

LSFW 魯商服務

Lushang Life Services Co., Ltd.
魯商生活服務股份有限公司

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



2025
ANNUAL REPORT

CONTENTS

- 2** Corporate Information
- 4** Definitions
- 8** Chairman's Statement
- 10** Management Discussion and Analysis
- 22** Directors and Senior Management
- 30** Corporate Governance Report
- 45** Report of the Board
- 70** Auditor's Report
- 76** Consolidated Balance Sheet
- 78** Consolidated Income Statement
- 80** Consolidated Cash Flow Statement
- 82** Consolidated Statement of Changes in Equity
- 84** Notes to the Financial Statement
- 182** Five Year Financial Highlights



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ning Daoju
Mr. Shao Meng

Non-executive Directors

Mr. Wang Zhongwu (*Chairman*)
(*redesignated on June 9, 2025*)
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. Chen Xiaojing

SUPERVISORY COMMITTEE

(*abolished on June 27, 2025*)

Supervisors

Mr. Wang Hongtao (*Chairman*)
(*resigned on June 27, 2025*)
Mr. Zhang Xiangqian (*resigned on June 27, 2025*)
Ms. Pan Meng (*resigned on June 27, 2025*)

COMPANY SECRETARY

Mr. Yang Zhen
Mr. Wong Wai Chiu (*resigned on August 22, 2025*)

AUTHORIZED REPRESENTATIVES

Mr. Wang Zhongwu
Mr. Yang Zhen (*appointed on August 22, 2025*)
Mr. Wong Wai Chiu (*resigned on August 22, 2025*)

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

17/F, Leighton Centre
77 Leighton Road, Causeway Bay
Hong Kong
(with effect from January 30, 2026)

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:

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
2025 AGM	the 2025 annual general meeting of the Company to be convened and held on June 26, 2026
2025 Design Services Master Agreement	the master design services agreement dated September 25, 2025 entered into between the Company and Shandong Commercial
2025 Greening Services Master Agreement	the greening services master agreement entered into by the Company and Greening Services Provider on September 25, 2025
2025 Master Deposit Services Agreement	the deposit services master agreement entered into by the Company and Commercial Finance on September 25, 2025
2025 Master Property Management and Related Services Agreement	the master property management and related services master agreement entered into by the Company and Shandong Commercial on September 25, 2025
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
Change of UOP Announcement	the announcement of the Company dated December 19, 2025, in relation to, amongst other things, the Proposed Change

DEFINITIONS

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
Deposit Services	deposit services provided by Commercial Finance as a non-bank financial institution
Design Services	services including (without limitation to) (a) the architectural design services; (b) landscape design services; (c) decoration design services; and (d) decoration management services
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
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))
Greening Services	services including (without limitation to) (a) the landscape greening maintenance services; (b) the seedling supply services; and (c) other greenery maintenance related services
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

DEFINITIONS

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 and subscribed for and traded in Hong Kong dollars
IFRS	International Financial Reporting Standards
Listing	the listing of the H Shares on the Main Board
Listing Date	the date of the Listing, being July 8, 2022
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
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
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
Nomination Committee	the nomination committee of the Company
Property Management and Related Services	services including (without limitation to) (a) the services prior to delivery of property such as property inspection services, cleaning services, and pre-delivery preparations; (b) property management services; and (c) other related services such as catering and beverage services
Proposed Change	the proposed revision or reallocation for the intended use of the Net Proceeds together with revision of the intended timetable for use of the Unutilised Proceeds
Prospectus	the prospectus of the Company dated June 27, 2022
Remuneration Committee	the remuneration committee of the Company

DEFINITIONS

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
Supervisors	the then supervisors of the Company resigned on June 27, 2025 following the abolishment of the supervisory committee of the Company on the same date
Supplementary Property Management and Related Services Master Agreement	the supplemental agreement to the 2023 Property Management and Related Services Master Agreement entered into by the Company and Shandong Commercial on September 25, 2025
Treasury Shares	has the meaning ascribed thereto under the Listing Rules
Urban Garden/ Greening Services Provider	Shandong Urban Garden Engineering Co., Ltd.* (山東城發園林工程有限公司) (formerly known as Shandong Blue Shore Garden Engineering Co., Ltd.* (山東藍岸園林工程有限公司)), a company incorporated in the PRC with limited liability and a former subsidiary of the Company
Year	the year ended December 31, 2025

* For identification purposes only

CHAIRMAN'S STATEMENT

2025 REVIEW

The Year 2025 marked a pivotal year for the Group in executing its “Quality Leap Year” strategic focus and advancing high-quality development. Throughout the Year, the Group remained steadfastly committed to its core objectives of “expanding markets, enhancing quality and efficiency, driving reforms, and building brands”. We vigorously pursued the implementation of all initiatives, achieving breakthrough progress in multiple areas and laying a solid foundation for future growth.

Continuous Optimization of Business Structure

We actively expanded third-party businesses, successfully securing listings on key supplier platforms for multiple central and state-owned enterprises. We optimized our portfolio by exiting low-profit projects to enhance overall profitability. Professional service capabilities strengthened continuously, with community catering and elevator maintenance businesses maintaining robust growth momentum, adding new drivers to the Group’s overall revenue expansion.

Innovation and Enhancement of Service Models

We advanced the integration of “multiple 15-minute circles”, collaborating with provincial, municipal, and district human resources and social security bureaus to pilot dual-circle integration of “15-Minute Employment Service Circle (15分鐘就業服務圈)” and “15-Minute Community Living Circle (一刻鐘便民生活圈)” at Yinzuo Garden (銀座花園) and Lushang Phoenix City (魯商鳳凰城). The Yinzuo Garden project has passed municipal and district-level inspections. The 15-Minute “Lushang Model (魯商模式)” was output, achieving a key breakthrough with the high-quality acceptance of projects in Quan Yun Village (全運村) and Shiheling (石河嶺). This marks the first successful external replication of the 15-minute “Lushang Model” beyond its local origins. The “Hospital-Community-Home nutrition and health model” was established in collaboration with provincial and municipal health commissions and Shandong Agriculture and Engineering University, creating a closed-loop system integrating “health interventions, catering services, and science education”.

Steady Advancement of Digital and Intelligent Transformation

Guided by the “Heartfelt Service · New Intelligence (心服務 · 新智能)” philosophy, we are driving artificial intelligence implementation across both service and management. Externally, the smart customer service software “Lu Xiaofu (魯小服)” was launched, enabling “second-level response and one-click access” for high-frequency scenarios like incident reporting and fee inquiries. Through 24/7 voice interaction, it significantly enhances service efficiency and resident satisfaction. Internally, the knowledge assistant “Lu Xiaozhi (魯小智)” was deployed, markedly improving internal consultation processing efficiency and substantially enhancing the accuracy of policy implementation.

Effective Empowerment through Party Building Leadership

Using the “Red Property” demonstration project as a vehicle, we integrated Party building into livelihood initiatives, thoroughly conducted learning campaigns and the “Year of Improving Work Style (作風建設提升年)” activities, continuously honing rigorous and pragmatic work ethics while fostering a sound political ecosystem. By deeply embedding Party building into business practices, we drove practical achievements to be selected as provincial-level model cases, achieving “dual improvements” in Party building quality and operational efficiency.

CHAIRMAN'S STATEMENT

FUTURE PROSPECT

We deeply understand clients' practical needs, steadfastly adhere to the "12345" development strategy, and leverage our business development framework with one body and two wings. By shaping the "Five-Heart (五心)" service philosophy and building a diversified brand matrix, the Company continuously enhances residents' quality of life and strengthens its corporate core competitiveness. Moving forward, the Company will steadfastly uphold its corporate mission of "serving beauty and sharing happiness". Guided by Party building to unite development efforts, empowered by intelligence to redefine service value, and driven by collaboration to enhance public welfare, we will stride forward on our journey to become a nationally leading modern service enterprise.

ACKNOWLEDGEMENT

In 2025, through the tireless efforts and selfless dedication of all employees, we achieved orderly progress across all fronts, with our accomplishments gaining recognition from all sectors of society. On behalf of the Board, our sincere gratitude shall be extended to all employees, Shareholders, investors, clients, and partners who poured immense effort and their unwavering support and trust throughout the Year.

The year 2026 marks the beginning of the 15th Five-Year Plan. Opportunities and challenges coexist, and the development tasks are arduous yet honorable. All cadres and employees of us will unite in purpose and effort, with stronger conviction, more pragmatic work styles, and more effective measures, to jointly write a new chapter in the high-quality development of the Company. We will continue to create greater value for our clients, Shareholders, investors, employees, partners, and society at large.

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 RMB570.7 million, representing a decrease by 6.3% as compared with RMB608.9 million for the same period in 2024. The Company's net profit attributable to owners of the parent company during the Year was RMB33.9 million, representing a decrease by 24.7% as compared with RMB45.1 million for the corresponding period in 2024. As at December 31, 2025, the Group had 100 projects under management, with the total GFA under management of 23.1 million sq.m. (December 31, 2024: 23.6 million sq.m.), representing a decrease by 2.1%. It also had 100 contracted projects, with total contracted area of 25.9 million sq.m. (December 31, 2024: 26.6 million sq.m.), representing a decrease by 2.6%. Headquartered in Jinan, Shandong Province, through 20 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 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, 2025, 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 "Building a nationwide first-class modern service enterprise" ("打造全國一流的現代化服務企業") in conducting our business. We believe that our commitment to customer satisfaction and customer-centric culture have shaped our brand image and helped to establish our leading market position in Shandong Province.

The Business Model of the Company

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

Property management services: accounting for approximately 61.8% of total revenue

For the Year, the Group's revenue from property management services amounted to approximately RMB352.7 million, representing an increase of approximately 5.7% as compared to the corresponding period in 2024, 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 61.8% 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	2025		As of December 31, 2024		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	16,711	72.4	16,141	68.5	570	3.5
Third parties	6,368	27.6	7,437	31.5	-1,069	-14.4
Total	23,079	100	23,578	100	-499	-2.1

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 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,											
	2025		2024		2025		2024					
	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	191,157	54.2	13,086	56.7	38	184,952	55.4	12,920	54.8			37
Non-residential properties												
(1) Commercial properties	101,578	28.8	4,262	18.5	40	96,128	28.8	4,105	17.4			40
(2) Others	60,012	17.0	5,731	24.8	22	52,608	15.8	6,553	27.8			20
Total	352,747	100	23,079	100	100	333,688	100	23,578	100			97

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, 2025, we managed a total of 62 non-residential properties, with an aggregate GFA of non-residential properties under management of 10.0 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 13.7% 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	
	2025	Percentage of revenue	2024	Percentage of revenue
	RMB'000	%	RMB'000	%
Design services	40,887	52.3	39,079	30.1
Landscaping services	20,993	26.9	74,606	57.5
Preliminary property management services	12,512	16.0	11,530	8.9
Pre-delivery services	2,354	3.0	2,520	1.9
Other customized services	1,405	1.8	2,060	1.6
Total	78,151	100	129,795	100.0

For the Year, the Group's revenue from value-added services to non-property owners amounted to approximately RMB78.2 million, representing a decrease of approximately 39.8% over the corresponding period in 2024, 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 and other customized services; and (ii) starting in the second half of the Year, our former subsidiary, Urban Garden was excluded from the scope of consolidated financial statements due to capital increases by other shareholders, resulting in a year-over-year decrease in revenue from landscaping services.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)**The Business Model of the Company** (Continued)**Community value-added services: accounting for approximately 24.5% 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, 2025		2024	
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %
Parking space management services	49,029	35.1	44,047	30.3
Community living services	50,859	36.4	61,524	42.3
Utility management services	33,393	23.9	31,700	21.8
Community space and resource management services	6,520	4.6	8,165	5.6
Total	139,801	100	145,436	100.0

We aim to improve our property owners' and residents' quality of life by providing them with access to a wide range of community value-added services. For the Year, the Group's revenue from community value-added services amounted to approximately RMB139.8 million, representing a decrease of approximately 3.9% as compared with the corresponding period of 2024, mainly due to the decrease in asset disposal business in community living services.

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 periods indicated below:

Revenue	For the year ended December 31, 2025		2024		Growth Rate %
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %	
Property management services	352,747	61.8	333,688	54.8	5.7
Value-added services to non-property owners	78,151	13.7	129,795	21.3	-39.8
Community value-added services	139,801	24.5	145,435	23.9	-3.9
Total	570,699	100	608,919	100.0	-6.3

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)**Revenue** (Continued)

For the Year, the total revenue of the Group was approximately RMB570.7 million (2024: approximately RMB608.9 million), representing a decrease of approximately 6.3% as compared with the same period in 2024, primarily due to the decrease in revenue of value-added services to non-property owners and the revenue of the community value-added services.

Value-added services to non-property owners: The revenue of our value-added services to non-property owners decreased by 39.8% from RMB129.8 million for the same period in 2024 to RMB78.2 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 and other customized services; and (ii) our former subsidiary, Urban Garden, was excluded from the scope of consolidated financial statements from the second half of the Year due to capital increases by other shareholders in the current period, resulting in a year-over-year decrease in revenue from landscaping services.

Community value-added services: The revenue of our community value-added services decreased by 3.9% from RMB145.4 million for the same period in 2024 to RMB139.8 million for the Year, mainly due to the decrease in asset disposal business in community living services.

Property management services: The revenue of our property management services increased by 5.7% from RMB333.7 million for the same period in 2024 to RMB352.7 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 RMB449.9 million (2024: approximately RMB493.0 million), representing a decrease of approximately 8.7% as compared with the same period in 2024, mainly due to (i) our former subsidiary, Urban Garden, was excluded from the scope of consolidated financial statements from the second half of the Year due to capital increase of Urban Garden during the Year, resulting in a year-over-year decrease in cost from landscaping services in value-added services to non-property owners; and (ii) the year-over-year decrease in costs of asset disposal business in community living services of community value-added services.

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,			
	2025		2024	
	Gross profit RMB'000	margin %	Gross profit RMB'000	margin %
Property management services	55,650	15.8	53,950	16.2
Value-added services to non-property owners	28,959	37.1	24,070	18.5
Community value-added services	36,202	25.9	37,918	26.1
Total	120,811	21.2	115,938	19.0

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the Year, our gross profit was approximately RMB120.8 million, representing an increase of 4.2% as compared with RMB115.9 million for the same period in 2024. The gross profit margin of the Group increased from approximately 19.0% in the same period in 2024 to approximately 21.2%.

For the Year, the gross profit margin of property management services of the Group was approximately 15.8% (2024: approximately 16.2%). 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 gross profit margin of value-added services to non-property owners of the Group was approximately 37.1% (2024: approximately 18.5%). The rise in the gross profit margin of value-added services to non-property owners as compared with the corresponding period in 2024 was mainly due to the decrease in revenue from landscaping services with lower gross profit margin.

The gross profit margin of community value-added services of the Group was approximately 25.9% (2024: approximately 26.1%). The gross profit margin remained stable compared to the same period in 2024.

Administrative and Other Expenses

For the Year, the total administrative expenses of the Group were approximately RMB58.2 million, representing an increase of approximately 5.2% from approximately RMB55.3 million for the same period in 2024, primarily due to the increase in management costs resulting from our efforts to improve management quality and expand our business externally.

Other Income

For the Year, other income was approximately RMB0.6 million, representing a decrease of approximately 57.7% from approximately RMB1.4 million for the same period in 2024, primarily due to a decrease in government grants received during the current period.

Non-operating income

For the Year, non-operating income was approximately RMB0.2 million, representing a decrease of approximately RMB8.1 million as compared with approximately RMB8.3 million for the same period in 2024, primarily due to the receipt of government grants for the Company's Listing during the prior period.

Profit for the Year

Our profit for the Year was approximately RMB34.2 million, representing a decrease of approximately 24.2% from approximately RMB45.1 million for the same period in 2024.

Current Assets

As of December 31, 2025, the current assets of the Group were approximately RMB709.7 million, representing a decrease of 14.0% as compared with approximately RMB825.3 million as of December 31, 2024. As of December 31, 2025, the current ratio (current assets divided by current liabilities) of the Group was approximately 2.7 times (December 31, 2024: approximately 2.3 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, 2025, the Group's fixed assets and right-of-use assets amounted to approximately RMB49.2 million, representing a decrease of approximately RMB0.5 million as compared with approximately RMB49.7 million as of December 31, 2024, 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 decreased from RMB322.8 million as of December 31, 2024 to RMB247.5 million as of December 31, 2025, primarily due to a decrease in receivables for landscaping services, resulting from the exclusion of our former subsidiary, Urban Garden, from the consolidated financial statements starting in the second half of the Year due to capital increases by other shareholders in the current period.

Prepayments, Deposits and Other Receivables

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

As of December 31, 2025, prepayments, deposits and other receivables amounted to approximately RMB12.0 million, representing an increase of approximately 84.62% (or approximately RMB5.5 million), as compared with approximately RMB6.5 million as of December 31, 2024, primarily due to (i) the businesses related to the disbursement of maintenance funds by the Affordable Housing Service Center tends to be concentrated toward the end of the Year, and the relevant amounts have not yet been received; and (ii) an increase in deposits and contract performance deposits paid to expand our community value-added services.

Trade Payables

As of December 31, 2025, trade payables amounted to approximately RMB86.4 million, representing a decrease of approximately RMB79.5 million as compared with approximately RMB165.8 million as of December 31, 2024, primarily due to (i) a decrease in outsourcing fees for landscaping services, resulting from the exclusion of our former subsidiary, Urban Garden, from the consolidated financial statements starting in the second half of the Year due to capital increases by other shareholders in the current period; and (ii) the reduction in outsourcing fees for property management and design services, resulting in a decrease 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, 2025, accrued expenses and other payables amounted to approximately RMB81.1 million, representing a decrease of approximately RMB3.2 million as compared with approximately RMB84.2 million as of December 31, 2024, primarily due to the payment of printing costs for Listing in the current period, resulting in a decrease in balances.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)**Proceeds from the Listing**

The Company was listed on the Main Board on July 8, 2022. After deducting underwriting fees and commissions and relevant expenses, net proceeds from the Listing amounted to approximately HK\$138.40 million (the “**Net Proceeds**”).

Reference is made to the Change of UOP Announcement dated December 19, 2025, the Group strictly utilised the Net Proceeds for the purposes as stated in the Prospectus as at the date of the Change of UOP Announcement, among which, approximately HK\$19.05 million of the Net Proceeds has been utilised with approximately HK\$119.35 million of the Net Proceeds being unutilised (the “**Unutilised Proceeds**”).

Amid the dual challenges of an adjustment period in the property industry and intensifying competition in terms of property management in the PRC, the Group is placing a greater focus on steady and sustainable development. Accordingly, the Group has adopted a more prudent and business-aligned investment strategy. At the same time, the Group is proactively implementing a talent strategy to attract and cultivate outstanding personnels, thereby strengthening the Group’s core competitiveness and infusing vitality into its long-term growth. Therefore, based on a comprehensive consideration of the aforementioned factors along with the actual efficiency of usage across various purposes, the Group has decided to adjust and reallocate the intended use of Net Proceeds.

