of Shandong Commercial Group Co., LTD.
Freda Pharmacy Pharmaceutical chain (Shandong) Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Haerbin Lushang Real Estate Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Heze Lushang Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Jinan Jinyilin Real Estate Development Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Jinan Lumao Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Jinan Lushang Freda Nursing Home Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Jinan Tang An Hengye Holding limited liability company	Shareholder of one of the subsidiaries
Jinan Inzone Beiyuan Shopping Plaza Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Jinan Inzone Mall Co., Ltd. Ma'anshan Shopping Plaza	Under the common control of Shandong Commercial Group Co., LTD.
Jinan Inzone Mall Co., Ltd. Qilishan Branch	Under the common control of Shandong Commercial Group Co., LTD.
Jinan Inzone Yueaohang Automobile Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Jining Lushang Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Jining Lushang Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Jining Ruihe Real Estate Development Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Jining Inzone Shopping Plaza Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.1. Related party relationship (Continued)

10.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Jining Inzone Mall Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Linyi Juyi Real Estate Co., Ltd. Guangzhou Road branch	Under the common control of Shandong Commercial Group Co., LTD.
Linyi Juyi Real Estate Co., Ltd. Harmony Square branch	Under the common control of Shandong Commercial Group Co., LTD.
Linyi Lushang Real Estate Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Linyi Lushang Real Estate Co., LTD. Pullman Hotel	Under the common control of Shandong Commercial Group Co., LTD.
Linyi Lushang Real Estate Co., LTD. Spring Lake Hotel	Under the common control of Shandong Commercial Group Co., LTD.
Linyi Lushang Jin Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Linyi Lushang Property Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Linyi City Lanshan District Jinqueshan street Inzone Yingcai Phoenix City Kindergarten	Under the common control of Shandong Commercial Group Co., LTD.
Lushang Freda Health Investment Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Lushang International Trade Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Lushang Group Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Lushang Financing Guarantee Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Lushang Real Estate Qingdao Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Qilu Medical College	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Freida digital Technology Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.1. Related party relationship (Continued)

10.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Qingdao Haijing (International) Hotel Development Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Lushang Jinxiu Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Lushang Lanan Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Lushang Langu Health Industry Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Lushang Runzhi Investment and Development Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Lushang Xifu Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Lushang Land Development Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Lvfu real Estate Development Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Inzone Investment and Development Co., Ltd. Harmony Square Branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Chengfa Asset Operation Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong City Service Vocational College	Under the common control of Shandong Commercial Group Co., LTD.
Shandong urban and rural development assets operation Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Congfeng Information Technology Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Dakang Economic and Trade Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Freida Ai health Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Freda Biotech Co., Ltd	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.1. Related party relationship (Continued)

10.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Shandong Freda Biotechnology Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Freida Pharmaceutical Group Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Fuzhongfu Biotechnology Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Fuyuan Supply Chain Management Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Fuyuan Micro-credit Loan Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Gaole Wine Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Focus Furuida Biological Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Industry Finance Holding Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Technology Group Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushangtong Technology Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Inzone Commercial Management Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Luxin Real Estate Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Luyin Industry Investment Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Mingren Freda Pharmaceutical Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Advanced Technical School of Commerce and Industry	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Vocational and Technical College of Commerce	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.1. Related party relationship (Continued)

10.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Shandong Shangyuan Management Service Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Chengfa Construction Management Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Urban and Rural Development Group Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong urban and rural green industry development investment Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Urban and Rural Green Building Technology Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Innovation Research Institute Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Group Industrial Investment Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Zhengyuan Bidding Consulting Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Real Estate Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Real Estate Co., Ltd. Jinan branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Real Estate Co., Ltd. Jining branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Real Estate Co., Ltd. Qingdao branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Real Estate Co., Ltd. Inzone Ivy Project Branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Real Estate Co., Ltd. Changqing gongyeyuan branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Commercial Group Finance Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Commercial Group Investment Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.1. Related party relationship (Continued)