On November 28, 2025, the Board has resolved that with respect to the Proposed Change, it would be detailed as follows:

- (i) For the category “Strategic cooperation, acquisitions and investments to expand business scale and diversity property portfolio”, it will be revised to “Investments including strategic partnerships, acquisitions, and capital increase in subsidiaries to expand the Group’s business scope and scale”. Under the Proposed Change, approximately HK\$55.36 million of the Net Proceeds were assigned for this purpose.
- (ii) For the category “Enhance property management services and further develop our diversified community value-added services to improve our customers’ experience and satisfaction”, to align with the Company’s value-added business development direction and improve the efficiency of the use of these proceeds, it is proposed to consolidate the Net Proceeds under this category for the following purposes: 1) Improve the Company’s management and service system; 2) Enhance the Company’s standardization efforts; 3) Improve the quality of services in the community and create a “15-minute convenient living circle”; 4) Organize internal competitions and contests to further motivate employees and improve their skills; 5) Further expand community value-added services and 6) Recruitment and training of talents. Under the Proposed Change, approximately HK\$20.76 million of the Net Proceeds were assigned for this purpose.
- (iii) 10% of the Net Proceeds (in the amount of approximately HK\$13.84 million) will be reallocated to a new category of utilisation “Promotion of ESG Development” under the Proposed Change, in order to actively respond to the public’s demands and expectations for green development, energy conservation, and emission reduction, fulfilling the social responsibilities of state-owned enterprises more comprehensively and thoroughly.
- (iv) For the category on “Invest in technology systems and standardized business operations”, approximately HK\$14.84 million of the Net Proceeds remain unutilised as at the date of the Change of UOP Announcement, such amount is intended to be utilised more efficiently under the Proposed Change for 1) internal management system operation and data protection; 2) mobile application development costs, related data communication costs, server rental fees required for mobile application maintenance, and online service platform upgrade costs; 3) monitoring and communication equipment and management intelligent system upgrades and renovations; 4) parking lot facility and equipment improvements; and 5) for intelligent robot and intelligent equipment procurement, etc..

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(CONTINUED)*

Proceeds from the Listing *(Continued)*

- (v) As at the date of the Change of UOP Announcement, 10% of the Net Proceeds (in the amount of approximately HK\$13.84 million) had been allocated for “Working capital and other general corporate purposes”, and approximately HK\$13.00 million of the Net Proceeds had been utilised. An additional 10% of the Net Proceeds will be allocated to this purpose and the reallocation will promote flexibility of utilisation on the Net Proceeds under the Proposed Change.

For details of the Proposed Change, please refer to the Change of UOP Announcement dated December 19, 2025.

Cash and Cash Equivalents

As of December 31, 2025, the Group’s cash and cash equivalents amounted to approximately RMB418.1 million, representing a decrease of 1.7% as compared with approximately RMB425.2 million as of December 31, 2024, primarily due to our strengthened management of accounts receivable this Year, which led to an increase in the collection of property management fees; however, cash and cash equivalents decreased slightly due to the exclusion of our former subsidiary, Urban Garden, from the consolidated financial statements starting in the second half of the Year due to capital increases by other shareholders in the current period.

Such cash and cash equivalents included approximately RMB418.06 million (December 31, 2024: RMB425.2 million) denominated in RMB and approximately RMB0.022 million (December 31, 2024: RMB0.024 million) denominated in HK\$, calculated based on the exchange rate as of December 31, 2025.

Interest-bearing Borrowings

Our interest-bearing borrowings was RMB8.01 million as of December 31, 2025, all denominated in RMB with maturity on March 17, 2026, and interest on borrowings at the fixed rate of 3.1% per annum.

Pledge of Assets

As at December 31, 2025, we had not pledge any of our assets (December 31, 2024: nil).

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 30.6% as of December 31, 2025 (December 31, 2024: 38.8%).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)**Significant Investments, Material Acquisitions and Disposals*****Discloseable and Connected Transaction in relation to Capital Increase and Deemed Disposal of Equity Interest in a Subsidiary***

References are made to the announcement of the Company dated March 21, 2025, the circular of the Company dated May 30, 2025 and the poll results announcement of the Company dated June 27, 2025 in relation to, among others, the Capital Increase (collectively, the “**Capital Increase Publication**”). Unless otherwise specified, capitalised terms used in this report shall have the same meanings as those defined in the Capital Increase Publication.

On March 21, 2025 (after trading hours of the Stock Exchange), the Company entered into the Capital Increase Agreement with the Investor (Shandong Commercial Real Estate Development Co., Ltd.* (山東省城發建設管理有限公同)) and Urban Garden (as the target company), pursuant to which the Investor has conditionally agreed to inject capital in the amount of RMB36,320,000.00 (equivalent to approximately HK\$39,053,763.00) into Urban Garden 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 Urban Garden, respectively.

Upon completion of the Capital Increase, the registered capital of Urban Garden will be increased from RMB20,000,000.00 to RMB40,820,000.00 and Urban Garden will be owned by the Investor and the Company as to 51% and 49% of its enlarged equity interest, respectively, and following the Capital Increase, Urban Garden will cease to be a subsidiary of the Company and, accordingly, the financial results of Urban Garden will no longer be consolidated in the Group’s accounts. Urban Garden will be accounted for an associate of the Company. Completion of the Capital Increase took place on July 1, 2025.

For details of the Capital Increase, please refer to the Capital Increase Publication.

Save as disclosed in this 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, 2025.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(CONTINUED)*

Employees and Remuneration Policy

As of December 31, 2025, the Group had 1,310 employees (as of December 31, 2024: 1,405 employees). During the Year, we have once again optimized the composition of our remuneration in line with the industry conditions and adjusted the incentives programs 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.

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.

Others

Amendments to the Articles of Association

References are made to the announcement of the Company dated June 9, 2025, circular of the Company dated June 10, 2025 and the poll results announcement of the Company dated June 27, 2025 in relation to the 2025 second extraordinary general meeting of the Company, the class meeting for Shareholders of H Shares and the class meeting for Shareholders of domestic shares of the Company, convened for the purpose of amendments to the Articles of Association in compliance with (i) certain new regulations imposed on companies incorporated in the PRC in connection with the requirement to formulate articles of association and corporate governance regulation; and (ii) the revised Company Law of the PRC listed companies to include provisions in their articles of association for establishing an audit committee under the Board to perform the original duties of the supervisory committee and to abolish the supervisory committee or supervisors.

The abovementioned amendments have been approved by the Shareholders by way of a special resolution at the 2025 second extraordinary general meeting of the Company, the class meeting for Shareholders of H Shares and the class meeting for Shareholders of Domestic Shares, and have become effective on June 27, 2025. Accordingly, the Company has abolished the supervisory committee on June 27, 2025. Each of the Supervisors of the Company has confirmed that he or she had no disagreement with the Board and there was no other matter that needed to be brought to the attention of the Stock Exchange or the Shareholders.

For details of the amendments to the Articles of Association, please refer to the announcement of the Company dated June 9, 2025, circular of the Company dated June 10, 2025 and the poll results announcement of the Company dated June 27, 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)**Others** (Continued)**Company Secretary and Authorised Representative** (Continued)

Reference is made to the announcement of the Company dated August 22, 2025. With effect from August 22, 2025, Mr. Wong Wai Chiu has resigned as a joint company secretary of the Company and one of the authorised representatives of the Company (the “**Authorised Representative**”) under Rule 3.05 of the Listing Rules. Mr. Yang Zhen meets the qualification of the company secretary under Rules 3.28 and 8.17 of the Listing Rules. Mr. Yang Zhen has acted as the sole company secretary of the Company with effect from August 22, 2025 and he was also appointed as the Authorised Representative with effect from the same date.

EVENTS AFTER THE REPORTING PERIOD

With effect from January 30, 2026, the Company’s principal place of business in Hong Kong has been changed to 17/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong. Moreover, (i) upon the expiry of the service agreement between the Company and SWCS Corporate Services Group (Hong Kong) Limited, Mr. Wong Wai Chiu ceased to act as an authorized representative of the Company for accepting service of process and notices on behalf of the Company in Hong Kong (the “**Process Agent**”) under Rule 19A.13(2) of the Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); and (ii) Ms. Chan Lok Tung has been appointed as the Process Agent.

Save as disclosed above and elsewhere in this report, there were no other significant events affecting the Company nor any of its subsidiaries after the end of the Year and up to the date of this report requiring disclosure in this report.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ning Daoju (寧道舉), aged 41, 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 (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 37, 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 AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)**Chairman of the Board and Non-executive Director**

Mr. Wang Zhongwu (王忠武), aged 51, joined the Group in August 2010 and currently serves as a non-executive Director and Chairman of the Board. Mr. Wang served as an executive Director from March 2021 to June 2025. 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.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)

Non-executive Directors

Ms. Luo Ye (羅擘), aged 38, was appointed as a non-executive Director on November 30, 2022.

Ms. 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. She served as a department manager of the investment and financing department of Shandong New Kinetic Energy Fund Management Co., Ltd. from July 2018 to November 2020 and has served as the head of its planning and investment department since May 2025. Ms. Luo had been serving as a deputy general manager of Shandong New Kinetic Energy Investment Management Co., Ltd. from November 2020 to June 2023 and as its general manager from June 2023 to May 2025.

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 40, 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 AND SENIOR MANAGEMENT

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

Ms. Leung Bik San (梁碧珊), aged 55, 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 29 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.

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 56, 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 AND SENIOR MANAGEMENT

DIRECTORS *(CONTINUED)*

Independent non-executive Directors *(continued)*

Mr. Ma Tao (馬濤) (formerly known as Ma Xinai), aged 68, 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.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Liu Jiapeng (劉加朋), aged 49, 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 (山東世界貿易中心), 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 (泰安銀座房地產開發有限公司), 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 Freda 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).

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (CONTINUED)

Ms. Li Haiyan (李海燕), aged 49, 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 Lushang Property from January 2007 to January 2008, the head of development and marketing department of Lushang Property 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.

* For identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Yang Zhen (楊振), aged 39. He is serving as our 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.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report for the year ended December 31, 2025.

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.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as a code of conduct for securities transactions by the Directors.

Upon specific enquiry, all Directors 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, 2025, the Board comprises eight Directors with two executive Directors, three non-executive Directors, and three independent non-executive Directors. With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. Our Board currently comprises 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, 2025 and up to the date of this annual report are set out below:

Executive Directors

Mr. Ning Daoju
Mr. Shao Meng

Non-executive Directors

Mr. Wang Zhongwu (*Chairman*)
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 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 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 the Board include but not limited to (i) convene a general meeting and report its work to such meeting; (ii) implement the resolutions of a general meeting; (iii) decide on the operation plans and investment schemes of the Company and formulate the development strategies of the Company; (iv) prepare the annual financial budget plan and final account plan of the Company; (v) prepare the profit distribution plan and the loss recovery plan of the Company; (vi) decide on the establishment of the internal organizations of the Company; (vii) establish a basic management system of the Company; (viii) appoint or remove the senior management and decide on their remunerations; (ix) listen to the work report of the general manager and examine such work; and (x) 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 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, 2025, 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).

Each independent non-executive Director shall inform the Company and the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect his/her independence. The Company has received written annual confirmation from each independent non-executive Director of his/her 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, 2025, 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. 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 37 to 68 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, 2025, 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 Principle D.3 of the Corporate Governance Code.

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.

The primary duties of the Audit Committee are to (i) review and supervise our financial reporting process and internal control system of the Group, risk management (including but not limited to business, operation as well as environmental, social and governance related risks) and internal audit, (ii) provide advice and comments to our Board and (iii) perform other duties and responsibilities as may be assigned by our Board.

For the year ended December 31, 2025, the Audit Committee held three meetings and reviewed the Company's annual consolidated financial information in 2024, the interim consolidated financial information in 2025, as well as the relevant information about the continuing connected transactions.

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 Principle E.1 of the Corporate Governance Code.

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).

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.

For the year ended December 31, 2025, the Remuneration Committee held one meeting to review the remuneration policy and structure of the Company.

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 Principle B.3 of the Corporate Governance Code.

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).

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.

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, 2025, the Company convened a total of four general meetings, namely the 2024 annual general meeting of the Company held on June 27, 2025, the 2025 first extraordinary general meeting of the Company held on June 27, 2025, the 2025 second extraordinary general meeting of the Company held on June 27, 2025, and the 2025 third extraordinary general meeting of the Company held on October 30, 2025. 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 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, 2025, the Board convened five meetings. The following table sets out the attendance of each of our Directors at the meetings of the Board and the special committees under the Board and general meetings during the said period:

Name of Director	Number of attendance/Number of meetings held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy and ESG Committee	General meetings
Mr. Wang Zhongwu	5/5	-	1/1	-	1/1	4/4
Mr. Ning Daoju	5/5	-	-	0/0	-	4/4
Mr. Shao Meng	5/5	-	-	-	1/1	4/4
Ms. Luo Ye	5/5	-	-	-	-	3/4
Ms. Li Han	5/5	3/3	-	-	-	4/4
Ms. Leung Bik San	5/5	3/3	-	-	-	4/4
Ms. Chen Xiaojing	5/5	3/3	1/1	0/0	1/1	4/4
Mr. Ma Tao	5/5	-	1/1	0/0	-	4/4

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, Mr. Shao Meng, Ms. Luo Ye, Ms. Li Han, Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao have complied with Principle C.1 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, 2025:

Directors	Types of training ^(Note)
Mr. Wang Zhongwu	A,B
Mr. Ning Daoju	A,B
Mr. Shao Meng	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, 2025 are set out in Note 12 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, 2025.

The remuneration level of the Company's senior management (excluding Directors) by band for the year ended December 31, 2025 is set out below:

Remuneration level (RMB)	Number of persons
500,000-1,000,000	2

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 year ended December 31, 2025, the Board (i) has developed and reviewed the Company's policies and practices on corporate governance; (ii) 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; (iii) developed, reviewed and monitored the code of conduct and compliance manual to employees and Directors; and (iv) 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 2025 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, 2025, 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 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, 2025, the Company's remuneration to the external auditor of the Company, ShineWing, for audit services for 2025 was RMB0.28 million. Apart from this, the external auditor of the Company, ShineWing, provided non-audit services in respect of 2025 interim results review at a fee of RMB0.07 million.

COMPANY SECRETARY

Mr. Yang Zhen and Mr. Wong Wai Chiu (associate director of our former external service provider: SWCS Corporate Services Group (Hong Kong) Limited) were appointed as the joint company secretaries of the Company. Mr. Wong Wai Chiu resigned as a joint company secretary of the Company with effect from August 22, 2025 and Mr. Yang Zhen meets the qualification of the company secretary under Rules 3.28 and 8.17 of the Listing Rules and has acted as the sole company secretary of the Company with effect from August 22, 2025.

During the year ended December 31, 2025, Mr. Yang Zhen has received relevant professional training of not less than 15 hours 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.

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 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 2025 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 PRC, 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, 2025, the Group had 1,310 employees in total.

The indicators on employees of the Group in 2025 are as follows:

Name of indicator	At the end of 2025 (persons)	Percentage of total number of employees at the end of 2025
Male employees	697	53.2%
Female employees	613	46.8%
Employees aged 30 and under	295	22.5%
Employees aged from 31 to 50	862	66.6%
Employees aged 51 or above	153	10.9%

The Group encourages gender diversity across its workplace. We maintain a 53:47 ratio of males to females in the workforce as at December 31, 2025. The Board considers that gender diversity in respect of both the Board and the workforce (including senior management) has been achieved.

ARTICLES OF ASSOCIATION

For the year ended December 31, 2025, the Company has amended the Articles of Association at the 2025 second extraordinary general meeting held on June 27, 2025. 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, 2025.

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 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\$138.40 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 RMB0.0815 per share of the Company (before tax) for the year ended December 31, 2025 (For the year ended December 31, 2024: RMB0.1080).

As at December 31, 2025, 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.

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, 2025, details of the changes in share capital of the Company are set out in Note 5.27 to the financial statements.

DEBENTURES

The Company did not issue any debentures for the year ended December 31, 2025.

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, 2025, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

REPORT OF THE BOARD

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

For the year ended December 31, 2025 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, 2025 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, 2025, our aggregate amount of reserve available for distribution to equity Shareholders was approximately RMB216.3 million.

THE DIRECTORS

Details of our Board composition during the year of 2025 and up to the date of this annual report are set out below:

Executive Directors: Mr. Ning Daoju, Mr. Shao Meng

Non-executive Directors: Mr. Wang Zhongwu, 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 and Senior Management" of this annual report.

PROCEEDS FROM THE LISTING

The Company was listed on the Main Board on July 8, 2022 with 33,340,000 H Shares were issued. After deducting underwriting fees and commissions and relevant expenses, the Net Proceeds from the Listing amounted to approximately HK\$138.40 million and the net price per H Share was approximately HK\$4.14.

Reference is made to the Change of UOP Announcement dated December 19, 2025, the Group strictly utilised the Net Proceeds for the purposes as stated in the Prospectus as at the date of the Change of UOP Announcement, among which, approximately HK\$19.05 million of the Net Proceeds has been utilised with approximately HK\$119.35 million being Unutilised Proceeds.

Amid the dual challenges of an adjustment period in the property industry and intensifying competition in terms of property management in the PRC, the Group is placing a greater focus on steady and sustainable development. Accordingly, the Group has adopted a more prudent and business-aligned investment strategy. At the same time, the Group is proactively implementing a talent strategy to attract and cultivate outstanding personnels, thereby strengthening the Group's core competitiveness and infusing vitality into its long-term growth. Therefore, based on a comprehensive consideration of the aforementioned factors along with the actual efficiency of usage across various purposes, the Group has decided to adjust and reallocate the intended use of Net Proceeds.

REPORT OF THE BOARD

PROCEEDS FROM THE LISTING (CONTINUED)

On November 28, 2025, the Board has resolved that with respect to the Proposed Change, it would be detailed as follows:

- (i) For the category “Strategic cooperation, acquisitions and investments to expand business scale and diversity property portfolio”, it will be revised to “Investments including strategic partnerships, acquisitions, and capital increase in subsidiaries to expand the Group’s business scope and scale”. Under the Proposed Change, approximately HK\$55.36 million of the Net Proceeds were assigned for this purpose.
- (ii) For the category “Enhance property management services and further develop our diversified community value-added services to improve our customers’ experience and satisfaction”, to align with the Company’s value-added business development direction and improve the efficiency of the use of these proceeds, it is proposed to consolidate the Net Proceeds under this category for the following purposes: 1) Improve the Company’s management and service system; 2) Enhance the Company’s standardization efforts; 3) Improve the quality of services in the community and create a “15-minute convenient living circle”; 4) Organize internal competitions and contests to further motivate employees and improve their skills; 5) Further expand community value-added services and 6) Recruitment and training of talents. Under the Proposed Change, approximately HK\$20.76 million of the Net Proceeds were assigned for this purpose.
- (iii) 10% of the Net Proceeds (in the amount of approximately HK\$13.84 million) will be reallocated to a new category of utilisation “Promotion of ESG Development” under the Proposed Change, in order to actively respond to the public’s demands and expectations for green development, energy conservation, and emission reduction, fulfilling the social responsibilities of state-owned enterprises more comprehensively and thoroughly.
- (iv) For the category on “Invest in technology systems and standardized business operations”, approximately HK\$14.84 million of the Net Proceeds remain unutilised as at the date of the Change of UOP Announcement, such amount is intended to be utilised more efficiently under the Proposed Change for 1) internal management system operation and data protection; 2) mobile application development costs, related data communication costs, server rental fees required for mobile application maintenance, and online service platform upgrade costs; 3) monitoring and communication equipment and management intelligent system upgrades and renovations; 4) parking lot facility and equipment improvements; and 5) for intelligent robot and intelligent equipment procurement, etc..
- (v) As at the date of the Change of UOP Announcement, 10% of the Net Proceeds (in the amount of approximately HK\$13.84 million) had been allocated for “Working capital and other general corporate purposes”, and approximately HK\$13.00 million of the Net Proceeds had been utilised. An additional 10% of the Net Proceeds will be allocated to this purpose and the reallocation will promote flexibility of utilisation on the Net Proceeds under the Proposed Change.