10.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Shandong Commercial Group Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Rellet Cosmetic Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Rellet Cultural and Creative Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Yitong Private Capital Management Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Yitong Commercial Factoring Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone • Yingcai Kindergarten	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone • Yingcai Kindergarten Jining South Pool Mansion Garden	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Shopping Center Co., Ltd. Heze Inzone Harmony Square	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Home Co., Ltd. home life square	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Education Management Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Distribution Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Automobile trade Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Automobile Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Quancheng Hotel Co., LTD Jinan Guoao city branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong INZONE Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Shopping Mall Co., Ltd. Yuhan Branch	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.1. Related party relationship (Continued)

10.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Shandong Inzone Tiancheng Automobile Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Tianqi Automobile Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Tiantong Automobile Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Tianyi Automobile Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Tianzun Automobile Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Property Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Real Estate Co., Ltd. Zhenxing Street shopping center	Under the common control of Shandong Commercial Group Co., LTD.
Shanxiang Group (Shandong) Nine female peak rural revitalization Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Shanghai Lushang Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Taian Lushang Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Taian Inzone Mall Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Taishan You Rural Revitalization Ecological Tourism Development (Shandong) Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Weifang Lushang Real Estate Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Xintai Hongwen Education Industry Development Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Xintai People's Hospital	Under the common control of Shandong Commercial Group Co., LTD.
Yantai Jiexing Enterprise management Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.1. Related party relationship (Continued)

10.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Yantai Lumao Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Yantai Lushang Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Yantai Lushang Jiahui Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Yantai INZONE Mall Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Yangzhou Lusu Health Industry Development Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Etone Financial Services Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Etong Jinfu Payment Co., Ltd. Jinan Branch	Under the common control of Shandong Commercial Group Co., LTD.
Eitong Financial Leasing (Tianjin) Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., Ltd. Heze Inzone MALL	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., Ltd. Jinan Inzone Garden Shopping Plaza	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., Ltd. Jinan Inzone Huanshan Shopping PlazaInzone	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., Ltd. Jinan Inzone Jiluo Road Shopping PlazaInzone	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., Ltd. Jinan Inzone Yanshan Shopping Plaza	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Jinan Inzone Zhongtiyeyidu Store	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., Ltd. Laiwu Inzone Mall	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.1. Related party relationship (Continued)

10.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Inzone Group Co., Ltd. Weifang Inzone Mall	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Jinan Changqing Shopping Plaza Co., Ltd.	Under the common control of Shandong Commercial Group Co., LTD.
Zibo Lushang Real Estate Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Zibo Yilin real estate development Co., LTD	Under the common control of Shandong Commercial Group Co., LTD.
Zibo Inzone Mall limited liability company Boshan shopping plaza	Under the common control of Shandong Commercial Group Co., LTD.
Zibo INZONE Mall Co., Ltd. Zhoucun Shopping Plaza	Under the common control of Shandong Commercial Group Co., LTD.

10.2. Related party transactions

10.2.1 Related party transactions

Transaction content	Amount in the current period	Amount in the previous period
Render of services	160,124,156.03	150,112,353.25
Purchase of goods and services	38,637,609.86	17,601,207.40
Lease expenditure	853,017.72	113,113.01
Lease revenue	790,191.52	15,937,264.68
Interest income	4,569,386.67	4,101,748.65
Interest expense	—	143,583,806.83

10.2.2. Key management remuneration

Item	Amount in the current period	Amount in the previous period
Total remuneration	3,293,015.02	2,844,741.12

10.2.3. Other related party transactions

Transactions related to the acquisition and disposal of equity interests involving related parties are detailed in Note "6. Changes in the Scope of Consolidation".