For details of the Proposed Change, please refer to the Change of UOP Announcement dated December 19, 2025.

REPORT OF THE BOARD

PROCEEDS FROM THE LISTING (CONTINUED)

Details of the intended use of Net Proceeds after the Proposed Change are set out below:

Proposed use of Net Proceeds under Proposed Change	Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds as of December 31, 2025 (HK\$ million)	Unutilised Net Proceeds as of December 31, 2025 (HK\$ million)	Expected time of full utilisation ⁽¹⁾
Major categories					
<i>Investments including strategic partnerships, acquisitions, and capital increase in subsidiaries to expand the Group's business scope and scale</i>	40%	55.36	0.00	55.36	December 31, 2028
<i>Enhance property management services and further develop our diversified community value-added services to improve our customers' experience and satisfaction</i>	15%	20.76	0.13	20.63	December 31, 2027
<i>Promotion of ESG Development</i>	10%	13.84	0.00	13.84	December 31, 2027
<i>Invest in technology systems and standardized business operations</i>	15%	20.76	5.92	14.86	December 31, 2027
<i>Working capital and other general corporate purposes</i>	20%	27.68	13.00	14.68	December 31, 2027
Total		138.40	19.05	119.35	

Note:

- (1) On December 19, 2025, the Company has published an announcement in relation to the Proposed Change. For details of the Proposed Change, please refer to the Change of UOP Announcement dated December 19, 2025.

REPORT OF THE BOARD

PROCEEDS FROM THE LISTING *(CONTINUED)*

Save as disclosed above, the Directors are not aware of any material change in the planned use of the Net Proceeds as at December 31, 2025. For the avoidance of doubt, as such Unutilised Proceeds have been placed in banking institutions, interests and foreign exchange gains have been derived thereunder (“**Sum**”). With respect to such Sum, approximately RMB3.42 million (equivalent to approximately HK\$3.70 million) has been derived as at December 31, 2025. The Sum derived up to December 31, 2025 and thereafter will be utilised as working capital and other general corporate purposes. The Unutilised 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 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.

INVESTMENT PROPERTIES

Details of the investment properties of the Group during the year ended December 31, 2025 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 due to their holding of the Company’s securities.

EQUITY-LINKED AGREEMENTS

For the year ended December 31, 2025, no equity-linked agreement was entered into by the Group or still in effect.

SERVICE CONTRACTS OF DIRECTORS

Each of the Directors has entered into a service contract with the Company and the principal particulars of the service contracts of the Directors 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.

Save as disclosed above, none of the Directors 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)).

REPORT OF THE BOARD

MATERIAL INTERESTS OF DIRECTORS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

For the year ended December 31, 2025, there were no transactions, arrangements or contracts of significance in which any Director or any entity connected with a Director is or was materially interested directly or indirectly subsisted at any time during or at the end of the Year, nor was there any contract of significance between the Group and a controlling shareholder or any of its subsidiaries, or any contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries.

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

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

For the year ended December 31, 2025, no Directors 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 and the chief executive of the Company in the registered capital of the Company and its associated corporations

As at December 31, 2025, the interests and short positions of the Directors 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	60,000	0.0059%

Note:

(1) Mr. Wang Zhongwu was interested in 60,000 shares of Lushang Freda.

Save as disclosed above, as at December 31, 2025, none of the Directors 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, 2025, the persons (other than Directors 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)	100.00%	75.00%
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%

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, 2025.
- (3) Calculated based on the total number of 133,340,000 Shares in issue as at December 31, 2025.
- (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, 2025, 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, 2025, the Directors were not aware of any persons (other than Directors 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended December 31, 2025 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.

* For identification purposes only

REPORT OF THE BOARD

PERMITTED INDEMNITY PROVISION

The Company has maintained liability insurance for the Directors 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, 2025.

CHARITABLE DONATIONS

During the year ended December 31, 2025, the Group made charitable donations amounting to approximately RMB2,000 (2024: RMB4,000).

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, 2025, 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, 2025.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2025, the revenue attributable to the Group's five largest customers and the largest customer accounted for 27.5% and 22.8%, respectively, of the Group's total revenue for the year ended December 31, 2025. Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 31.9% and 10.7%, respectively, of the Group's total purchases for the year ended December 31, 2025.

None of the Directors 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, 2025.

CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS

Saved as disclosed under the paragraphs headed "One-off Connected Transaction" and "Continuing Connected Transactions", 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, 2025.

REPORT OF THE BOARD

ONE-OFF CONNECTED TRANSACTION

For the year ended December 31, 2025, the Group entered into the following one-off connected transaction with its connected persons:

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

References are made to the Capital Increase Publication. Unless otherwise specified, capitalised terms used in this report shall have the same meanings as those defined in the Capital Increase Publication.

On March 21, 2025 (after trading hours of the Stock Exchange), the Company entered into 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) (the “Investor”, being an indirect wholly-owned subsidiary of Shandong Commercial, which is the controlling Shareholder of the Company) and Urban Garden (as the target company), pursuant to which the Investor has conditionally agreed to inject capital in the amount of RMB36,320,000.00 (equivalent to approximately HK\$39,053,763.00) into Urban Garden 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 Urban Garden, respectively.

As Urban Garden is principally engaged in real estate greening projects and garden greening maintenance, in light of the national policy emphasizing on green development, the landscape industry is shifting from “scale expansion” to “quality improvement” and the profitability of traditional greening projects decline as a result of the decrease in the incremental volume of real estate. With the Investor’s abundant resources in landscape and gardening projects with diversified portfolios, the competitiveness of Urban Garden among the landscaping industry would be strengthened, its scope of business will be substantially expanded and it is expected that the expansion into municipal construction projects would generate substantial revenue stream to Urban Garden.

Upon completion of the Capital Increase, the registered capital of Urban Garden will be increased from RMB20,000,000.00 to RMB40,820,000.00 and Urban Garden will be owned by the Investor and the Company as to 51% and 49% of its enlarged equity interest, respectively, and following the Capital Increase, Urban Garden will cease to be a subsidiary of the Company and, accordingly, the financial results of Urban Garden will no longer be consolidated in the Group’s accounts. Urban Garden will be accounted for an associate of the Company. Completion of the Capital Increase took place on July 1, 2025.

For details of the Capital Increase, please refer to the Capital Increase Publication.

CONTINUING CONNECTED TRANSACTIONS

For the year ended December 31, 2025, 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.

REPORT OF THE BOARD

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)**1. Master Engineering Services Agreement (Continued)**

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 ended December 31, 2025 are as follows:

	For the year ended December 31, 2024 (RMB’ million)	For the year ended 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, 2025 were RMB0 million and RMB9.1 million, respectively, which have not exceeded the aforesaid annual caps.

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

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 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.

REPORT OF THE BOARD

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

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 ended December 31, 2025 are as follows:

	For the year ended December 31, 2024 (RMB' million)	For the year ended 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, 2025 were RMB0 million and RMB36.0 million, respectively, which have not exceeded the aforesaid annual caps.

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

On September 25, 2025 (after trading hours), the Company has entered into the 2025 Design Services Master Agreement with Shandong Commercial for a term commencing from January 1, 2026 to December 31, 2028, 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 2025 Design Services Master Agreement, the Group has agreed to provide the Design Services to both Shandong Commercial Associates and 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 2025 Design Services Master Agreement.

The services under the Design Services include (without limitation to) (a) the architectural design services; (b) landscape design services; (c) decoration design services; and (d) decoration management services.

REPORT OF THE BOARD

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

Set out below are the proposed annual caps for the 2025 Design Services Master Agreement for the respective years ending December 31, 2026, December 31, 2027 and December 31, 2028 as follows:

	For the year ending December 31, 2026 (amounts in RMB' 000)	For the year ending December 31, 2027 (amounts in RMB' 000)	For the year ending December 31, 2028 (amounts in RMB' 000)
Lushang Freda Associates	3,000	3,000	3,000
Shandong Commercial Associates	17,000	17,000	17,000
Total	20,000	20,000	20,000

For details, please refer to the announcement of the Company dated September 25, 2025, the circular of the Company dated October 10, 2025 and the poll results announcement of the Company dated October 30, 2025.

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 Master Property Agency Services Agreement for each of the two years ended 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, 2025 were RMB0.3 million, which have not exceeded the aforesaid annual cap.

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

REPORT OF THE BOARD

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)**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 ended 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, 2025 were RMB0.78 million, which have not exceeded the aforesaid annual cap.

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

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. On September 25, 2025 (after trading hours), the Company has also entered into the Supplementary Property Management and Related Services Master Agreement with Shandong Commercial for a term commencing from January 1, 2025 to December 31, 2025.

Under the 2024-2025 Master Property Management and Related Services Agreement, and the Supplementary Property Management and Related Services Master 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.

REPORT OF THE BOARD

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

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 ended December 31, 2025 are as follows:

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

As reflected from the announcements of the Company dated April 25, 2025 and May 30, 2025, it was noted that for the year ended December 31, 2024, the actual transaction amount with Lushang Freda Associates with respect to the Property Management and Related Services provided was RMB5,481,073.98, which exceeded the annual cap by RMB481,073.98 (the “**Exceed of Annual Caps in 2024**”), which was mainly due to the expansion into catering services provided to one of the Lushang Freda Associates with the execution of a catering service agreement (as an underlying contract under the 2024-2025 Master Property Management and Related Services Agreement), so as to enhance customer’s loyalty by means of the food and beverage services related to property operation catering towards the needs of customers.

As a result, the Supplementary Property Management and Related Services Master Agreement had been entered into on September 25, 2025 between the Company and Shandong Commercial for the year ended December 31, 2025, so as to avoid the aforementioned event from taking place, and as it was expected that the aggregate transaction amount under the 2024-2025 Master Property Management and Related Services Agreement for the year ended December 31, 2025 would exceed the existing annual caps under the 2024-2025 Master Property Management and Related Services Agreement.

Set out below are respectively (i) the existing annual caps for the year ended December 31, 2024 under the 2024-2025 Master Property Management and Related Services Agreement; and (ii) the revised annual caps for the year ended December 31, 2025 under the 2024-2025 Master Property Management and Related Services Agreement (as revised by the Supplementary Property Management and Related Services Master Agreement):

	For the year ended December 31, 2024 (RMB' 000)	For the year ended December 31, 2025 (RMB' 000)
Lushang Freda Associates	5,000	9,000
Shandong Commercial Associates	75,000	86,000
Total	80,000	95,000

REPORT OF THE BOARD

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

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, 2025 were RMB8.5 million and RMB76.2 million, which have not exceeded the revised annual caps.

In respect of the Exceed of Annual Caps in 2024, 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 additional trainings for its employees on a regular basis, 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 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.

For details, please refer to the announcements of the Company dated April 25, 2025 and May 30, 2025 and the annual report of the Company published on April 28, 2025.

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.

On September 25, 2025 (after trading hours), the Company has also entered into the 2025 Master Property Management and Related Services Agreement with Shandong Commercial for a term commencing from January 1, 2026 to December 31, 2028, 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.

REPORT OF THE BOARD

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

Under the 2025 Master Property Management and Related Services Agreement, the Group has agreed to provide the Property Management and Related Services to both Shandong Commercial Associates and 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 2025 Master Property Management and Related Services Agreement.

The services under the Property Management and Related Services include (without limitation to) (a) the services prior to delivery of property such as property inspection services, cleaning services, and pre-delivery preparations; (b) property management services; and (c) other related services such as catering and beverage services.

Set out below are the proposed annual caps for the 2025 Master Property Management and Related Services Agreement for the respective years ending December 31, 2026, December 31, 2027 and December 31, 2028 as follows:

	For the year ending December 31, 2026 <small>(amounts in RMB' 000)</small>	For the year ending December 31, 2027 <small>(amounts in RMB' 000)</small>	For the year ending December 31, 2028 <small>(amounts in RMB' 000)</small>
Lushang Freda Associates	13,000	17,000	22,000
Shandong Commercial Associates	95,000	105,000	120,000
Total	108,000	122,000	142,000

For details, please refer to the announcement of the Company dated September 25, 2025, the circular of the Company dated October 10, 2025 and the poll results announcement of the Company dated October 30, 2025.

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, the Group agreed to use the Deposit Services.

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. The Group may make choices at our discretion based on our business needs and the costs and quality of relevant services. The Group may (but is not obliged to) use the Deposit Services in order to deploy and manage our financial resources in a more flexible and efficient manner.

REPORT OF THE BOARD

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

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 ended December 31, 2025, respectively are as follows:

	For the period from the Effective Date to December 31, 2023 (RMB'000)	For the year ended December 31, 2024 (RMB'000)	For the year ended 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 the Group deposited in Commercial Finance during the year ended December 31, 2025 was approximately RMB309.1 million and the actual interest income during the year ended December 31, 2025 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.

On September 25, 2025 (after trading hours), the Company has also entered into the 2025 Master Deposit Services Agreement for a term commencing from January 1, 2026 to December 31, 2028, 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 2025 Master Deposit Services Agreement, the Group has agreed to use the Deposit Services. Pursuant to the 2025 Master Deposit Services Agreement, the Group may deposit its funds in Commercial Finance from time to time.

Based on information available and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Commercial Finance is a non-bank financial institution established in May 1996 with a credit rating of 2A provided by China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會). As at the date of this report, based on public record, the Finance Permit Licence (金融許可證) held by Commercial Finance remains valid and has not been withdrawn or revoked.

The relevant parties shall enter into individual deposit services agreements, terms of which shall be consistent with the principal terms of the 2025 Master Deposit Services Agreement in all material aspects.

REPORT OF THE BOARD

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

Set out below are the proposed annual caps for the 2025 Master Deposit Services Agreement for the respective years ending December 31, 2026, December 31, 2027 and December 31, 2028 as follows:

	For the year ending December 31, 2026 (amounts in RMB' 000)	For the year ending December 31, 2027 (amounts in RMB' 000)	For the year ending December 31, 2028 (amounts in RMB' 000)
Maximum daily deposit balance	350,000	380,000	400,000
Maximum interest income	6,275	6,755	7,075

For details, please refer to the announcement of the Company dated September 25, 2025, the circular of the Company dated October 10, 2025 and the poll results announcement of the Company dated October 30, 2025.

7. 2025 Greening Services Master Agreement

On September 25, 2025 (after trading hours), the Company has also entered into the 2025 Greening Services Master Agreement for a term commencing from July 1, 2025 to June 30, 2028, 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 2025 Greening Services Master Agreement, the Greening Services Provider has agreed to provide the Greening Services to the Group in this regard. Relevant members of the Group will enter into separate agreements with the Greening Services Provider, setting out the specific terms and conditions based on the principles provided in the 2025 Greening Services Master Agreement.

REPORT OF THE BOARD

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)**7. 2025 Greening Services Master Agreement (Continued)**

The services under the Greening Services include (without limitation to) (a) the landscape greening maintenance services; (b) the seedling supply services; and (c) other greenery maintenance related services.

Set out below are the proposed annual caps for the 2025 Greening Services Master Agreement for the 6-month period ending December 31, 2025, the respective years ending December 31, 2026, December 31, 2027 and for the 6-month period ending June 30, 2028 as follows:

	For the 6-month period ending December 31, 2025 <small>(amounts in RMB' 000)</small>	For the year ending December 31, 2026 <small>(amounts in RMB' 000)</small>	For the year ending December 31, 2027 <small>(amounts in RMB' 000)</small>	For the 6-month period ending June 30, 2028 <small>(amounts in RMB' 000)</small>
Amount	5,000	10,000	12,000	7,000

The actual transaction amount of the Greening Services provided by the Greening Services Provider to the Group for the 6-month period ended December 31, 2025, was RMB3.6 million. The actual transaction amount with the Greening Services Provider did not exceed the annual cap for the aforesaid period.

Greening Services Provider is a non-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 2025 Greening Services Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated September 25, 2025.

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 the 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 Rule 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 Board confirmed that the auditor of the Company has issued a unqualified opinion letter and conclusions in respect of the continuing connected transactions of the Group disclosed above in accordance with Rule 14A.56 of the Listing Rules.

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

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

REPORT OF THE BOARD

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended December 31, 2025 are set out in Note 12 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, the 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, 2025, 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, 2025 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, 2025 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 Year are set out in Note 12 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, and it will cover the significant economic, environmental and social achievements and impacts arising from the activities of the Company and its joint ventures.

2025 AGM

The 2025 AGM will be convened and held on Friday, June 26, 2026. The notice of the 2025 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 2025 AGM, the register of members of the Company will be closed from Tuesday, June 23, 2026 to Friday, June 26, 2026, 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 2025 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 22, 2026 for registration. Shareholders whose names appear on the register of members of the Company on Friday, June 26, 2026 are entitled to attend and vote at the 2025 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 3, 2026 to Wednesday, July 8, 2026, 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 2, 2026 for registration. It is expected that the proposed final dividend, if approved by the Shareholders at the 2025 AGM, will be paid on or before Friday, July 31, 2026 to Shareholders whose names appear on the register of members of the Company on Wednesday, July 8, 2026.

By order of the Board

Lushang Life Services Co., Ltd.

Mr. Wang Zhongwu

Chairman and Non-executive Director

Jinan, the PRC, March 27, 2026

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 2025, 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 2025, 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 Note 5.31, 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 2025, Lushang Services reported operating revenue of RMB570.70 million, representing a decrease of 6.28% compared to the same period in 2024.</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
<p>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>	<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>For details of the accounting policies relating to the expected credit loss on accounts receivable, please refer to the accounting policies described in the section "Impairment of Financial Instruments" in the notes to the consolidated financial statements.</p> <p>As stated in Note 5.3, as of December 31, 2025, the carrying balance of accounts receivable for Lushang Services was RMB270.85 million, with an allowance for its expected credit losses of RMB48.90 million.</p>	<p>For the impairment of accounts receivable, we performed the following audit procedures, among others:</p> <ol style="list-style-type: none"> <li data-bbox="826 541 1385 655">(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. <li data-bbox="826 692 1385 832">(2) Analyze the reasonableness of the Company's accounting estimates for expected credit losses on accounts receivable, including the basis for grouping accounts receivable and the judgment for individually determining the expected credit losses. <li data-bbox="826 868 1385 983">(3) Evaluate the expected credit loss model used by the company, analyze the reasonableness of key parameters and indicators, and verify the calculation process. <li data-bbox="826 1019 1385 1151">(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>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>(5) Obtain the company's expected credit loss calculation table, examine 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) Perform confirmation procedures on accounts receivable and select samples to check their collection status after the reporting period.</p> <p>(7) 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 2025 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 : 李祝善
(Audit Partner)

CICPA : 姚雪飛

Beijing, China

27 March 2026

CONSOLIDATED BALANCE SHEET

As at 31 December 2025

Unit: RMB

Items	Notes	31 December 2025	31 December 2024
Current assets:			
Cash and bank	5.1	420,605,756.35	426,558,420.34
Financial assets held for trading		—	—
Derivative financial assets		—	—
Notes receivable	5.2	25,599,910.64	46,441,738.61
Accounts receivable	5.3	221,944,895.83	276,364,740.99
Receivables financing		—	—
Prepayments	5.4	2,401,057.86	3,125,684.05
Other receivables	5.5	9,598,906.10	3,332,573.58
Including: Interest receivable		—	—
Dividends receivable		—	—
Inventories	5.6	6,654,880.49	7,112,992.27
Contract assets	5.7	22,855,078.09	61,756,374.04
Assets held for sale		—	—
Current portion of non-current assets		—	—
Other current assets	5.8	1,105.21	603,223.87
Total current assets		709,661,590.57	825,295,747.75
Non-current assets:			
Debt investments		—	—
Other debt investments		—	—
Long-term receivables		—	—
Long-term equity investments	5.9	36,931,107.62	—
Investments in other equity instruments		—	—
Other non-current financial assets		—	—
Investment properties	5.10	37,925,631.87	39,774,869.79
Fixed assets	5.11	48,297,578.99	48,738,575.11
Construction in progress		—	—
Productive biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets	5.12	918,032.17	977,067.84
Intangible assets	5.13	1,008,184.62	655,580.50
Development expenditures		—	—
Goodwill		—	—
Long-term deferred expenses	5.14	5,446,420.68	6,075,173.52
Deferred tax assets	5.15	10,252,752.15	7,575,650.42
Other non-current assets		—	—
Total non-current assets		140,779,708.10	103,796,917.18
Total assets		850,441,298.67	929,092,664.93

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2025

Unit: RMB

Items	Notes	31 December 2025	31 December 2024
Current liabilities:			
Short-term borrowings	5.17	8,006,888.89	8,008,317.81
Financial liabilities held for trading		—	—
Derivative financial liabilities		—	—
Notes payable		—	—
Accounts payable	5.18	86,376,849.02	165,827,631.03
Payments received in advance	5.19	280,935.15	316,079.43
Contract liabilities	5.20	79,922,530.22	80,569,022.21
Employee benefits payable	5.21	17,185,214.85	18,792,540.15
Taxes payable	5.22	8,399,493.86	5,771,049.10
Other payables	5.23	55,476,176.84	59,668,177.43
Including: Interest payable		—	—
Dividends payable		10,270,800.00	10,213,740.00
Liabilities held for sale		—	—
Current portion of non-current liabilities	5.24	97,338.19	2,624,841.77
Other current liabilities	5.25	3,827,459.51	18,685,293.00
Total current liabilities		259,572,886.53	360,262,951.93
Non-current liabilities:			
Long-term borrowings		—	—
Bonds payable		—	—
Including: Preferred stocks		—	—
Perpetual bonds		—	—
Lease liabilities	5.26	580,716.43	—
Long-term payables		—	—
Long-term employee benefits payable		—	—
Provisions		—	—
Deferred income		—	—
Deferred tax liabilities	5.15	31,540.25	—
Other non-current liabilities		—	—
Total non-current liabilities		612,256.68	—
Total liabilities		260,185,143.21	360,262,951.93
Shareholders' equity:			
Share capital	5.27	133,340,000.00	133,340,000.00
Other equity instruments		—	—
Including: Preferred stocks		—	—
Perpetual bonds		—	—
Capital reserves	5.28	215,555,753.10	213,924,223.38
Less: Treasury stocks		—	—
Other comprehensive income		—	—
Special reserves		—	—
Surplus reserves	5.29	20,861,119.73	16,964,526.57
Retained earnings	5.30	216,269,688.93	200,618,239.78
Total shareholders' equity attributable to parent company		586,026,561.76	564,846,989.73
Non-controlling interests		4,229,593.70	3,982,723.27
Total shareholders' equity		590,256,155.46	568,829,713.00
Total liabilities and shareholders' equity		850,441,298.67	929,092,664.93

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2025

Unit: RMB

Items	Notes	2025	2024
I. Total Revenue		570,698,759.11	608,918,623.83
Including: Operating revenue	5.31	570,698,759.11	608,918,623.83
II. Total Cost		506,331,725.57	547,439,763.34
Including: Operating costs	5.31	449,887,330.95	492,980,558.28
Taxes and surcharges	5.32	3,264,120.60	3,706,061.02
Selling expenses			
Administrative expenses	5.33	50,757,192.58	50,257,784.64
Research and development expenses	5.34	7,462,620.42	5,088,420.03
Finance expenses	5.35	-5,039,538.98	-4,593,060.63
Including: Interest expenses		287,929.19	287,299.69
Interest income		6,160,404.95	6,386,971.69
Add: Other income	5.36	609,919.81	1,441,137.27
Income from investments	5.37	1,594,871.79	-379,945.42
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	-20,594,251.85	-11,451,424.70
Impairment losses on assets	5.39	-395,852.99	-80,771.13
Gains on disposal of assets		—	—
III. Operating profit(Loss indicated with "-")		45,581,720.30	51,007,856.51
Add: Non-operating income	5.40	183,948.74	8,327,613.45
Less: Non-operating expenses	5.41	149,713.35	232,410.31
IV. Profit before tax (Loss indicated with "-")		45,615,955.69	59,103,059.65
Less: Income tax expenses	5.42	11,420,322.95	13,978,453.58
V. Net profit (Net Loss indicated with "-")		34,195,632.74	45,124,606.07
(I) Classified by going concern		34,195,632.74	45,124,606.07
Net profit from continuing operations		34,195,632.74	45,124,606.07
Net profit from discontinuing operations			
(II) Classified by ownership of the equity		34,195,632.74	45,124,606.07
Net profit attributable to the parent company's shareholders		33,948,762.31	45,091,464.06
Net profit attributable to non-controlling interests		246,870.43	33,142.01

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2025

Unit: RMB

Items	Notes	2025	2024
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		34,195,632.74	45,124,606.07
Total comprehensive income attributable to the parent company's shareholders		33,948,762.31	45,091,464.06
Total comprehensive income attributable to non-controlling interests		246,870.43	33,142.01
VIII. Earnings per share (EPS):			
(I) Basic earnings per share (Yuan per share)		0.25	0.34
(II) Diluted earnings per share (Yuan per share)		0.25	0.34

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025

Unit: RMB

Items	Notes	2025	2024
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		673,342,148.75	652,789,072.23
Receipts of taxes refunds		113,287.90	1,536,866.09
Other cash receipts relating to operating activities	5.43	81,664,773.22	84,824,282.95
Subtotal of cash inflows from operating activities		755,120,209.87	739,150,221.27
Cash payments for goods and services		447,240,970.63	462,972,807.20
Cash payments to and on behalf of employees		152,357,117.55	155,844,411.45
Payments of all types of taxes and surcharges		37,356,771.23	37,102,420.68
Other cash payments relating to operating activities	5.43	87,975,027.87	88,729,416.89
Subtotal of cash outflows from operating activities		724,929,887.28	744,649,056.22
Net cash flows from operating activities		30,190,322.59	-5,498,834.95
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		1,200.00	670.00
Net proceeds from disposals of subsidiaries and other business units		—	24,959,508.38
Other cash receipts relating to investing activities		—	—
Subtotal of cash inflows from investment activities		1,200.00	24,960,178.38
Cash payments for acquisition and construction of fixed assets, intangible assets and other long-term assets		6,325,570.73	8,369,106.55
Cash payments for investments		—	—
Net cash payments for acquisitions of subsidiaries and other business units		—	—
Other cash payments relating to investing activities	5.43	11,255,396.19	—
Subtotal of cash outflows from investment activities		17,580,966.92	8,369,106.55
Net cash flows from investing activities		-17,579,766.92	16,591,071.83

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025

Unit: RMB

Items	Notes	2025	2024
III. Cash flows from financing activities:			
Cash receipts from capital contributions		—	—
Including: cash receipts from capital injection into subsidiaries by non-controlling shareholders		—	—
Cash receipts from borrowings		8,000,000.00	8,000,000.00
Other cash receipts relating to financing activities		—	—
Subtotal of cash inflows from financing activities		8,000,000.00	8,000,000.00
Cash paid for repayments of debts		8,000,000.00	—
Cash payments for dividends, profits and interests		14,254,460.19	733,260.01
Including: dividends and profits paid by subsidiaries to non-controlling shareholders		—	—
Other cash payments relating to financing activities	5.43	5,444,213.00	5,018,910.79
Subtotal of cash outflows from financing activities		27,698,673.19	5,752,170.80
Net cash flows from financing activities		-19,698,673.19	2,247,829.20
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		-567.31	-263,232.21
V. Net increase in cash and cash equivalents		-7,088,684.83	13,076,833.87
Add: opening balance of cash and cash equivalents		425,171,708.53	412,094,874.66
VI. Closing balance of cash and cash equivalents	5.44	418,083,023.70	425,171,708.53

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

Unit: RMB

Items	2025													Non-controlling interests	Total shareholders' equity
	Equity attributable to shareholders of the parent company											Subtotal			
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stocks	Other Comprehensive Income	Special reserves	Surplus reserves	General risk provisions	Retained earnings		Others		
	Preferred stocks	Perpetual bonds	Others												
I. Balance at the end of last year	133,340,000.00	—	—	—	213,924,223.38	—	—	—	16,964,526.57	—	200,618,239.78	—	564,846,989.73	3,982,723.27	568,829,713.00
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	—	—	—	213,924,223.38	—	—	—	16,964,526.57	—	200,618,239.78	—	564,846,989.73	3,982,723.27	568,829,713.00
III. Changes during the period (* for decreases)	—	—	—	—	1,631,529.72	—	—	—	3,896,593.16	—	15,651,449.15	—	21,179,572.03	246,870.43	21,426,442.46
(1) Total comprehensive income	—	—	—	—	—	—	—	—	—	—	33,948,762.31	—	33,948,762.31	246,870.43	34,195,632.74
(2) Shareholders' contributions and reductions in capital	—	—	—	—	1,631,529.72	—	—	—	—	—	—	—	1,631,529.72	—	1,631,529.72
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	—	—	—	—	1,631,529.72	—	—	—	—	—	—	—	1,631,529.72	—	1,631,529.72
(3) Profit distribution	—	—	—	—	—	—	—	—	3,896,593.16	—	(18,297,313.16)	—	(14,400,720.00)	—	(14,400,720.00)
1. Appropriation to surplus reserve	—	—	—	—	—	—	—	—	3,896,593.16	—	(3,896,593.16)	—	—	—	—
2. Appropriation to general risk reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Distribution to shareholders	—	—	—	—	—	—	—	—	—	—	(14,400,720.00)	—	(14,400,720.00)	—	(14,400,720.00)
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	—	—	—	215,555,753.10	—	—	—	20,861,119.73	—	216,269,688.93	—	586,026,561.76	4,229,593.70	590,256,155.46

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

Unit: RMB

Items	2024													Non-controlling interests	Total shareholders' equity
	Equity attributable to shareholders of the parent company											Subtotal			
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stocks		Other Comprehensive income	Special reserves	Surplus reserves	General risk provisions		Retained earnings		
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	528,583,406.93
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	528,583,406.93
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	40,246,306.07
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-	-	45,091,464.06	-	45,091,464.06	33,142.01	45,124,606.07
(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	-	564,946,989.73	3,982,723.27	568,829,713.00

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, 2025, the share capital of the Company was RMB133.34 million, 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 27, 2025. Pursuant to the articles of association of the Company, these financial statements shall be submitted to the general meeting of shareholders for consideration and approval.

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 a period of 12 months from 31 December 2025, and has not identified 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

Specific accounting policies and accounting estimates disclosures: The Group has adopted specific accounting policies and accounting estimates based on its actual production and operating characteristics, including provision for bad debts of receivables, provision for inventory write-down, depreciation of fixed assets, amortization of intangible assets, capitalisation criteria for research and development costs, and recognition and measurement of revenue, among others.

3.1. Statement of Compliance with Accounting Standards for Business Enterprises

These financial statements comply with the Accounting Standards for Business Enterprises and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2025, and their results of operations and cash flows for the year then ended.

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**3.8.1. Foreign Currency Transactions**

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 statement of financial position, when the following conditions are met: 1) The right to receive cash flows from the financial asset has expired; 2) 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. The trade date is the date on which the Group commits to purchase or sell the financial asset.

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. For such financial assets, interest income is recognised using the effective interest method. Gains or losses arising from derecognition, modification or impairment of such financial assets are recognised in profit or loss for the current period. 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 Group's business model under which these financial assets are managed is to collect contractual cash flows and to sell the financial assets; (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 irrevocably elects to designate certain non-trading equity instrument investments as Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI). 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.

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.

(1) Measurement of Expected Credit Losses

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.

Lifetime expected credit loss is the expected credit loss resulting from all possible default events over the expected life of a financial instrument. 12-month expected credit loss is the expected credit loss resulting from possible default events on a financial instrument within 12 months after the reporting date (or within the expected life of the financial instrument if its expected life is less than 12 months), and represents a portion of the lifetime expected credit loss.

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) Measurement of Expected Credit Losses (continued)

For trade receivables, bills receivable, receivables financing and contract assets arising from ordinary operating activities such as sale of goods and provision of services without significant financing components, the Group applies the simplified measurement approach and measures the loss allowance at an amount equal to lifetime expected credit losses.

For lease receivables, receivables and contract assets with significant financing components, the Group elects to apply the simplified measurement approach and measures the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than those measured under the simplified approach (such as debt investments, other debt investments and other receivables), loan commitments and financial guarantee contracts, the Group applies the general approach (three-stage model) to recognise expected credit losses. At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. Where credit risk has not increased significantly since initial recognition (Stage 1), the Group measures the loss allowance at an amount equal to 12-month expected credit losses, and recognises interest income based on the gross carrying amount and the effective interest rate. Where credit risk has increased significantly since initial recognition but no credit impairment has occurred (Stage 2), the Group measures the loss allowance at an amount equal to lifetime expected credit losses, and recognises interest income based on the gross carrying amount and the effective interest rate. Where credit impairment has occurred since initial recognition (Stage 3), the Group measures the loss allowance at an amount equal to lifetime expected credit losses, and recognises interest income based on the amortised cost and the effective interest rate.

For financial instruments with low credit risk at the reporting date, the Group presumes that their credit risk has not increased significantly since initial recognition. Disclosures regarding the Group's criteria for determining a significant increase in credit risk and the definition of credit-impaired assets are set out in Note 10.1.

When the Group assesses impairment of financial instruments and contract assets using the expected credit loss model, it estimates expected changes in the credit risk of debtors based on historical repayment data, combined with factors such as economic policies, macroeconomic indicators and industry risks. Different estimates may affect the amount of impairment allowance recognised, and the recognised impairment allowance may not equal the actual impairment loss incurred in the future.

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) Portfolio Categories and Basis of Classification for Impairment Provision by Credit Risk Characteristics

The Group assesses expected credit losses on financial instruments on an individual and collective basis. For collective assessment, the Group classifies financial instruments into portfolios based on shared credit risk characteristics, including type of financial instrument, credit risk rating, debtor's geographical location, debtor's industry, past-due information and aging of receivables.

1) Portfolio Categories and Determination Basis of Accounts Receivable (and Contract Assets)

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 formulates a comparison table of accounts receivable aging and default loss rate with reference to historical credit loss experience, and assesses the expected credit losses on this basis. The Group determines the aging based on the actual occurrence date of the business. The portfolios determined by the Group are as follows:

Portfolio Name	Basis of Portfolio Classification	Calculation method
Related Party Portfolio	This portfolio is classified based on amounts due from related parties as the credit risk characteristic.	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, based on credit risk exposure and lifetime expected credit loss rates.
Aging Portfolio	This portfolio is classified based on the aging of amounts due from non-related parties as the credit risk characteristic.	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, based on the aging analysis and corresponding lifetime expected credit loss rates.

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) Portfolio Categories and Basis of Classification for Impairment Provision by Credit Risk Characteristics (continued)

2) Portfolio Categories and Determination Basis of Notes Receivable

The Group classifies notes receivable into portfolios based on the credit risk of the acceptors as the shared risk characteristic, and establishes the accounting estimate policy for expected credit losses as follows: a. For bankers' acceptances drawn by listed commercial banks, the Group considers them to have low credit risk and recognizes no expected credit losses; b. For bankers' acceptances drawn by unlisted commercial banks and commercial acceptances, impairment provisions are recognized by reference to the expected loss rates applied to accounts receivable, using the same portfolio categorization as accounts receivable. The portfolios determined by the Group are as follows:

Portfolio Name	Basis of Portfolio Classification	Calculation method
Listed Bank Acceptance Portfolio	This portfolio is classified based on the acceptor of bills as the credit risk characteristic, comprising bank acceptances accepted by listed commercial banks.	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, based on credit risk exposure and lifetime expected credit loss rates.
Related Party Portfolio	This portfolio is classified based on the acceptor of bills as the credit risk characteristic, comprising commercial acceptances accepted by related parties.	With reference to the accounting estimates for expected credit losses on accounts receivable, based on the aging analysis and corresponding lifetime expected credit loss rates.
Aging Portfolio	This portfolio is classified based on the acceptor of bills as the credit risk characteristic, covering all other portfolios not specified above.	With reference to the accounting estimates for expected credit losses on accounts receivable, based on the aging analysis and corresponding lifetime expected credit loss rates.

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) Portfolio Categories and Basis of Classification for Impairment Provision by Credit Risk Characteristics (continued)

3) Portfolio Categories and Determination Basis of Other Receivables

The Group's other receivables mainly comprise deposits and margins, advances to employees, social insurance and housing fund reimbursements on behalf of employees, balances due from related parties, and other items. Based on the nature of receivables and the credit risk characteristics of different counterparties, the Group classifies other receivables into three portfolios, details of which are as follows:

Portfolio Name	Basis of Portfolio Classification	Calculation method
Related Party Portfolio	This portfolio is classified based on amounts due from related parties as the credit risk characteristic.	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, based on credit risk exposure and expected credit loss rates over the next 12 months.
Low-risk Portfolio	This portfolio consists of various deposits, margins, staff advances, reimbursements and other amounts receivable in the ordinary course of business, which share similar credit risk characteristics.	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, there is no expected credit risk exposure of default within the next 12 months.
Aging Portfolio	Other receivables not included in the above portfolios; amounts with the same aging period exhibit similar credit risk characteristics.	Based on the comparison table of aging analysis and expected credit loss rates over the next 12 months or lifetime.

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)****(3) Judgment Criteria for Individual Assessment of Provision for Bad Debt Impairment**

If the credit risk characteristics of a customer are significantly different from those of other customers in the portfolio, or if the credit risk characteristics of such customer have undergone significant changes (for example, the customer is facing severe financial difficulties), and the expected credit loss rate of the receivables from such customer is significantly higher than the expected credit loss rate corresponding to its aging period and overdue interval, the Group shall recognize provision for losses on the receivables from such customer on an individual basis.

(4) Write-off of Impairment Provision

When the Group no longer reasonably expects to recover the contractual cash flows of a financial asset in full or in part, it directly writes down the carrying amount of such financial asset. Any subsequent recovery of a financial asset that has been written down is recognised as a reversal of impairment loss in profit or loss in the period of recovery.

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 represent the Group's right to consideration in exchange for goods transferred to customers, a right that is conditional on factors other than the passage of time.

For the determination method and accounting treatment of expected credit losses on 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.