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.3. Balance of receivables from and payables to related parties

10.3.1. Receivables

Item	Ending balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts Receivable	132,895,525.13	2,270,443.58	137,513,152.80	1,080,035.89
Notes receivable	40,274,536.11	120,823.65	14,743,920.49	40,261.45
Contract Assets	50,477,743.03	159,818.30	41,811,529.24	98,529.18
Prepayments	604,688.41	—	190,592.19	—
Other receivables	872,299.73	7,839.47	5,237,909.43	4,775.37
Unexpired interest receivable	679,375.00	—	561,708.33	—
Money deposited with the finance company	307,380,783.75	—	277,506,961.07	—

10.3.2. Payables

Item	Closing Balance	Opening Balance
Account payables	9,865,099.81	9,718,004.89
Contract liabilities	2,726,747.63	554,314.63
Lease liabilities	2,624,841.77	2,553,478.24
Other payables	318,867.70	329,637.77
Dividends payable	10,213,740.00	10,740,000.00

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.4. Remuneration of directors, supervisors and employees

10.4.1. The remunerations of directors and supervisors are detailed as follows:

Item	Allowances for directors and supervisors	Salaries and allowances	Social securities, housing funds and pensions	Bonuses	Share-based payments	Total
Amount in the current period						
Executive Director						
Mr. Wang Zhongwu	—	310,769.60	99,242.54	—	—	410,012.14
Mr. Ning Daoju	—	148,612.00	44,418.47	—	—	193,030.47
Mr. Shao Meng	—	184,129.00	72,365.76	—	—	256,494.76
Non-executive Director						
Ms. Luo Ye	/	/	/	/	/	/
Ms. Li Lu	/	/	/	/	/	/
Ms. Li Han	/	/	/	/	/	/
Independent Non-Executive Director						
Ms. Leung Bik San	138,409.65	—	—	—	—	138,409.65
Ms. Chen Xiagjing	99,996.00	—	—	—	—	99,996.00
Mr. Ma Tao	99,996.00	—	—	—	—	99,996.00
Supervisor						
Mr. Zhang Xiangqian	/	/	/	/	/	/
Ms. Pan Meng	—	152,180.00	62,080.32	—	—	214,260.32
Mr. Wang Hongtao	/	/	/	/	/	/
Total	338,401.65	795,690.60	278,107.09	—	—	1,412,199.34
Amount in the previous period						
Executive Director						
Mr. Wang Zhongwu	—	389,996.34	107,565.97	—	—	497,562.31
Mr. Yang Yunlong	—	121,658.74	32,865.24	—	—	154,523.98
Mr. Shao Meng	—	161,279.00	56,390.44	1,650.00	—	219,319.44
Non-executive Director						
Ms. Luo Ye	—	—	—	—	—	—
Ms. Li Lu	—	—	—	—	—	—
Ms. Li Han	—	—	—	—	—	—
Independent Non-Executive Director						
Ms. Leung Bik San	135,525.62	—	—	—	—	135,525.62
Ms. Chen Xiagjing	91,663.00	—	—	—	—	91,663.00
Mr. Ma Tao	91,663.00	—	—	—	—	91,663.00
Supervisor						
Mr. Zhang Xiangqian	—	—	—	—	—	—
Ms. Pan Meng	—	134,893.00	46,902.24	—	—	181,795.24
Mr. Wang Hongtao	—	—	—	—	—	—
Total	318,851.62	807,827.08	243,723.89	1,650.00	—	1,372,052.59

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Related parties and related transactions (CONTINUED)

10.4. Remuneration of directors, supervisors and employees (Continued)

10.4.2. The top five highest-paid individuals

There are no directors among the top five with the highest remuneration this year (prior year: one people), among which the remuneration of directors is set out in Note "10.4.1. Remuneration of directors and supervisors". The remuneration of the other five (prior year: four people) is as follows:

Item	Amount in the current period	Amount in the previous period
Salaries and allowances	1,680,680.96	992,852.83
Social securities, housing funds and pensions	611,047.04	311,119.33
Bonuses	—	338,022.54
Share-based payments	—	—
Total	2,291,728.00	1,641,994.70

During the year ended 31 December 2024, no emoluments were paid or payable by the Group to any Directors, Supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10.4.3. Key management remuneration