Contract assets and contract liabilities under the same contract are presented on a net basis.

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. If, in a subsequent period, the factors causing the impairment change such that the difference referred to above exceeds the carrying amount of the asset, the previously recognised impairment loss is reversed to profit or loss. However, the reversed carrying amount shall not exceed the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognised for the asset in prior periods.

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

The Group's equity investments in which it has significant influence over the investee are investments in associates. Significant influence refers to the power of the Group to participate in the financial and operating policy decisions of the investee, but without the ability to control or jointly control the formulation of such policies together with other parties. The Group is generally deemed to have significant influence over an investee when it directly, or indirectly through its subsidiaries, holds 20% or more but less than 50% of the voting rights of the investee, unless there is clear evidence indicating that the Group is unable to participate in the production and operation decisions of the investee or exercise control over it. Where the Group holds less than 20% of the voting rights of an investee, it is still considered to have significant influence if: it appoints representatives to the board of directors or similar governing body of the investee; participates in the process of formulating the investee's financial and operating policies; enters into material transactions with the investee; assigns management personnel to the investee; or provides essential technical information to the investee, among other circumstances.

The Group's equity investments whereby it exercises joint control over an investee together with other joint venturers and has rights to the net assets of the investee are investments in joint ventures. Joint control is the contractually agreed sharing of control over an arrangement, under which decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. The Group determines the existence of joint control based on whether all parties or a group of parties collectively control the arrangement, and decisions about the relevant activities of the arrangement require the unanimous consent of those parties that collectively control 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

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****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, the remaining equity interest is reclassified as a financial asset. The difference between the fair value and the carrying amount of the remaining equity interest at the date on which joint control or significant influence is lost is recognised in profit or loss.

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 recognized as a financial asset. The difference between the carrying amount of the disposed equity interest and the disposal consideration is recognized in investment income, and the difference between the fair value and the carrying amount of the remaining equity interest on the date of loss of control is recognized in 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	Amortisation method	Amortization period(years)	Basis
1	Software	Straight-line amortisation method	3-10	Expected benefit period
2	Trademarks	Straight-line amortisation method	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.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)

3.18. Intangible Assets

3.18.2. Scope of research and development expenditures and related accounting treatment (continued)

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.

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 net amount of fair value less costs of disposal is determined by reference to the sales agreement price or observable market price of a similar asset in an orderly transaction occurring on the measurement date, minus the incremental costs directly attributable to the disposal of such asset. In estimating the present value of future cash flows, management determines the present value of future cash flows by using the estimated future cash flows generated from the continuous use of the asset and its ultimate disposal, and selecting an appropriate discount rate.

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 (continued)****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.

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 arise from compensations provided to employees for the termination of employment relationships before the expiration of employees' labor contracts, or for encouraging employees to accept voluntary redundancy. The liability for employee compensation arising from termination benefits is recognized on the date of termination of employment relationships and recorded in profit or loss for the current period. Among them, compensation payments to be made beyond one year are discounted at an appropriate discount rate and 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)

3.22. Provisions

The Group recognizes provisions for contingencies such as external guarantees, discounting of commercial acceptance drafts, pending litigation or arbitration, assurance-type 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.

Provisions expected to be settled within one year from the balance sheet date are presented as current liabilities.

3.23. Share-based payment

Equity-settled share-based payment arrangements in exchange for services provided by employees are measured at the fair value of the equity instruments granted to employees at the grant date. If the rights vest immediately after grant, the fair value of the equity instruments is recognized as related costs or expenses at the grant date, with a corresponding increase in capital reserves. If the rights vest only upon completion of service during the vesting period or satisfaction of prescribed performance conditions, the services received in the current period are recognized as related costs or expenses and capital reserves at each balance sheet date during the vesting period, based on the best estimate of the number of equity instruments expected to vest and at the fair value of the equity instruments at the grant date. If the terms of an equity-settled share-based payment are modified, the services received are recognized at a minimum in accordance with the original unmodified terms. In addition, modifications that increase the fair value of the granted equity instruments, or changes that are favorable to employees at the modification date, are recognized as an increase in the services received.

If an equity-settled share-based payment is cancelled, it is treated as an acceleration of vesting at the cancellation date, and the unrecognised amount is recognised immediately. Where employees or other parties have the choice to satisfy non-vesting conditions but fail to do so during the vesting period, this is treated as a cancellation of the equity-settled share-based payment. However, if new equity instruments are granted and identified at their grant date as replacing the cancelled equity instruments, the replacement equity instruments are accounted for in the same manner as a modification to the terms and conditions of the original equity instruments.

Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group that are determined based on shares or other equity instruments. If the rights vest immediately upon grant, the fair value of the liabilities undertaken is recognized as related costs or expenses at the grant date, with a corresponding increase in liabilities. If the rights vest only upon completion of service during the vesting period or satisfaction of prescribed performance conditions, the services received in the current period are recognized as costs or expenses at each balance sheet date during the vesting period, based on the best estimate of the vesting status and at the fair value of the liabilities undertaken by the Group, with a corresponding adjustment to liabilities. At each balance sheet date prior to settlement of the relevant liabilities and on the settlement date, the fair value of the liabilities is remeasured, and changes therein are 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)**3.24. Revenue recognition, its principles and measurement methods****3.24.1. General principles**

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 (ie assets). Control of assets refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the assets.

A performance obligation is a promise in a contract to transfer to a customer distinct goods or services. A performance obligation is satisfied over time if one of the following criteria is met; otherwise, it is satisfied at a point in time: (a) the customer simultaneously receives and consumes the economic benefits provided by the Group's performance as the Group performs; (b) the customer controls the asset created or enhanced by the Group's performance; (c) the Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date throughout the contract term.

For performance obligations satisfied over time, revenue is recognized over time based on the progress of performance. When the progress of performance cannot be reasonably determined, revenue is recognized only to the extent of the costs incurred that are expected to be recoverable, until such progress can be reasonably determined.

For performance obligations satisfied at a point in time, revenue is recognized when the customer obtains control of the related goods. In determining whether control has transferred, the Group considers the following indicators: (a) the Group has a present right to payment for the asset; (b) the Group has transferred legal title to the asset to the customer; (c) the Group has transferred physical possession of the asset to the customer; (d) the Group has transferred the significant risks and rewards of ownership of the asset to the customer; (e) the customer has accepted the asset; (f) other indicators that the customer has obtained control of the asset.

For contracts containing two or more performance obligations, the Group allocates the transaction price to each performance obligation on the basis of the relative standalone selling prices of the promised goods or services at contract inception. Revenue is measured based on the amount of the transaction price allocated to each performance obligation.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to customers. In determining the transaction price, the Group considers the effects of variable consideration, significant financing components in the contract, and other relevant factors.

For contracts with variable consideration, the Group estimates the variable consideration using either the expected value method or the most likely amount method. The transaction price including variable consideration is constrained to the amount for which it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. At each balance sheet date, the Group updates its estimate of the variable consideration included in the transaction price.

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

3.24.1. General principles(continued)

For contracts containing a significant financing component, the transaction price is determined based on the cash selling price of the goods at the date control is transferred to the customer. The difference between this transaction price and the promised consideration is amortized over the contract period using the effective interest method, based on a discount rate that reflects the rate at which the nominal consideration is discounted to the cash selling price. At contract inception, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the period between the transfer of control and payment is expected to be one year or less.

The Group determines whether it is acting as a principal or an agent in a transaction based on whether it controls the promised goods or services before they are transferred to the customer. If the Group controls the goods or services before transfer, it acts as a principal and recognizes revenue at the gross amount of consideration received or receivable. Otherwise, the Group acts as an agent and recognizes revenue at the net amount of the fee or commission expected to be retained, which is the gross consideration less any amounts payable to other parties, or at a fixed fee or rate.

For sales with a right of return, the Group recognizes revenue at the amount of consideration to which it expects to be entitled upon transfer of control of goods to customers, and recognizes a provision for refund liabilities for the expected refunds to customers. Concurrently, the Group recognizes an asset (right to returned goods) at the carrying amount of the goods expected to be returned, less expected recovery costs (including any potential impairment of returned goods). Cost of sales is recognized at the carrying amount of the transferred goods less the carrying amount of the right to returned goods. At each balance sheet date, the Group reassesses expected future sales returns and remeasures the related asset and liability accordingly.

3.24.2 Specific methods

The Group's operating income mainly consists of property management service income, Value-added services to non-property owners income and community value-added service income.

(1) Property Management Service

The Group recognizes revenue based on fixed amounts charged for services provided on an annual, quarterly or monthly basis, measured at the amounts to which the Group has the right to invoice and which correspond directly to the value of performance completed.

For property management service income derived from property managed under a fixed-fee package arrangement, the Group acts as the principal responsible for providing property management services to property owners. The Group recognizes fees received or receivable from property owners as revenue, and recognizes all related property management costs as its service costs.

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****3.24.2 Specific methods (continued)****(2) Value-added services to non-property owners**

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

For Value-added services to non-property owners other than landscaping services, the Group recognizes revenue at a point in time when the relevant services are rendered. For landscaping services, the Group recognizes revenue over the contract period by reference to the progress towards complete satisfaction of the performance obligation. Such progress reflects the amount of consideration to which the Group expects to be entitled and is measured mainly by reference to the proportion of contract costs incurred to date relative to the total estimated contract costs for each contract, or the actual proportion of work completed under the contract, depending on the nature of the contract.

(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).

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.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

3. Significant accounting policies and accounting estimates (CONTINUED)**3.25. Government grants (continued)**

Government grants related to income are recognized as deferred income if they are intended to compensate for related costs, expenses or losses in future periods, and are recognized in profit or loss in the periods when the related costs, expenses or losses are recognized. If such grants are intended to compensate for related costs, expenses or losses that have already been incurred, they are recognized directly in profit or loss. Government grants associated with ordinary activities are recognized in other income or used to offset the related costs and expenses in accordance with the substance of the transactions. Government grants not associated with ordinary activities are recognized in non-operating income or expenses.

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 for wards) 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.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

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; (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 Group recognizes lease payments for short-term leases and low-value asset leases in the cost of related assets or in profit or loss for the relevant periods during the lease term using the straight-line method or another systematic and rational method.

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.

3.39. Changes in significant accounting policies and accounting estimates**3.29.1. Changes in significant accounting policies**

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.

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.	13%, 9%, 6%
	Simplified Tax Accounting Method: Calculate the value-added tax based on the sales amount and the VAT collection rate without deducting input tax credits.	3% (Tax Levy Rate)
Urban maintenance and construction tax	Amount paid of turnover taxes	7%, 5%
Education surcharge	Amount paid of turnover taxes	3%
Local education surcharge	Amount paid of turnover taxes	2%
Corporate income tax	Taxable profit	5%, 15%, 25%
Property tax	Original value of the property	1.2%
	Rental income	12%

Explanation of income tax rates of different tax payers:

Name of taxpayer	Income tax rate
Lushang Life Service Co., LTD	25%
Shandong Chengfa garden engineering Co., LTD	25%
Shandong Lushang Architectural design Co., LTD	15%
Shandong Licheng Shanlin Catering Management Co., LTD.	5%
Shandong Lushang Tang 'an Property Co., LTD	5%
Da'antong (Shandong) Mechanical and Electrical Equipment Engineering Co., Ltd.	5%

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

4. Taxes (CONTINUED)**4.2. Tax Incentives**

- 4.2.1. "Announcement on VAT Reduction and Exemption Policies for Small-Scale VAT Payers" (Ministry of Finance and State Taxation Administration Announcement No. 19 of 2023): To further support the development of small and micro enterprises and individual industrial and commercial households, the relevant policies on extending VAT reduction and exemption for small-scale taxpayers are hereby announced as follows: 1. VAT exemption shall be granted to small-scale VAT taxpayers with monthly sales of not more than RMB100,000 (inclusive). 2. For taxable sales income of small-scale VAT taxpayers subject to the 3% levy rate, VAT shall be levied at a reduced levy rate of 1%; for prepaid VAT items subject to the 3% prepayment rate, VAT shall be prepaid at a reduced prepayment rate of 1.3%. This Announcement shall be implemented until December 31, 2027.
- 4.2.2. "Announcement on Further Implementing Preferential Enterprise Income Tax Policies for Small and Micro Enterprises Beijing International Web Portal" (Ministry of Finance and State Taxation Administration Announcement No. 13 of 2022): For small low-profit enterprises, the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million is included in taxable income at a reduced rate of 25%, and enterprise income tax is paid at a tax rate of 20%." Announcement on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households" (Ministry of Finance and State Taxation Administration Announcement No. 6 of 2023): For small low-profit enterprises, the portion of annual taxable income not exceeding RMB1 million is included in taxable income at a reduced rate of 25%, and enterprise income tax is paid at a tax rate of 20%." Announcement on Relevant Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households" (Ministry of Finance and State Taxation Administration Announcement No. 12 of 2023): The policy allowing small low-profit enterprises to calculate taxable income at a reduced rate of 25% and pay enterprise income tax at a rate of 20% shall be extended until December 31, 2027. From January 1, 2023 to December 31, 2027, resource tax (excluding water resource tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding stamp duty on securities transactions), farmland occupation tax, education surcharge and local education surcharge shall be reduced by 50% for small-scale VAT taxpayers, small low-profit enterprises and individual industrial and commercial households.
- 4.2.3. In accordance with Paragraph 2 of Article 28 of "Enterprise Income Tax Law of the People's Republic of China" and Article 93 of "Regulation for the Implementation of the Enterprise Income Tax Law of the People's Republic of China", qualified high and new technology enterprises are subject to enterprise income tax at a reduced tax rate of 15%. On November 29, 2023, Shandong Lushang Architectural Design Co., Ltd., a subsidiary of the Company, obtained the High and New Technology Enterprise Certificate numbered GR202337000785, issued by the Department of Science and Technology of Shandong Province, the Department of Finance of Shandong Province and the State Taxation Administration of Shandong Province. The certificate is valid for three years, and the subsidiary is subject to enterprise income tax at a reduced rate of 15% for the years 2023 to 2026.
- 4.2.4. "Announcement on Further Improving the Policy of Pre-tax Super Deduction of Research and Development Expenses" (Ministry of Finance and State Taxation Administration Announcement No. 7 of 2023): For R&D expenses actually incurred by an enterprise in its R&D activities that are not capitalized as intangible assets and charged to current profit or loss, on the basis of actual deduction in accordance with relevant regulations, an additional 100% of the actual incurred amount shall be deducted before tax as of January 1, 2023. For those that form intangible assets, the intangible assets shall be amortized before tax at 200% of their cost as of 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, 2025, the beginning refers to January 1, 2025, "the current period" refers to the year ended December 31, 2025, "the previous period" refers to the year ended December 31, 2024.

5.1. Cash and bank

Item	Ending balance	Opening balance
Cash on hand	2,200.00	4,015.10
Bank deposit	109,012,978.48	117,786,909.68
Money deposited with the finance company	309,067,845.22	307,380,783.75
Other Monetary Funds	2,522,732.65	1,386,711.81
Total	420,605,756.35	426,558,420.34

The Group's restricted cash and cash equivalents as at the end of the reporting period are as follows:

Item	Ending balance	Opening balance
Guarantee deposit	1,480,003.19	
Unexpired interest receivable	1,042,729.46	1,386,711.81
Total	2,522,732.65	1,386,711.81

5.2. Notes receivable

5.2.1. Classification of notes receivable

Item	Ending balance	Opening balance
Bank acceptance drafts	551,773.41	
Commercial acceptance drafts	25,048,137.23	46,441,738.61
Total	25,599,910.64	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

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	25,790,502.73	100.00	190,592.09	0.74	25,599,910.64
Including: Listed Bank Acceptance Drafts Portfolio					
Related party portfolio	22,771,523.30	88.29	43,265.89	0.19	22,728,257.41
Aging portfolio	3,018,979.43	11.71	147,326.20	4.88	2,871,653.23
Total	25,790,502.73	100.00	190,592.09	0.74	25,599,910.64

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	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)

- (1) Notes receivable with bad debt provision based on grouping of credit risk characteristics

Related party portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	22,771,523.30	43,265.89	0.19
Total	22,771,523.30	43,265.89	—

Aging portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	3,018,979.43	147,326.20	4.88
Total	3,018,979.43	147,326.20	—

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

Type	Opening balance	Changes during the period			Other changes	Ending balance
		Accrue	Recover or Reverse	Transfer or Write off		
Bank Acceptance Drafts Portfolio						
Related party portfolio	120,823.65	-33,614.14	—	—	43,943.62	43,265.89
Aging portfolio	217,277.13	4,649.07	—	—	74,600.00	147,326.20
Total	338,100.78	-28,965.07	—	—	118,543.62	190,592.09

Note: Other changes represent amounts transferred due to loss of control resulting from capital increase by subsidiaries, as detailed in note "7.Changes in scope of consolidation".

5.2.4. Notes receivable pledged at the end of the year

None.

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)

5.2.5. 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	—	2,869,989.91
Commercial acceptance drafts	—	2,869,989.91
Total	—	2,869,989.91

5.2.6. Notes receivable actually written off during the year

None.

5.2.7. The aging analysis of notes receivable

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

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	152,887,281.46	181,445,322.17
1-2 years	56,546,620.72	63,133,604.85
2-3 years	29,356,889.05	48,509,746.68
Over 3 years	32,055,325.26	12,952,663.67
Subtotal	270,846,116.49	306,041,337.37
Less: Provision for bad debts	48,901,220.66	29,676,596.38
Total	221,944,895.83	276,364,740.99

5.3.2. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Provision for bad debts	Provisioning ratio (%)	
	Amount	(%)	Amount	ratio (%)	Amount
Provision for bad debts on an individual basis	—	—	—	—	—
Provision for bad debts on a collective basis	270,846,116.49	100.00	48,901,220.66	18.05	221,944,895.83
Including: Aging portfolio	177,154,345.20	65.41	43,293,694.70	24.44	133,860,650.50
Related party portfolio	93,691,771.29	34.59	5,607,525.96	5.99	88,084,245.33
Total	270,846,116.49	100.00	48,901,220.66	18.05	221,944,895.83

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)

Type	Book balance		Opening balance		Book value Amount
	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

- (1) Accounts receivable for which bad debt provisions are made on a portfolio basis
Aging portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	90,936,539.31	4,437,703.12	4.88
1-2 years	35,456,142.90	5,173,051.25	14.59
2-3 years	23,983,601.54	6,904,878.88	28.79
Over 3 years	26,778,061.45	26,778,061.45	100.00
Total	177,154,345.20	43,293,694.70	—

Related party portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	61,950,742.15	117,706.42	0.19
1-2 years	21,090,477.82	124,433.82	0.59
2-3 years	5,373,287.51	88,121.91	1.64
Over 3 years	5,277,263.81	5,277,263.81	100.00
Total	93,691,771.29	5,607,525.96	—

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)

5.3.3. 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	29,676,596.38	20,528,710.07	1,304,085.79	48,901,220.66
Including: Aging portfolio	27,406,152.80	17,092,205.98	1,204,664.08	43,293,694.70
Related party portfolio	2,270,443.58	3,436,504.09	99,421.71	5,607,525.96
Total	29,676,596.38	20,528,710.07	1,304,085.79	48,901,220.66

Note: Other changes represent amounts transferred due to loss of control resulting from capital increase by subsidiaries, as detailed in note "7.Changes in scope of consolidation".