Item	Amount in the current period	Amount in the previous period
Allowances for directors and supervisors	338,401.65	318,851.62
Salaries and allowances	2,164,681.24	1,902,289.18
Social securities, housing funds and pensions	789,932.13	621,950.32
Bonuses	—	1,650.00
Share-based payments	—	—
Total	3,293,015.02	2,844,741.12

11. Commitments and Contingencies

11.1. Important commitments

For the executed and ongoing lease contracts and their financial impacts, please refer to Note "5.12. Right-of-use Assets", Note "5.25. Lease Liabilities", and Note "5.46. Leases" in detail.

Except for the above matters, at the end of December 31 2024, The Group has no important commitments that need to be disclosed.

11.2. Important contingencies

The Group has no significant contingencies existing on the balance sheet date that need to be disclosed.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Events after the balance sheet date

12.1. Profit distribution

Item	Content
Profit or dividend to be distributed	On March 21, 2025, the company held a board meeting, which approved "the Proposal on the Profit Distribution Plan for 2024". Based on the company's share capital of 133,340,000 shares as of December 31, 2024, the plan is to distribute cash dividends to all shareholders at a rate of RMB 0.108 per share, amounting to a total dividend payment of RMB 14.4007 million.

12.2. Capital Increase of Subsidiaries

Item	Content
Capital increase by Shandong Chengfa Construction Management Co., Ltd. in Shandong Blue Shore garden engineering Co., LTD, a wholly-owned subsidiary of the Company	<p>On March 21, 2025, the Company held a board meeting and approved "the Proposal on the Capital Increase of Shandong Blue Shore garden engineering Co., LTD by Shandong Chengfa Construction Management Co., Ltd". In order to meet the requirement that the registered capital of the wholly-owned subsidiary Shandong Blue Shore garden engineering Co., LTD (hereinafter referred to as "Blue Shore garden") should be no less than RMB40 million for the application of the Second-level Qualification of General Contracting for Municipal Public Works, and to expand its business scope and enhance its profitability, the Company intends to agree to the investment of Shandong Chengfa Construction Management Co., Ltd. (hereinafter referred to as "Chengfa Construction") in Blue Shore garden.</p> <p>After this capital increase, the registered capital of Blue Shore garden will be increased to RMB40.82 million, of which the new registered capital is RMB20.82 million. The investment price is based on the appraised net asset value of Blue Shore garden as of August 31, 2024, which is RMB34.8878 million. Chengfa Construction will invest RMB36.32 million in Lan'an Landscape, of which RMB20.82 million will be counted as paid-in capital and RMB15.5 million will be counted as capital reserve. After the capital increase, Chengfa Construction will hold 51% of the equity of Blue Shore garden. Since the investor Chengfa Construction is under the control of Shandong Commercial Group Co., LTD together with the Company, this transaction constitutes a related party transaction.</p>

Except for the above-mentioned events after the balance sheet date, as of the date of approval of the financial report, the Group has no other material events after the balance sheet date that should be but have not been disclosed.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

13. Notes to the main items in the financial statements of the parent company

13.1. Accounts receivable

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

Aging	Ending balance	Opening balance
Within 1 year	118,991,094.85	130,609,132.03
1-2 years	43,715,683.96	38,770,508.09
2-3 years	13,719,034.01	9,091,631.26
Over 3 years	11,089,871.91	7,515,986.77
Subtotal	187,515,684.73	185,987,258.15
Less: Provision for bad debts	20,897,512.79	14,983,898.29
Total	166,618,171.94	171,003,359.86

13.1.2. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis	—	—	—	—	—
Provision for bad debts on a collective basis	187,515,684.73	100.00	20,897,512.79	11.14	166,618,171.94
Including: Aging portfolio	123,991,405.12	66.12	20,477,990.95	16.52	103,513,414.17
Related party portfolio	63,524,279.61	33.88	419,521.84	0.66	63,104,757.77
Total	187,515,684.73	100.00	20,897,512.79	11.14	166,618,171.94