5.3.4. Notes receivable actually written off during the year

None.

5.3.5. 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
Haerbin Lushang Real Estate Co., LTD.	17,722,215.72	5,158,390.39	22,880,606.11	7.79	49,010.68
Zibo Boshan District Municipal, Garden and Environmental Sanitation Service Center	12,840,492.09	—	12,840,492.09	4.37	1,126,051.77
Heze Lushang Real Estate Co., LTD	11,641,752.63	150,675.00	11,792,427.63	4.01	46,258.34
Jinan Licheng District people's government Tangye sub-district office	8,409,346.22	—	8,409,346.22	2.86	662,457.75
Shandong Institute of Commerce and Technology	7,407,141.95	—	7,407,141.95	2.52	21,349.26
Total	58,020,948.61	5,309,065.39	63,330,014.00	21.55	1,905,127.80

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.4. Prepayments

5.4.1. Disclosure by aging

Item	Ending balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	2,216,454.81	92.31	2,659,546.89	85.09
1-2 year	11,234.88	0.47	466,137.16	14.91
2-3 years	173,368.17	7.22	—	—
Total	2,401,057.86	100.00	3,125,684.05	100.00

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

Name	Ending balance	Proportion of the total ending balance (%)
State Grid Shandong Electric Power Company Jinan power supply company	341,409.09	14.22
State Grid Shandong Electric Power Company Linyi power supply company	308,692.43	12.86
Qilu Medical University	235,345.28	9.80
Shandong Juntong Property Management Co., LTD.	173,368.17	7.22
Wucheng Guangtong Gas Station	130,971.00	5.45
Total	1,189,785.97	49.55

5.5. Other receivables

Item	Ending balance	Opening balance
Other receivables	9,598,906.10	3,332,573.58
Total	9,598,906.10	3,332,573.58

5.5.1. Disclosure by nature

Nature	Ending balance	Opening balance
Security deposit, deposit	2,561,033.60	1,221,965.00
Advanced social security and housing fund	197,303.10	175,825.72
Payments for projects	847,028.96	847,028.96
Related party transactions	1,094,303.86	872,299.73
POS in-transit funds, etc.	2,750,620.62	383,576.00
Residential maintenance fund	2,729,246.42	298,514.00
Others	101,248.54	121,025.55
Subtotal	10,280,785.10	3,920,234.96
Less: Provision for bad debts	681,879.00	587,661.38
Total	9,598,906.10	3,332,573.58

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.5. Other receivables (Continued)

5.5.2. Disclosure by aging

Aging	Ending balance	Opening balance
Within 1 year	7,635,492.98	2,414,612.96
1-2 years	1,473,038.21	174,738.49
2-3 years	71,251.53	290,042.47
Over 3 years	1,101,002.38	1,040,841.04
Subtotal	10,280,785.10	3,920,234.96
Less: Provision for bad debts	681,879.00	587,661.38
Total	9,598,906.10	3,332,573.58

5.5.3. 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	1.72	177,303.91	100.00	—
Provision for bad debts on a collective basis	10,103,481.19	98.28	504,575.09	4.99	9,598,906.10
Including: Related party portfolio	1,094,303.86	10.65	34,224.33	3.13	1,060,079.53
Low risk portfolio	8,071,917.89	78.51			8,071,917.89
Aging portfolio	937,259.44	9.12	470,350.76	50.18	466,908.68
Total	10,280,785.10	100.00	681,879.00	6.63	9,598,906.10

Type	Book balance		Opening balance		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

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.5. Other receivables (Continued)

5.5.3. Disclosure by the method of provision for bad debts

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

Name	Ending balance		Provisioning ratio (%)	Reason for provision
	Book balance	Provision for bad debts		
Owner maintenance fee	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	100.00	Recovery risk is expected
Others	171,553.91	171,553.91	100.00	Recovery risk is expected
Total	177,303.91	177,303.91	100.00	—

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

Related party portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	671,444.86	1,275.75	0.19
1-2 years	342,159.00	2,018.74	0.59
2-3 years	50,600.00	829.84	1.64
Over 3 years	30,100.00	30,100.00	100.00
Total	1,094,303.86	34,224.33	—

Low risk portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	6,873,817.64	—	—
1-2 years	684,700.25	—	—
2-3 years	17,500.00	—	—
Over 3 years	495,900.00	—	—
Total	8,071,917.89	—	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.5. Other receivables (Continued)

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

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

Aging portfolio

Aging	Ending balance		Provisioning ratio (%)
	Book balance	Provision for bad debts	
Within 1 year	90,230.48	4,403.25	4.88
1-2 years	446,178.96	65,097.51	14.59
2-3 years	—	—	—
Over 3 years	400,850.00	400,850.00	100.00
Total	937,259.44	470,350.76	—

(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	9,507.47	—	578,153.91	587,661.38
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	94,506.85	—	—	94,506.85
Reverse in the period	—	—	—	—
Transfer in the period	—	—	—	—
Write-off in the period	—	—	—	—
Other changes	289.23	—	—	289.23
Ending balance	103,725.09	—	578,153.91	681,879.00

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.5. Other receivables (Continued)

5.5.4. Provision for bad debts on other receivables accrued, recovered or reversed during the period

Type	Opening balance	Changes during the period			Other changes	Ending balance
		Accrue	Recover or Reverse	Transfer or Write off		
Provision for bad debts on an individual basis	177,303.91	—	—	—	—	177,303.91
Provision for bad debts on a collective basis	410,357.47	94,506.85	—	—	289.23	504,575.09
Including: Related party portfolio	7,839.47	26,674.09	—	—	289.23	34,224.33
Low risk portfolio	—	—	—	—	—	—
Aging portfolio	402,518.00	67,832.76	—	—	—	470,350.76
Total	587,661.38	94,506.85	—	—	289.23	681,879.00

5.5.5. Other receivables actually written off in the current period

None.

5.5.6. 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 Public Security Housing Service Center	Public Maintenance Fund	2,729,246.42	Within 1 year, 1-2 years	26.55	—
Etong-Jinfu Payment Co., LTD.	POS In-Transit Funds	2,612,733.30	Within 1 year	25.42	—
Guangzhou Ehui Trading Co., LTD.	Security Deposit	500,000.00	Within 1 year	4.86	—
Zhangdian District Youdongxi Imaging Studio	Security Deposit	500,000.00	Within 1 year	4.86	—
Zibo Zhigeng Culture Media Co., LTD.	Security Deposit	500,000.00	Within 1 year	4.86	—
Total	—	6,841,979.72	—	66.55	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.6. Inventory

5.6.1. Classification of Inventories

Item	Ending balance			Opening balance		
	Book balance	Inventory reserve	Book value	Book balance	Inventory reserve	Book value
Raw materials	2,366,730.76	—	2,366,730.76	1,771,393.69	—	1,771,393.69
Stock goods	4,665,764.03	435,314.30	4,230,449.73	5,341,598.58	—	5,341,598.58
Turnover materials	57,700.00	—	57,700.00	—	—	—
Total	7,090,194.79	435,314.30	6,654,880.49	7,112,992.27	—	7,112,992.27

5.6.2. Provision for inventory write-down and provision for impairment of contract performance costs

Item	Opening balance	Increase for the year		Decrease for the year		Ending balance
		Accrue	Other	Reversal or write-off	Other	
Stock goods	—	435,314.30	—	—	—	435,314.30
Total	—	435,314.30	—	—	—	435,314.30

5.7. Contract Assets

5.7.1. Contract Assets

Item	Ending balance			Opening balance		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Landscape greening project	—	—	—	37,450,053.23	162,143.81	37,287,909.42
Design service	9,858,393.82	—	9,858,393.82	6,748,998.07	2,213.28	6,746,784.79
Hardcover engineering	13,120,517.04	123,832.77	12,996,684.27	17,809,616.71	87,936.88	17,721,679.83
Total	22,978,910.86	123,832.77	22,855,078.09	62,008,668.01	252,293.97	61,756,374.04

5.7.2. Material changes in carrying amount during the year and the reasons therefor

The carrying amount of landscape and greening projects materially changed during the year, mainly due to the loss of control over the subsidiary Chengfa Garden as a result of capital increase. For details, refer to Note "7.Changes in the Scope of Consolidation".

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.7. Contract Assets (Continued)

5.7.3. 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					
Provision for bad debts on a collective basis	22,978,910.86	100.00	123,832.77	0.54	22,855,078.09
Including: Related party portfolio	15,463,326.60	67.29	23,575.69	0.15	15,439,750.91
Third party projects	7,515,584.26	32.71	100,257.08	1.33	7,415,327.18
Total	22,978,910.86	100.00	123,832.77	0.54	22,855,078.09

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	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

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

Item	Opening balance	Accrue	Recover or Reverse	Other changes	Ending balance
Related party portfolio	159,818.30	-47,242.72	—	88,999.89	23,575.69
Third party projects	92,475.67	7,781.41	—	—	100,257.08
Total	252,293.97	-39,461.31	—	88,999.89	123,832.77

5.7.5. Contract Assets actually written off during the year

None.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.8. Other current assets

Item	Ending balance	Opening balance
Value-added tax credit carryover	—	497,049.22
Prepaid other taxes and fees	1,105.21	106,174.65
Total	1,105.21	603,223.87

5.9. Long-term Equity Investments

5.9.1. Information on Long-term Equity Investments

Investee Units	Beginning Balance	Beginning Balance of Impairment Provision	Additional Investment	Investment Reduction	Changes during the Year							Ending Balance	Ending Balance of Impairment Provision	
					Investment Income/(Loss) Recognised under Equity Method	Other Comprehensive Income Adjustments	Other Changes in Equity	Declared Cash Dividends or Profit	Impairment Provision Recognised	Others				
II. Associated Enterprises														
Shandong Chengfa garden engineering Co., LTD	—	—	—	—	1,819,552.06	—	—	—	—	—	35,111,555.56	36,931,107.62	—	
Total	—	—	—	—	1,819,552.06	—	—	—	—	—	35,111,555.56	36,931,107.62	—	

Note: Other changes represent amounts transferred due to loss of control resulting from the capital increase by Chengfa Landscape, a subsidiary, whereby the shareholding ratio decreased from 100% to 49%, and the investment cost was remeasured and recognized at RMB35,111,555.56, as detailed in note "7.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)

5.10. Investment properties

5.10.1. Investment properties measured at cost

Item	Houses and buildings	Total
I. Original cost		
1. Opening balance	41,559,059.31	41,559,059.31
2. The increase in the current period	—	—
(1) Purchase	—	—
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	1,784,189.52	1,784,189.52
2. The increase in the current period	1,849,237.92	1,849,237.92
(1) Provision or amortization	1,849,237.92	1,849,237.92
3. The amount reduced in the current period	—	—
4. Ending balance	3,633,427.44	3,633,427.44
III. Accumulated Impairment Losses		
IV. Book value		
1. Book value at the end of the period	37,925,631.87	37,925,631.87
2. Book value at the beginning of the period	39,774,869.79	39,774,869.79

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	28,914,897.02	Civil air defense parking spaces cannot be registered with property rights
Dongying City Square parking spaces	1,924,062.22	Civil air defense parking spaces cannot be registered with property rights
Total	30,838,959.24	

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.11.Fixed assets

Item	Ending balance	Opening balance
Fixed assets	48,297,578.99	48,738,575.11
Fixed assets in liquidation	—	—
Total	48,297,578.99	48,738,575.11

5.11.1. 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	15,309,998.92	17,853,130.56	74,956,549.17
2. The increase in the current period	—	1,951,998.22	3,681,352.27	5,633,350.49
(1) Purchase	—	1,951,998.22	3,681,352.27	5,633,350.49
(2) Transfer from Construction in Progress	—	—	—	—
(3) Other Transfer	—	—	—	—
3. The amount reduced in the current period	—	348,487.83	957,508.68	1,305,996.51
(1) Dispose of or scrap	—	175,797.56	834,457.80	1,010,255.36
(2) Reduction in disposal of subsidiaries	—	172,690.27	123,050.88	295,741.15
(3) Other Reductions	—	—	—	—
4. Ending balance	41,793,419.69	16,913,509.31	20,576,974.15	79,283,903.15
II. Accumulated depreciation				
1. Opening balance	5,285,522.04	9,158,497.77	11,773,954.25	26,217,974.06
2. The increase in the current period	992,593.68	2,441,780.96	2,517,970.78	5,952,345.42
(1) Accrue	992,593.68	2,441,780.96	2,517,970.78	5,952,345.42
(2) Other Transfer	—	—	—	—
3. The amount reduced in the current period	—	283,364.70	900,630.62	1,183,995.32
(1) Dispose of or scrap	—	166,295.77	801,722.88	968,018.65
(2) Reduction in disposal of subsidiaries	—	117,068.93	98,907.74	215,976.67
(3) Other Reductions	—	—	—	—
4. Ending balance	6,278,115.72	11,316,914.03	13,391,294.41	30,986,324.16
III. Accumulated Impairment Losses				
IV. Book value				
1. Book value at the end of the period	35,515,303.97	5,596,595.28	7,185,679.74	48,297,578.99
2. Book value at the beginning of the period	36,507,897.65	6,151,501.15	6,079,176.31	48,738,575.11

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	760,651.08	760,651.08
(1) Leased assets	760,651.08	760,651.08
3. The amount reduced in the current period	—	—
4. Ending balance	4,668,922.18	4,668,922.18
II. Accumulated depreciation		
1. Opening balance	2,931,203.26	2,931,203.26
2. The increase in the current period	819,686.75	819,686.75
(1) Accrue	819,686.75	819,686.75
3. The amount reduced in the current period	—	—
4. Ending balance	3,750,890.01	3,750,890.01
III. Accumulated Impairment Losses		
IV. Book value		
1. Book value at the end of the period	918,032.17	918,032.17
2. Book value at the beginning of the period	977,067.84	977,067.84

5.13. Intangible assets

Item	Software	Trademarks	Total
I. Original cost			
1. Opening balance	3,716,250.42	—	3,716,250.42
2. The increase in the current period	953,055.39	24,268.87	977,324.26
(1) purchase	953,055.39	24,268.87	977,324.26
3. The amount reduced in the current period	—	—	—
4. Ending balance	4,669,305.81	24,268.87	4,693,574.68
II. Accumulated amortization			
1. Opening balance	3,060,669.92	—	3,060,669.92
2. The increase in the current period	623,911.18	808.96	624,720.14
(1) Accrue	623,911.18	808.96	624,720.14
3. The amount reduced in the current period	—	—	—
4. Ending balance	3,684,581.10	808.96	3,685,390.06
III. Accumulated Impairment Losses			
IV. Book value			
1. Book value at the end of the period	984,724.71	23,459.91	1,008,184.62
2. Book value at the beginning of the period	655,580.50	—	655,580.50

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	6,075,173.52	1,531,556.54	2,160,309.38	—	5,446,420.68
Total	6,075,173.52	1,531,556.54	2,160,309.38	—	5,446,420.68

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	49,773,691.75	10,125,348.65	30,602,358.54	6,689,925.43
Asset impairment provision	559,147.07	127,403.50	252,293.97	54,058.47
Employee benefits payable	—	—	2,939,550.34	584,500.43
Lease liabilities	678,054.62	33,902.73	2,624,841.77	393,726.27
Total	51,010,893.44	10,286,654.88	36,419,044.62	7,722,210.60

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	918,032.17	65,442.98	977,067.84	146,560.18
Total	918,032.17	65,442.98	977,067.84	146,560.18

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		Offset amount of deferred tax assets and liabilities at the beginning of the period	
	Ending balance of deferred tax assets or liabilities after offset	Ending balance of deferred tax assets or liabilities after offset	Opening balance of deferred tax assets or liabilities after offset	Opening balance of deferred tax assets or liabilities after offset
Deferred Tax Assets	33,902.73	10,252,752.15	146,560.18	7,575,650.42
Deferred Tax Liabilities	33,902.73	31,540.25	146,560.18	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.16. Assets with Restricted Ownership or Usage Rights

Item	Book balance	Ending balance		Restrictions
		Book value	Type of restriction	
Cash and bank	1,042,729.46	1,042,729.46	Unexpired interest receivable	Unexpired interest receivable
Cash and bank	1,480,003.19	1,480,003.19	Guarantee deposit	Guarantee deposit
Total	2,522,732.65	2,522,732.65	—	—

Item	Book balance	Opening balance		Restrictions
		Book value	Type of restriction	
Cash and bank	1,386,711.81	1,386,711.81	Unexpired interest receivable	Unexpired interest receivable
Total	1,386,711.81	1,386,711.81	—	—

5.17. Short-term borrowings

Category of borrowings	Ending balance	Opening balance
Credit borrowings	8,006,888.89	8,008,317.81
Total	8,006,888.89	8,008,317.81

5.18. Accounts payable

5.18.1. Accounts payable

Item	Ending balance	Opening balance
Payable for project costs	67,228,827.22	83,817,728.39
Payable for construction	9,492,285.38	72,234,232.98
Payable for materials	2,956,760.48	659,547.79
Accounts payable by tentative estimate	2,056,621.45	1,705,399.10
Others	4,642,354.49	7,410,722.77
Total	86,376,849.02	165,827,631.03

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

Aging	Ending balance	Opening balance
Within 1 year	64,350,592.61	119,403,058.28
1-2 years	11,460,272.41	26,315,674.51
2-3 years	3,005,712.75	11,887,664.11
Over 3 years	7,560,271.25	8,221,234.13
Total	86,376,849.02	165,827,631.03

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.18.Accounts payable

5.18.3.Important accounts payable aged over 1 year

Name	Ending balance	Reasons for not being repaid or transferred
Shanghai Youan Architectural Design Co., LTD.	1,799,603.89	unsettled
China IPPR International Engineering Co., LTD.	1,329,005.60	unsettled
Total	3,128,609.49	—

5.19.Payments received in advance

Type	Ending balance	Opening balance
Lease	280,935.15	316,079.43
Total	280,935.15	316,079.43

5.20.Contract liabilities

Item	Ending balance	Opening balance
Property management fee	71,149,881.46	79,092,601.23
Community value-added service	8,772,648.76	1,476,420.98
Total	79,922,530.22	80,569,022.21

5.21.Employee benefits payable

5.21.1.Employee benefits payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Short-term benefits	17,545,007.94	134,680,006.39	135,075,799.48	17,149,214.85
Post-employment benefits (defined contribution plan)	1,247,532.21	17,297,271.31	18,544,803.52	—
Dismissal benefits	—	2,195,504.17	2,159,504.17	36,000.00
Total	18,792,540.15	154,172,781.87	155,780,107.17	17,185,214.85

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.21. Employee benefits payable (Continued)

5.21.2. 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	10,094,499.83	106,244,015.25	104,040,058.32	12,298,456.76
Employee welfare expenses	—	12,627,756.53	12,627,756.53	—
Social insurance premiums Including: Basic medical insurance premiums	1,035,482.88	6,770,317.60	7,805,800.48	—
Work injury insurance	851,416.07	6,588,175.97	7,439,592.04	—
Housing Fund	184,066.81	182,141.63	366,208.44	—
Trade union funds and employee education funds	656,535.25	7,030,403.43	7,686,938.68	—
	5,758,489.98	2,007,513.58	2,915,245.47	4,850,758.09
Total	17,545,007.94	134,680,006.39	135,075,799.48	17,149,214.85