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis	—	—	—	—	—
Provision for bad debts on a collective basis	185,987,258.15	100.00	14,983,898.29	8.06	171,003,359.86
Including: Aging portfolio	120,191,844.65	64.62	14,601,277.05	12.15	105,590,567.60
Related party portfolio	65,795,413.50	35.38	382,621.24	0.58	65,412,792.26
Total	185,987,258.15	100.00	14,983,898.29	8.06	171,003,359.86

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

13. Notes to the main items in the financial statements of the parent company
(CONTINUED)

13.1. Accounts receivable (Continued)

13.1.2. Disclosure by the method of provision for bad debts (Continued)

(10) Aging portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	74,692,662.92	2,491,738.60	3.34
1-2 years	26,359,187.50	3,334,630.90	12.65
2-3 years	11,878,695.69	3,590,762.44	30.23
Over 3 years	11,060,859.01	11,060,859.01	100.00
Total	123,991,405.12	20,477,990.95	16.52

(2) Related party portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	44,298,431.93	131,276.01	0.30
1-2 years	17,356,496.46	212,171.33	1.22
2-3 years	1,840,338.32	47,061.60	2.56
Over 3 years	29,012.90	29,012.90	100.00
Total	63,524,279.61	419,521.84	0.66

13.1.3. Provision for bad debts on accounts receivable accrued, recovered or reversed during the period

Type	Opening balance	Accrue	Changes during the period			Ending balance
			Recover or Reverse	Transfer or Write off	other	
Provision for bad debts on an individual basis	—	—	—	—	—	—
Provision for bad debts on a collective basis	14,983,898.29	5,913,614.50	—	—	—	20,897,512.79
Including: Aging portfolio	14,601,277.05	5,876,713.90	—	—	—	20,477,990.95
Related party portfolio	382,621.24	36,900.60	—	—	—	419,521.84
Total	14,983,898.29	5,913,614.50	—	—	—	20,897,512.79

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

13. Notes to the main items in the financial statements of the parent company
(CONTINUED)

13.1. Accounts receivable (Continued)

13.1.4. The situation of the top five accounts receivable and contract assets at the end of the period, aggregated by the debtor.

Name	Ending balance	Aging	Proportion of the total ending balance of accounts receivable (%)	Provision for bad debts
Zibo city Boshan district municipal garden sanitation service center	10,546,869.67	Within 1 year, 1-2years	5.62	590,809.54
People's Government of Yangxin County	7,609,999.84	Within 1 year	4.06	253,868.71
Heze Lushang Real Estate Co., Ltd	6,400,500.51	Within 1 year, 1-2years	3.41	56,082.68
Haerbin Lushang Real Estate Co., Ltd	6,373,825.39	Within 1 year	3.40	18,888.49
Qingdao Lushang Langu Health Industry Co., LTD	5,009,867.69	Within 1 year, 1-2years	2.67	46,552.10
Total	35,941,063.10		19.16	966,201.52

13.2. Other receivables

13.2.1. Disclosure by nature

Nature	Ending balance	Opening balance
Security deposit, deposit	1,035,965.00	1,556,340.16
Reserve fund	—	—
Advanced social security and housing fund	171,553.91	76,730.08
Payments for projects	400,850.00	400,850.00
Related party transactions	1,884,958.50	2,463,123.30
Others	803,115.55	155,465.71
Subtotal	4,296,442.96	4,652,509.25
Less: Provision for bad debts	582,159.03	250,088.15
Total	3,714,283.93	4,402,421.10