5.21.3. List of defined contribution plans

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Basic pension insurance	1,197,806.92	13,110,772.46	14,308,579.38	—
Unemployment insurance premiums	49,725.29	560,069.42	609,794.71	—
Enterprise annuity contributions	—	3,626,429.43	3,626,429.43	—
Total	1,247,532.21	17,297,271.31	18,544,803.52	—

5.22. Taxes payable

Item	Ending balance	Opening balance
VAT	1,413,926.17	1,598,751.88
Corporate income tax	6,496,673.16	3,644,673.54
Urban maintenance and construction tax	156,305.20	174,304.06
Education surcharge	69,605.75	78,184.47
Local education surcharge	43,341.68	49,060.86
Personal Income Tax	33,980.01	65,311.21
Property tax	134,003.44	124,300.23
Land use tax	581.22	581.22
Stamp duty	1,808.11	13,513.31
Employment security for the disabled	49,269.12	22,368.32
Total	8,399,493.86	5,771,049.10

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.23. Other payables

Item	Ending balance	Opening balance
Dividends payable	10,270,800.00	10,213,740.00
Other payables	45,205,376.84	49,454,437.43
Total	55,476,176.84	59,668,177.43

5.23.1. Dividends payable

Item	Ending balance	Opening balance
Common stock dividends	10,270,800.00	10,213,740.00
Total	10,270,800.00	10,213,740.00

5.23.2. Other payables

Other payables presented by the nature

Nature of payment	Ending balance	Opening balance
Deposit and security deposit	27,070,721.15	28,084,358.15
Advanced payments of others	1,329,070.71	1,275,996.35
Escrow funds	10,872,246.11	8,553,839.88
Funds for the Party's organizational work	1,481,633.17	1,738,150.24
Public maintenance funds	1,223,590.91	2,555,731.04
Energy fees	1,361,967.16	1,301,186.49
Intermediary fees	—	4,354,918.26
Others	1,866,147.63	1,590,257.02
Total	45,205,376.84	49,454,437.43

5.24. Current portion of non-current liabilities

Item	Ending balance	Opening balance
Lease liabilities due within 1 year	97,338.19	2,624,841.77
Total	97,338.19	2,624,841.77

5.25. Other current liabilities

Item	Ending balance	Opening balance
Payments of negotiable instruments endorsed but not yet derecognized	2,869,989.91	13,886,175.22
Pending output VAT	957,469.60	4,799,117.78
Total	3,827,459.51	18,685,293.00

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.26. Lease liabilities

Item	Ending balance	Opening balance
Within 1 year	120,377.87	2,651,668.60
1-2 years	165,467.88	—
2-3 years	165,467.88	—
3-4 years	289,568.84	—
Subtotal of lease payments	740,882.47	2,651,668.60
Less: Unrecognized financing costs	62,827.85	26,826.83
Present value of lease payments	678,054.62	2,624,841.77
Less: Lease liabilities due within 1 year	97,338.19	2,624,841.77
Total	580,716.43	—

5.27. Share capital

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

5.28. Capital reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Capital surplus (share premium)	213,924,223.38	1,631,529.72	—	215,555,753.10
Total	213,924,223.38	1,631,529.72	—	215,555,753.10

Note: The increase in capital reserve during the year mainly represents the adjustment of listing-related printing fees based on actual settlement.

5.29. Surplus Reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	16,964,526.57	3,896,593.16	—	20,861,119.73
Total	16,964,526.57	3,896,593.16	—	20,861,119.73

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.30. Retained earnings

Item	Current period	Previous period
Retained earnings at the end of the previous period before adjustment	200,618,239.78	159,487,525.92
Total retained earnings adjustments at the beginning of the period (increase +, decrease -)	—	—
The adjusted retained earnings at the beginning of the period	200,618,239.78	159,487,525.92
Add: Net profit attributable to the parent company's shareholders for the period	33,948,762.31	45,091,464.06
Less: Appropriation to statutory surplus reserve	3,896,593.16	3,960,750.20
Common stock dividends	14,400,720.00	—
Retained earnings at the end of the period	216,269,688.93	200,618,239.78

5.31. Operating revenue and operating costs

5.31.1. Operating revenue and operating costs

Item	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	570,591,840.76	449,887,330.95	607,769,943.85	492,648,255.60
Other business	106,918.35	—	1,148,679.98	332,302.68
Total	570,698,759.11	449,887,330.95	608,918,623.83	492,980,558.28

5.31.2. 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	352,639,900.47	106,918.35	352,746,818.82
Community value-added services	139,801,339.93	—	139,801,339.93
Value-added services to non-property owners	78,150,600.36	—	78,150,600.36
Real Estate	—	—	—
Leasing	—	—	—
Classified by operating area			
Including: China	570,591,840.76	106,918.35	570,698,759.11
Classification by the time of the transfer of services			
Including: Transfer at a point in time	128,897,327.44	106,918.35	129,004,245.79
Transfer overtime	441,694,513.32	—	441,694,513.32
Total	570,591,840.76	106,918.35	570,698,759.11

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.31. Operating revenue and operating costs (Continued)

5.31.2. The situation of the revenue generated by the contract (Continued)

Contract classification	Amount in the previous 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

5.31.3. Information relating to the transaction price allocated to the remaining performance obligations

The expected timing for recognizing revenue from performance obligations under contracts signed but not yet fulfilled or not yet fully completed as of the end of the reporting period is within one year.

5.32. Taxes and surcharges

Item	Amount in the current period	Amount in the previous period
Urban maintenance and construction tax	1,396,298.74	1,372,199.37
Education surcharge	605,518.69	596,368.50
Local education surcharge	403,770.75	397,407.96
Stamp duty	84,276.28	122,390.57
Property tax	735,631.48	1,150,789.81
Land use tax	34,359.48	61,573.76
Environmental protection tax	725.71	862.59
Vehicle and vessel use tax	3,145.01	4,468.46
Others	394.46	—
Total	3,264,120.60	3,706,061.02

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.33. Administrative expenses

Item	Amount in the current period	Amount in the previous period
Employee benefits	37,594,991.71	36,067,367.55
Intermediary fees	2,572,891.46	3,809,940.87
Depreciation and amortization	2,492,190.51	2,820,176.13
Travel expenses	1,614,902.11	1,284,838.27
Information technology service fee	1,422,826.66	1,573,402.05
Lease cost	1,097,252.12	91,430.37
Labor costs	872,231.93	782,879.37
Office expenses	791,714.97	762,410.97
Business entertainment expenses	320,565.24	598,125.87
Transportation expense	288,077.97	386,565.83
Tax cost	236,681.09	347,871.82
Network communication fee	155,332.02	157,659.98
Premium fee	101,532.00	92,375.72
Others	1,196,002.79	1,482,739.84
Total	50,757,192.58	50,257,784.64

5.34. R&D expenses

Item	Amount in the current period	Amount in the previous period
Employee benefits	6,372,757.99	5,078,233.37
Depreciation and amortization	308,186.50	10,186.66
Outsourcing expenses	690,930.12	—
Others	90,745.81	—
Total	7,462,620.42	5,088,420.03

5.35. Finance expenses

Item	Amount in the current period	Amount in the previous period
Interest expenses	287,929.19	287,299.69
Less: Interest income	6,160,404.95	6,386,971.69
Plus: Exchange losses	-139,467.91	356,534.42
Bank charges and others	972,404.69	1,150,076.95
Total	-5,039,538.98	-4,593,060.63

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.36. Other income

Sources of other income	Amount in the current period	Amount in the previous period
Government grants	480,574.05	1,253,845.58
Relief for military personnel and veterans	92,250.00	161,657.86
Refund of charges for personal income taxes	14,637.43	24,507.58
Re-employment tax incentives and deductions	11,762.92	—
Others	10,695.41	1,126.25
Total	609,919.81	1,441,137.27

5.37. Income from investments

Item	Amount in the current period	Amount in the previous period
Income from long-term equity investments accounted for using the equity method	1,819,552.06	—
Investment income from disposal of long-term equity investments	—	-379,945.42
Gain arising from the remeasurement of the remaining equity investment at fair value after loss of control	-224,680.27	—
Total	1,594,871.79	-379,945.42

5.38. Credit impairment losses

Item	Amount in the current period	Amount in the previous period
Bad debt loss on accounts receivable	-20,528,710.07	-10,757,221.62
Bad debt loss on other receivables	-94,506.85	-395,356.79
Bad debt loss on notes receivable	28,965.07	-298,846.29
Total	-20,594,251.85	-11,451,424.70

5.39. Impairment losses on assets

Item	Amount in the current period	Amount in the previous period
Inventory write-down	-435,314.30	—
Impairment losses of contract assets	39,461.31	-80,771.13
Total	-395,852.99	-80,771.13

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.40. Non-operating income

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	545.68	450	545.68
Government grants	—	8,270,000.00	—
Amounts not required to be paid	173,416.15	—	173,416.15
Others	9,986.91	57,163.45	9,986.91
Total	183,948.74	8,327,613.45	183,948.74

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	41,582.39	39,493.06	41,582.39
Donation	2,000.00	4,000.00	2,000.00
Late payment surcharge	6,106.96	38,544.56	6,106.96
Compensation and penalty expenses	97,524.00	67,000.00	97,524.00
Other	2,500.00	83,372.69	2,500.00
Total	149,713.35	232,410.31	149,713.35

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	14,443,864.07	15,042,733.94
Deferred Income Taxes expense	-3,023,541.12	-1,064,280.36
Total	11,420,322.95	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)

5.42. Income tax expense (Continued)

5.42.2. The process of adjusting from accounting profit to income tax expense (Continued)

Item	Amount in the current period
Consolidated profit before tax	45,615,955.69
Income tax expense at statutory/applicable tax rate	11,403,988.92
Effect of different tax rates applied to subsidiaries	-504,227.37
Effect of adjusting income tax for previous periods	1,292,303.30
Effect of non-deductible costs, expenses and losses	627,862.97
Effect of utilizing deductible temporary differences or deductible losses with unrecognized deferred tax assets from prior periods	-155,315.16
Effect of deductible temporary differences or deductible losses for which deferred tax assets are not recognized in the current year	4,736.77
Effect of additional deductions for research and development expenses	-848,302.38
Effect of equity method investment income	-398,717.94
Effect of additional deductions for the disabled	-2,006.16
Income tax expense	11,420,322.95

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	74,823,522.82	69,738,469.16
Government grants	480,574.05	9,523,845.58
Interest income	6,360,676.35	5,561,968.21
Total	81,664,773.22	84,824,282.95

(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	76,197,926.29	75,771,784.32
Cash payments for administrative expenses	10,696,661.20	11,639,938.37
Cash payments for finance expenses	972,544.92	1,150,076.95
Non-operating expenses	107,895.46	167,617.25
Total	87,975,027.87	88,729,416.89

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 (Continued)

5.43.2 Cash flows from investing activities

- (1) Other cash payments relating to investing activities

Item	Amount in the current period	Amount in the previous period
Net cash outflow from loss of control upon capital injection to subsidiaries	11,255,396.19	—
Total	11,255,396.19	—

5.43.3 Cash flows from financing activities

- (1) Other cash payments relating to financing activities

Item	Amount in the current period	Amount in the previous period
Lease payments made	2,874,933.00	140,610.79
Payment for the consideration in a business combination under common control	—	4,878,300.00
Printing cost for listing	2,569,280.00	—
Total	5,444,213.00	5,018,910.79

- (2) Changes in liabilities arising from financing activities

Item	Opening balance	Increase in the current period		Decrease in the current period		Ending balance
		Cash Change	Non-cash Change	Cash Change	Non-cash Change	
Short-term borrowing	8,008,317.81	8,000,000.00	6,888.89	8,000,000.00	8,317.81	8,006,888.89
Dividends Payable	10,213,740.00	—	14,400,720.00	14,343,660.00	—	10,270,800.00
Lease Liabilities	—	—	764,971.23	86,916.61	97,338.19	580,716.43
Current portion of non-current liabilities	2,624,841.77	26,826.83	97,338.19	2,651,668.60	—	97,338.19
Total	20,846,899.58	8,026,826.83	15,269,918.31	25,082,245.21	105,656.00	18,955,743.51

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	34,195,632.74	45,124,606.07
Add: Impairment losses on assets	395,852.99	80,771.13
Credit impairment losses	20,594,251.85	11,451,424.70
Depreciation of fixed assets, depreciation of right-of-use assets, depletion of oil and gas assets, depreciation of productive biological assets	8,621,270.09	8,583,041.03
Amortization of intangible assets	624,720.14	886,134.96
Amortization of long-term deferred expenses	2,160,309.38	1,266,671.06
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 "-")	41,036.71	-39,043.06
Loss from changes in fair value (gains are listed with "-")	148,461.28	643,834.11
Finance expenses (gains are listed with "-")	-1,594,871.79	379,945.42
Investment losses (gains are listed with "-")	-3,023,541.12	-1,064,280.36
Decrease in Deferred Tax Assets (increase is listed with "-")	—	—
Increase in Deferred Tax Liabilities (decrease is listed with "-")	22,797.48	-3,688,960.30
Decrease in operating receivables (increase is listed with "-")	93,468,994.74	-43,545,002.84
Increase in operating payables (decrease is listed with "-")	-125,464,591.90	-25,577,976.87
Other	—	—
Net cash flow from operating activities	30,190,322.59	-5,498,834.95
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	418,083,023.70	425,171,708.53
Less: opening balance of cash	425,171,708.53	412,094,874.66
Add: ending balance of cash equivalents	—	—
Less: opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	-7,088,684.83	13,076,833.87

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	0.00
Less: Cash and cash equivalents held by the subsidiaries at the date of loss of control	11,255,396.19
Of which: Shandong Chengfa garden engineering Co., LTD	11,255,396.19
Net cash received from disposal of subsidiaries	-11,255,396.19

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 (Continued)

5.44.3. Composition of cash and cash equivalents

Item	Ending balance	Opening balance
Cash	418,083,023.70	425,171,708.53
Of which: cash on hand	2,200.00	4,015.10
Deposits that can be used for payment at any time	418,080,823.70	425,167,693.43
Cash equivalents		
Balance of cash and cash equivalents at the end of the period	418,083,023.70	425,171,708.53
Of which: cash and cash equivalents restricted in use by the parent company or subsidiaries in the Group	—	—

5.44.4. Monetary funds not classified as cash and cash equivalents

Item	Ending balance	Opening balance	Reasons for not being classified as cash and cash equivalents
Unexpired interest receivable	1,042,729.46	1,386,711.81	Limited Liquidity
Guarantee Deposit	1,480,003.19	—	Limited Liquidity
Total	2,522,732.65	1,386,711.81	

5.45. Monetary items of foreign currency

Item	Ending balance in foreign currency	Exchange rate	Ending balance translated into RMB
Monetary funds	—	—	21,755.46
Of which: HKD	24,087.09	0.9032	21,755.46

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

5.46. Leasing

5.46.1. The Group as the lessee

Item	Amount in the current period	Amount in the previous period
Interest expenses on lease liabilities	31,146.97	71,981.87
Short-term lease expenses recognised in profit or loss using the simplified approach	2,745,845.69	1,803,902.46
Total cash outflows for leases	5,801,187.35	2,427,298.03

The lease assets held by the Group mainly consist of houses and buildings used in its operations, and the lease terms of such houses and buildings are generally 1 to 5 years.

5.46.2. The Group as the lessor

(1) Operating leases where the Group acts as the lessor

Item	Rental Income	Of which: Income related to variable lease payments not included in lease payments receivable
Building rental	790,191.52	—
Parking space rental	1,203,726.86	—
Shop rental	41,284.40	—
Total	2,035,202.78	—

6. R&D expenditure

Item	Amount in the current period	Amount in the previous period
Employee benefits	6,372,757.99	5,078,233.37
Depreciation and amortization	308,186.50	10,186.66
Outsourcing expenses	690,930.12	—
Others	90,745.81	—
Total	7,462,620.42	5,088,420.03
Of which: Expensed R&D expenditure	7,462,620.42	5,088,420.03

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

7. Changes in scope of consolidation

7.1. 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
Shandong Chengfa garden engineering Co., LTD	0.00	51.00%	Loss of control over a subsidiary due to capital increase	2025-7-14	Completion of business registration change

Name of the subsidiary	Percentage of remaining equity as of the date of loss of control	Carrying amount of remaining equity at consolidated financial statement level as of the date of loss of control	Fair value of remaining equity at consolidated financial statement level as of the date of loss of control	Loss arising from remeasuring remaining equity at fair value
Shandong Chengfa garden engineering Co., LTD	49.00%	35,336,235.83	35,111,555.56	224,680.27

Pursuant to “the Proposal on Capital Increase by Shandong Chengfa Construction Management Co., Ltd. in Shandong Blue Shore garden engineering Co., Ltd.” approved by the Company on March 21, 2025, in order to meet the requirement that the registered capital shall be no less than RMB40 million for its wholly-owned subsidiary Shandong Chengfa Garden Engineering Co., Ltd. to apply for the Grade 2 General Contracting Qualification for Municipal Public Works Construction, expand its business scope and enhance its profitability, the Company approved the capital increase in Chengfa Garden by the investor Shandong Chengfa Construction Management Co., Ltd. Pursuant to the agreement, Shandong Chengfa Construction Management Co., Ltd. invested RMB36,320,000.00 in Shandong Chengfa Garden Engineering Co., Ltd., of which RMB20,820,000.00 was included in paid-in capital and RMB15,500,000.00 in capital reserve. Upon completion of the capital increase, Shandong Chengfa Construction Management Co., Ltd. holds a total of 51% equity interest in Shandong Chengfa Garden Engineering Co., Ltd. Shandong Chengfa Garden Engineering Co., Ltd. completed the registration of change in shareholders on July 14, 2025.

7.2. Changes in the scope of consolidation due to other reasons

None.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

8. Interests in other entities

8.1. Interests in subsidiaries

8.1.1. Composition of enterprise groups

Subsidiary name	Registered capital	Main place of business	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Shandong Lushang Architectural design Co., LTD.	5,000,000.00	Jinan	Jinan	Architectural decoration, renovation and other construction	100.00		Business combinations under common control
Shandong Licheng Shanlin Catering Management Co., LTD.	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	Jinan	Jinan	Real estate industry	41.00		Establish through investment
Da'antong (Shandong) Mechanical and Electrical Equipment Engineering Co., LTD.	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.