13.2.2. Disclosure by aging

Aging	Ending balance	Opening balance
Within 1 year	3,066,720.99	2,841,625.87
1-2 years	61,319.59	678,341.34
2-3 years	128,361.34	623,941.04
Over 3 years	1,040,041.04	508,601.00
Subtotal	4,296,442.96	4,652,509.25
Less: Provision for bad debts	582,159.03	250,088.15
Total	3,714,283.93	4,402,421.10

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

13. Notes to the main items in the financial statements of the parent company
(CONTINUED)

13.2. Other receivables (Continued)

13.2.3. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis	177,303.91	4.13	177,303.91	100.00	—
Provision for bad debts on a collective basis	4,119,139.05	95.87	404,855.12	9.83	3,714,283.93
Including: Related party portfolio	1,884,958.50	43.87	2,337.12	0.12	1,882,621.38
Low risk portfolio	1,783,330.55	41.51	—	—	1,783,330.55
Aging portfolio	450,850.00	10.49	402,518.00	89.28	48,332.00
Total	4,296,442.96	100.00	582,159.03	13.55	3,714,283.93

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis	248,804.91	5.35	248,804.91	100.00	—
Provision for bad debts on a collective basis	4,403,704.34	94.65	1,283.24	0.03	4,402,421.10
Including: Related party portfolio	2,463,123.30	52.94	1,283.24	0.05	2,461,840.06
Low risk portfolio	1,940,581.04	41.71	—	—	1,940,581.04
Aging portfolio	—	—	—	—	—
Total	4,652,509.25	100.00	250,088.15	5.38	4,402,421.10

(1) Other receivable for which bad debt provision is made on an individual basis

Name	Ending balance		Opening balance		Provisioning ratio (%)	Reason for provision
	Book balance	Provision for bad debts	Book balance	Provision for bad debts		
Tai 'an Housing Administration Bureau Property Division	—	—	51,855.80	51,855.80	100.00	Recovery risk is expected
Shandong Hengchang Law Firm	—	—	17,093.00	17,093.00	100.00	Recovery risk is expected
Owner maintenance fee	3,750.00	3,750.00	3,750.00	3,750.00	100.00	Recovery risk is expected
Jinan Red police safety technical service Co., LTD	2,000.00	2,000.00	2,000.00	2,000.00	100.00	Recovery risk is expected
Tai 'an Mingzhu fitness Co., LTD	—	—	2,552.20	2,552.20	100.00	Recovery risk is expected
Others	171,553.91	171,553.91	171,553.91	171,553.91	100.00	Recovery risk is expected
Total	177,303.91	177,303.91	248,804.91	248,804.91	100.00	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

13. Notes to the main items in the financial statements of the parent company
(CONTINUED)

13.2. Other receivables (Continued)

13.2.3. Disclosure by the method of provision for bad debts (Continued)

(2) Other receivable with bad debt provision based on grouping of credit risk characteristics

① Related party portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	1,854,358.50	1,562.62	0.08
1-2 years	600.00	7.33	1.22
2-3 years	30,000.00	767.17	2.56
Over 3 years	—	—	—
Total	1,884,958.50	2,337.12	0.12

② Low risk portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	1,162,362.49	—	—
1-2 years	57,568.06	—	—
2-3 years	56,477.00	—	—
Over 3 years	506,923.00	—	—
Total	1,783,330.55	—	—

③ Aging portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	50,000.00	1,668.00	3.34
Over 3 years	400,850.00	400,850.00	100.00
Total	450,850.00	402,518.00	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

13. Notes to the main items in the financial statements of the parent company
(CONTINUED)

13.2. Other receivables (Continued)

13.2.3. Disclosure by the method of provision for bad debts (Continued)

(3) Provision for bad debts of other receivables in ECL general approach

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses (no credit impairment)	Lifetime expected credit losses (credit-impaired)	
Opening balance	1,283.24	—	248,804.91	250,088.15
Opening balance in the current period	—	—	—	—
– Transfer into stage 2	—	—	—	—
– Transfer into stage 3	—	—	—	—
– Reverse to stage 2	—	—	—	—
– Reverse to stage 1	—	—	—	—
Accrue in the period	2,721.88	—	400,850.00	403,571.88
Reverse in the period	—	—	68,948.80	68,948.80
Transfer in the period	—	—	—	—
Write-off in the period	—	—	2,552.20	2,552.20
Other changes	—	—	—	—
Ending balance	4,005.12	—	578,153.91	582,159.03

13.2.4. Provision for bad debts on other receivables accrued, recovered or reversed during the period

Type	Opening balance	Changes during the period			Ending balance
		Accrue	Recover or Reverse	Transfer or Write off	
Provision for bad debts on an individual basis	248,804.91	—	68,948.80	2,552.20	177,303.91
Provision for bad debts on a collective basis	1,283.24	403,571.88	—	—	404,855.12
Including: Related party portfolio	1,283.24	1,053.88	—	—	2,337.12
Low risk portfolio	—	—	—	—	—
Aging portfolio	—	402,518.00	—	—	402,518.00
Total	250,088.15	403,571.88	68,948.80	2,552.20	582,159.03

13.2.5. Other receivables actually written off in the current period

Item	Amount written off
Tai 'an Mingzhu fitness Co., LTD	2,552.20

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

13. Notes to the main items in the financial statements of the parent company
(CONTINUED)

13.2. Other receivables (Continued)

13.2.6. The situation of the top five other receivables at the end of the period, aggregated by the debtor

Name	Nature	Ending balance	Aging	Proportion of total other receivables (%)	Provision for bad debts
Shandong Lishengshan adjacent catering management Co., LTD	Related party transactions	1,327,058.80	Within 1 year	30.89	—
Zibo Boshan green Yan Garden engineering Co., LTD	Payments for projects	400,850.00	Over 3 years	9.33	400,850.00
Shandong electric power company Dongying branch	Deposit	400,000.00	Over 3 years	9.31	—
Qilu Medical University	Security deposit	376,299.70	Within 1 year	8.76	1,115.14
Jinan affordable housing service center	transactions	298,514.00	Within 1 year	6.95	—
Total	—	2,802,722.50	—	65.24	401,965.14

13.3. Long-term equity investments

Item	Book balance	Ending balance Provision for impairment	Book value	Book balance	Opening balance Provision for impairment	Book value
Investments in subsidiaries	46,887,489.30	—	46,887,489.30	59,996,527.79	—	59,996,527.79
Investments in associates and joint ventures	—	—	—	—	—	—
Total	46,887,489.30	—	46,887,489.30	59,996,527.79	—	59,996,527.79

Investments in subsidiaries

Investee	Opening balance (Book value)	Provision for impairment – Opening balance	Changes in current period				Ending balance (Book value)	Provision for impairment – Ending balance
			Increase investments	Reduce investments	Provision for impairment	Others		
Shandong Blue Shore garden engineering Co., LTD	19,783,012.13	—	—	—	—	—	19,783,012.13	—
Shandong Lushang Architectural design Co., LTD	17,213,765.66	—	—	—	—	—	17,213,765.66	—
Shandong urban and rural development Group Decoration Co., Ltd.	19,999,750.00	—	—	19,999,750.00	—	—	—	—
Shandong Lishengshan adjacent catering management Co., LTD	3,000,000.00	—	2,000,000.00	—	—	—	5,000,000.00	—
Da'antong (Shandong) Mechanical and Electrical Equipment Engineering Co., Ltd.	—	—	4,890,711.51	—	—	—	4,890,711.51	—
Total	59,996,527.79	—	6,890,711.51	19,999,750.00	—	—	46,887,489.30	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

13. Notes to the main items in the financial statements of the parent company (CONTINUED)

13.4. Operating revenue and operating costs

13.4.1. Operating revenue and operating costs

Item	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	468,437,847.49	381,810,782.46	454,264,314.38	362,211,704.01
Other business	1,148,679.98	332,302.68	1,142,505.00	166,137.36
Total	469,586,527.47	382,143,085.14	455,406,819.38	362,377,841.37

13.4.2. The situation of the revenue generated by the contract

Contract classification	Amount in the current period		
	Main business	Other business	Total
Service type			
Including: Property management services	324,955,532.44	1,148,679.98	326,104,212.42
Community value-added services	127,372,575.83	—	127,372,575.83
Value-added services to non-property owners	16,109,739.22	—	16,109,739.22
Classified by operating area			
Including: China	468,437,847.49	1,148,679.98	469,586,527.47
Classification by the time of the transfer of services			
Including: Transfer at a point in time	79,744,704.94	—	79,744,704.94
Transfer over time	388,693,142.55	1,148,679.98	389,841,822.53
Total	468,437,847.49	1,148,679.98	469,586,527.47

Contract classification	Amount in the previous period		
	Main business	Other business	Total
Service type			
Including: Property management services	305,686,302.14	1,142,505.00	306,828,807.14
Community value-added services	126,103,548.68	—	126,103,548.68
Value-added services to non-property owners	22,474,463.56	—	22,474,463.56
Classified by operating area			
Including: China	454,264,314.38	1,142,505.00	455,406,819.38
Classification by the time of the transfer of services			
Including: Transfer at a point in time	84,431,271.37	549,296.06	84,980,567.43
Transfer over time	369,833,043.01	593,208.94	370,426,251.95
Total	454,264,314.38	1,142,505.00	455,406,819.38

13.5. Income from investments

Item	Amount in the current period	Amount in the previous period
Investment income from disposal of long-term equity investments	1,864,250.00	—
Total	1,864,250.00	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

14. Supplementary Information

14.1. Current non-recurring profit and loss schedule

Item	Amount in the current period	Description
Gains or losses from disposal of non-current assets (including the write-off part of the accumulated impairment losses)	-39,043.06	
Government grants that are included in profit or loss for the current period (those closely related to the company's normal business operations, conforming to government policies and regulations, enjoyed under certain standards, and affecting the Company's profit or loss continuously, are excluded)	9,523,845.58	
Net gains or losses of subsidiaries from the beginning of the period to the date of combination arising from business combination under common control	12,422.39	
Reversal of impairment provisions for individually tested receivables	68,948.80	
Other non-operating income and expenses other than the above-mentioned items	-135,753.80	
Other items of profit or loss that meet the definition of non-recurring profit and loss		Investment income(or losses) from disposal of subsidiaries
	-379,945.42	
Subtotal	9,050,474.49	
Less: Effects of income tax	2,759,362.09	
Effects of non-controlling interests (after tax)	10,962.49	
Total	6,280,149.91	-

14.2. Return on equity and earnings per share

Profit for the reporting period	Weighted average return on equity (%)	EPS	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the common stock shareholders of the parent company	8.29	0.34	0.34
Net profit attributable to the common stock shareholders of the parent company after deducting non-recurring profit and loss	7.14	0.29	0.29

FIVE YEAR FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	608,919	621,022	627,734	582,803	402,844
Profit before tax	59,103	51,058	101,169	97,809	58,889
Income tax	(13,978)	(10,798)	(22,737)	(20,792)	(13,527)
Profit for the year	45,125	40,260	78,432	77,017	45,362
Profit attributable to					
– Owners of the Company	45,091	39,431	76,878	75,810	45,302
– Non-controlling interests	33	829	1,554	1,207	60
	45,125	40,260	78,432	77,017	45,362

	At 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Total assets	929,093	900,804	859,237	634,396	862,352
Total liabilities	360,263	377,099	355,890	333,952	604,463
Net assets	568,830	523,705	503,347	300,444	257,889

Note: The five year financial highlights of this announcement uses the data for the year ended December 31, 2023 before the restatement for comparison to more accurately reflect the actual operating status of the Company.