8.1.2. 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	246,870.43	—	4,229,593.70

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

8. Interests in other entities (CONTINUED)

8.1. Interests in subsidiaries (Continued)

8.1.3. Significant information of non-wholly owned subsidiaries

Subsidiary name	Current assets	Non-current assets	Ending balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Shandong Lushang Tang 'an Property Co., LTD.	9,877,316.60	45,977.43	9,923,294.03	1,733,901.94	—	1,733,901.94

Subsidiary name	Current assets	Non-current assets	Opening balance			Total liabilities
			Total assets	Current liabilities	Non-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	Operating revenue	Net profit	Amount in the current period		Net cash flows from operating activities
			Other comprehensive income after tax		
Shandong Lushang Tang 'an Property Co., LTD.	8,441,924.36	418,424.45	418,424.45		671,169.33

Subsidiary name	Operating revenue	Net profit	Amount in the previous period		Net cash flows from operating activities
			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

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

8. Interests in other entities (CONTINUED)

8.2. Interests in Joint Ventures or Associated Enterprises

8.2.1. Significant Joint Ventures or Associated Enterprises

Name of Associated Enterprise	Main place of business	Place of registration	Nature of business	Shareholding(%)		Accounting Treatment for Investments in Associates
				Direct	Indirect	
Shandong Chengfa Garden Engineering Co., LTD.	Jinan	Jinan	Civil Engineering Construction Industry	49.00		Equity Method

8.2.2. Major Financial Information of Significant Associates

Items	Ending Balance/ Amount incurred during the year Shandong Chengfa Garden Engineering Co., LTD.
Current Assets	163,655,102.07
Including: Cash and Cash Equivalents	3,898,838.41
Non-current Assets	171,908.16
Total Assets	163,827,010.23
Current Liabilities	88,457,402.85
Non-current Liabilities	—
Total Liabilities	88,457,402.85
Total Net Assets	75,369,607.38
Including: Minority Interests	—
Equity Attributable to Owners of the Parent	75,369,607.38
Operating Revenue	49,423,139.01
Finance Costs	2,794.89
Income Tax Expense	999,122.12
Net Profit	3,713,371.55
Net Profit from Discontinued Operations	—
Other Comprehensive Income	—
Total Comprehensive Income	3,713,371.55
Dividends Received from Associates in the Current Year	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

9. Government Grants

Government Grants Recognized in Current Profit or Loss

Accounting Items	Ending balance	Opening balance
Job Stabilization Subsidy	312,574.05	436,845.58
Technological Innovation Guidance Program	100,000.00	80,000.00
Relief for military personnel and veterans	92,250.00	161,657.86
2022 Jinjiutiao Policy Subsidy	—	8,200,000.00
Subsidy from Jinan Municipal Bureau of Industry and Information Technology	—	500,000.00
Support Funds for Specialized, Sophisticated, Unique and Novel Enterprises	—	160,000.00
Others	90,458.33	148,126.25
Total	595,282.38	9,686,629.69

10. 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.

10.1. 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.

10.1.1. Market risk

(1) Exchange rate risk

The Group mainly operates within the territory of China. Except for the foreign currency transactions included in the monetary funds of the Parent Company of the Group, other major business activities of the Group are denominated and settled in RMB. As at December 31, 2025, 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, 2025	December 31, 2024
Cash and cash equivalents – HKD	21,755.46	25,924.14
Other payables – HKD	—	4,702,732.34

The Group closely monitors the impact of exchange rate fluctuations on its operations.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Risks associated with financial instruments (CONTINUED)

10.1. Management objectives and policies of various types of risk (Continued)

10.1.1. Market risk (Continued)

(2) Interest rate risk

The Group's interest rate risk arises from interest-bearing liabilities such as bank borrowings and bonds payable. 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, 2025, the Group's interest-bearing debt mainly consisted of RMB-denominated fixed-rate short-term borrowing contracts amounting to RMB8,006,888.89 (As at December 31, 2024: RMB8,008,317.81).

The Group's risk of changes in the fair value of financial instruments due to fluctuations in interest rates is mainly associated with fixed-rate bank borrowings. For fixed-rate borrowings, the Group's objective is to maintain them at floating interest rates.

The Group's risk of changes in cash flows from financial instruments due to fluctuations in interest rates is mainly associated with floating-rate bank borrowings. It is the Group's policy to maintain the floating interest rate nature of these borrowings so as to eliminate the fair value risk arising from interest rate movements.

10.1.2. 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. Except for the top five customers by amount of accounts receivable and contract assets, the Group has no other material credit concentration risks. Among the Group's accounts receivable and contract assets, the top five combined amount to RMB63,330,014.00, accounting for 21.55% of the Group's total accounts receivable and contract assets.

(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)

10. Risks associated with financial instruments (CONTINUED)**10.1. Management objectives and policies of various types of risk (Continued)****10.1.1. Market 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.

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, 2025, 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.

Carrying amounts of recognised financial assets in the consolidated balance sheet; for financial instruments measured at fair value, the carrying amount reflects their risk exposure, but not the maximum risk exposure, which will change with future movements in fair value.

10.1.3. 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.

- (1) 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, 2025:

Items	Within 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
Financial Assets					
Cash and Cash Equivalents	420,605,756.35				420,605,756.35
Notes receivable	25,790,502.73				25,790,502.73
Accounts Receivable	270,846,116.49				270,846,116.49
Other Receivables	10,280,785.10				10,280,785.10
Financial Liabilities					
Short-term Borrowings	8,006,888.89				8,006,888.89
Accounts Payable	86,376,849.02				86,376,849.02
Employee Benefits Payable	17,185,214.85				17,185,214.85
Other Payables	55,476,176.84				55,476,176.84
Current portion of non-current liabilities	120,377.86				120,377.86
Lease Liabilities		165,467.88	455,036.72		620,504.60

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

10. Risks associated with financial instruments (CONTINUED)

10.2. 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.

10.2.1. 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 assumptions and with all other variables unchanged, the potential after-tax impact of reasonable changes in exchange rates on current profit or loss and equity is as follows:

Item	Exchange Rate Change	For the year 2025		For the year 2024	
		Impact on Net Profit	Impact on Shareholders' equity	Impact on Net Profit	Impact on Shareholders' equity
HKD	Appreciates by 5% against RMB	1,087.77	1,087.77	-216,545.58	-216,545.58
HKD	Depreciates by 5% against RMB	-1,087.77	-1,087.77	216,545.58	216,545.58

10.3. Transfer of Financial Assets

10.3.1. Classification by Transfer Method

Transfer Method	Nature of Transferred Financial Assets	Amount of Transferred Financial Assets	Derecognition Status	Basis for Judging Derecognition Status
Notes Endorsement/ Notes Discounting	Notes Receivable	2,869,989.91	Not Derecognised	Substantially all risks and rewards are retained, including the associated default risk
Total		2,869,989.91		

10.3.2. Financial Assets Derecognised as a Result of Transfer

None.

11. Fair value

11.1. 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.

11.2. 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.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions

12.1. Related party relationship

12.1.1. 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.

12.1.2. The company's subsidiaries

For details about the subsidiaries, please refer to the relevant content in Note "8.1.1. Composition of the Enterprise Groups".

12.1.3. Joint ventures and associates of the Company

Details of the Company's material joint ventures and associates are set out in Note "8.2.1. Significant Joint Ventures or Associated Enterprise".

Information on other joint ventures and associates that have entered into related party transactions with the Company during the current year, or with which balances were formed from related party transactions in prior periods, is as follows:

Name of Joint Venture or Associate	Relationship with the Company
Shandong Chengfa garden engineering Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.1. Related party relationship (Continued)

12.1.4. Other related parties

Other related parties' names	The relationship between the related parties and the Company
Beijing Quancheng Commercial Management 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.
Dongyue Holdings 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.
Heze Inzone Yiting Hotel 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 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.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.1. Related party relationship (Continued)

12.1.4. 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.
Laiwu Inzone Real Estate 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 Jin Real Estate Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Linyi Lushang Property Co., LTD.	Shareholder of one of the subsidiaries
Linyi Inzone Mall Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Linyi Inzone Mall Co., LTD. Beiyuan Road Branch	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 Freda Pharmaceutical 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 Education Holdings 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.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.1. Related party relationship (Continued)

12.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Qilu Medical College	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Vocational and Technical College of Hotel Management	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 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 Lvfu Real Estate Development Co., LTD. (Central Mansion)	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Qianhao Real Estate Development Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Qianhao Real Estate Development Co., LTD. Inzone Mall Branch	Under the common control of Shandong Commercial Group Co., LTD.
Qingdao Xifu Youju Enterprise Management 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.
Rizhao Inzone Mall Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Chengfa Green Industry Technology Co., LTD.	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.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.1. Related party relationship (Continued)

12.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Shandong Chengfa Asset Operation Co., LTD. Zibo Branch	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 Urban and Rural Yingquan Asset Operation Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Dongyue Tiantong Automobile Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Freda Pharmacy Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Freda Biology Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Freda Biotechnology Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Freda Digital Technology Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Freda Pharmaceutical Group Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Fuyuan Microcredit Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Haiyou Freda Pharmaceutical Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Focus Freda Biology Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Industry and Finance Holdings 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 Internet Service Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.1. Related party relationship (Continued)

12.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Shandong Lushangtong Technology Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang Business School	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Lushang One-Card Payment 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 Industrial 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 Quanying Industrial Operation 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.
Shandong Shangyuan Management Service 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 Development Group Cost Consulting Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Urban and Rural Development Group Decoration 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.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.1. Related party relationship (Continued)

12.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
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 Commercial Group Finance Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Commercial Group Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Pharmaceutical Industry Design Institute Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Tongying Asset Operation Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Tongyue Trading Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Culture & Tourism Media Group Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Culture and Tourism Group 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.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.1. Related party relationship (Continued)

12.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Shandong Yinchen Commercial Development 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 Shopping Center Co., LTD. Heze Inzone Harmony Plaza	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Home Co., LTD. Home Life Plaza	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 Automotive Technology Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Automotive Technology Co., LTD. Eighth Branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Automotive Technology Co., LTD. Sixth Branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Automotive Technology Co., LTD. Seventh Branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Automotive Technology Co., LTD. Tenth Branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Auto Trading 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 Lushang Guoao City Branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Mall Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Mall Co., LTD. Honglou Branch	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.1. Related party relationship (Continued)

12.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Shandong Inzone Mall Co., LTD. Yuhan Branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Commercial Operation Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Commercial Operation Co., LTD. Zhenxing Street Shopping Center	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Tiancheng Automobile Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Tianqi Real Estate 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 Yuejieshang Automobile Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Yueshanghang Automobile Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Real Estate Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Inzone Real Estate Co., LTD. Jinan Tianqiao Branch	Under the common control of Shandong Commercial Group Co., LTD.
Shandong Zhongxin Zhihui Comprehensive Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Shanxiang Group (Shandong) Jiunüfeng Rural Revitalization Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Taishanyou Rural Revitalization Ecotourism 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 People's Hospital	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.1. Related party relationship (Continued)

12.1.4. 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.
Yantai Inzone Yuejieshang Automobile Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
angzhou Lusu Health Industry Development Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Yitong Jinfu Payment Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Yitong Jinfu Payment Co., LTD. Jinan Branch	Under the common control of Shandong Commercial Group Co., LTD.
Yitong Jinmao Information Technology Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Yitong 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. Jinan Longhu West City Tianjie Supermarket Branch	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., LTD. Jinan Inzone High-Tech Zone Shopping Plaza	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 Huaxin Shopping Plaza	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., LTD. Jinan Inzone Huanshan Shopping Plaza	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.1. Related party relationship (Continued)

12.1.4. Other related parties (Continued)

Other related parties' names	The relationship between the related parties and the Company
Inzone Group Co., LTD. Jinan Inzone Yanshan Shopping Plaza	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., LTD. Jinan Inzone China Railway Yidu 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.
Inzone Group Co., LTD. Weifang Inzone Mall	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., LTD. Weifang Inzone Mall (Shopping Center)	Under the common control of Shandong Commercial Group Co., LTD.
Inzone Group Co., LTD. Xijiang Huafu Branch	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 Co., LTD.	Under the common control of Shandong Commercial Group Co., LTD.
Zibo Inzone Mall Co., LTD. Boshan Shopping Plaza	Under the common control of Shandong Commercial Group Co., LTD.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.2. Related party transactions

12.2.1. Related party transactions

Transaction content	Amount in the current period	Amount in the previous period
Render of services	129,115,947.29	160,124,156.03
Purchase of goods and services	23,368,011.25	38,637,609.86
Lease expenditure	1,592,471.08	853,017.72
Lease revenue	790,191.52	790,191.52
Interest income	4,612,915.33	4,569,386.67

12.2.2. Key management remuneration

Item	Amount in the current period	Amount in the previous period
Total remuneration	2,570,639.87	3,293,015.02

12.2.3. Other related party transactions

None.

12.3. Balance of receivables from and payables to related parties

12.3.1. Receivables

Item	Ending balance		Opening balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts Receivable	93,691,771.29	5,607,525.96	132,895,525.13	2,270,443.58
Notes receivable	22,771,523.30	43,265.89	40,274,536.11	120,823.65
Contract Assets	15,463,326.60	23,575.69	50,477,743.03	159,818.30
Prepayments	320,816.41	—	604,688.41	—
Other receivables	1,094,303.86	34,224.33	872,299.73	7,839.47
Unexpired interest receivable	680,602.74	—	679,375.00	—
Money deposited with the finance company	309,067,845.22	—	307,380,783.75	—

12.3.2. Payables

Item	Closing Balance	Opening Balance
Account payables	14,617,027.15	9,865,099.81
Contract liabilities	2,344,956.71	2,726,747.63
Lease liabilities	580,716.43	2,624,841.77
Other payables	363,736.16	318,867.70
Dividends payable	10,270,800.00	10,213,740.00

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.4. Remuneration of directors, supervisors and employees

12.4.1. 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	—	—	—	—	—	—
Mr. Ning Daoju	—	414,335.50	136,312.80	—	—	550,648.30
Mr. Shao Meng	—	181,170.00	73,904.88	58,502.00	—	313,576.88
Non-executive Director						
Ms. Luo Ye	/	/	/	/	/	/
Ms. Li Lu	/	/	/	/	/	/
Independent Non-Executive Director						
Ms. Leung Bik San	138,448.13	—	—	—	—	138,448.13
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	—	61,480.00	26,111.60	45,240.00	—	132,831.60
Mr. Wang Hongtao	/	/	/	/	/	/
Total	338,440.13	656,985.50	236,329.28	103,742.00	—	1,335,496.91
Amount in the previous period						
Executive Director						
Mr. Wang Zhongwu	—	310,769.60	99,242.54	—	—	410,012.14
Mr. Yang Yunlong	—	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

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

12. Related parties and related transactions (CONTINUED)

12.4. Remuneration of directors, supervisors and employees (Continued)

12.4.2. The top five highest-paid individuals

Of the top five individuals with the highest remuneration for the current year, 1 is a director (previous year: none). The remuneration of this director is included in Note "12.4.1. Remuneration has been reflected in the remuneration of directors and supervisors." The remuneration of the other 4 individuals (previous year: 5) is as follows:

Item	Amount in the current period	Amount in the previous period
Salaries and allowances	1,342,518.20	1,680,680.96
Social securities, housing funds and pensions	424,193.04	611,047.04
Bonuses	259,637.00	—
Share-based payments	—	—
Total	2,026,348.24	2,291,728.00

Note: For the year 2025, the Company did not pay any remuneration to any directors, supervisors or the five highest-paid individuals as an inducement to join or upon joining the Company, or as compensation for termination of employment.

12.4.3. Key management remuneration

Item	Amount in the current period	Amount in the previous period
Allowances for directors and supervisors	338,440.13	338,401.65
Salaries and allowances	1,589,628.70	2,164,681.24
Social securities, housing funds and pensions	538,829.04	789,932.13
Bonuses	103,742.00	—
Share-based payments	—	—
Total	2,570,639.87	3,293,015.02

13. Commitments and Contingencies

13.1. Important commitments

The Group has no important commitments existing on the balance sheet date that need to be disclosed.

13.2. 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)

14. Events after the balance sheet date

14.1. Profit distribution

Item	Content
Profit or dividend to be distributed	For the year 2025, Lushang Life Services Co., LTD. achieved a net profit of RMB33.9488 million attributable to shareholders of the parent company. Based on the total share capital of Lushang Life Services Co., LTD. of 133,340,000 shares as at December 31, 2025, cash dividends were distributed to all shareholders at RMB0.0815 per share. The total cash dividend for this distribution amounted to approximately RMB10.8672 million (representing a dividend payout ratio of 32.01%). The remaining undistributed profits will be carried forward to subsequent years.

14.2. Explanation of Other Post Balance Sheet Events

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.

15. Other Significant Matters

None.

16. Notes to the main items in the financial statements of the parent company

16.1. Accounts receivable

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

Aging	Ending balance	Opening balance
Within 1 year	112,406,476.56	118,991,094.85
1-2 years	42,747,347.67	43,715,683.96
2-3 years	18,314,003.41	13,719,034.01
Over 3 years	14,834,443.08	11,089,871.91
Subtotal	188,302,270.72	187,515,684.73
Less: Provision for bad debts	26,672,439.12	20,897,512.79
Total	161,629,831.60	166,618,171.94

16.1.2. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance		Book value Amount
	Amount	Proportion (%)	Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis					
Provision for bad debts on a collective basis	188,302,270.72	100.00	26,672,439.12	14.16	161,629,831.60
Including: Aging portfolio	129,367,409.26	68.70	25,702,021.65	19.87	103,665,387.61
Related party portfolio	58,934,861.46	31.30	970,417.47	1.65	57,964,443.99
Total	188,302,270.72	100.00	26,672,439.12	14.16	161,629,831.60

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

16. Notes to the main items in the financial statements of the parent company
(CONTINUED)

16.1. Accounts receivable (Continued)

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

Type	Book balance		Opening balance		Book value Amount
	Amount	Proportion (%)	Amount	Provision for bad debts 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

(1) Aging portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	74,373,217.06	3,629,412.99	4.88
1-2 years	26,761,465.05	3,904,497.75	14.59
2-3 years	14,133,711.89	4,069,095.65	28.79
Over 3 years	14,099,015.26	14,099,015.26	100.00
Total	129,367,409.26	25,702,021.65	—

(2) Related party portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	38,033,259.50	72,116.16	0.19
1-2 years	15,985,882.62	94,316.71	0.59
2-3 years	4,180,291.52	68,556.78	1.64
Over 3 years	735,427.82	735,427.82	100.00
Total	58,934,861.46	970,417.47	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

16. Notes to the main items in the financial statements of the parent company (CONTINUED)

16.1. Accounts receivable (Continued)

16.1.3. 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	20,897,512.79	5,774,926.33	—	—	—	26,672,439.12
Including: Aging portfolio	20,477,990.95	5,224,030.70	—	—	—	25,702,021.65
Related party portfolio	419,521.84	550,895.63	—	—	—	970,417.47
Total	20,897,512.79	5,774,926.33	—	—	—	26,672,439.12

16.1.4. Notes receivable actually written off during the year

None.

16.1.5. 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
Zibo Boshan District Municipal, Garden and Environmental Sanitation Service Center	12,840,492.09	—	12,840,492.09	6.82	1,126,051.77
Haerbin Lushang Real Estate Co., LTD.	6,733,941.04	—	6,733,941.04	3.58	12,794.49
Heze Lushang Real Estate Co., LTD.	6,521,046.72	—	6,521,046.72	3.46	35,658.02
Shandong Yinwan Property Group Co., LTD.	5,352,457.42	—	5,352,457.42	2.84	261,199.92
Shandong Institute of Commerce and Technology	5,176,379.42	—	5,176,379.42	2.75	9,835.12
Total	36,624,316.69	—	36,624,316.69	19.45	1,445,539.32

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

16. Notes to the main items in the financial statements of the parent company
(CONTINUED)

16.2. Other receivables

Item	Ending balance	Opening balance
Other receivables	10,108,762.64	3,714,283.93
Total	10,108,762.64	3,714,283.93

16.2.1. Disclosure by nature

Nature	Ending balance	Opening balance
Security deposit, deposit	2,398,558.60	1,035,965.00
Advanced social security and housing fund	196,762.63	171,553.91
Payments for projects	400,850.00	400,850.00
Related party transactions	2,147,060.15	1,884,958.50
POS in-transit funds, etc.	2,750,620.62	383,576.00
Residential maintenance fund	2,729,246.42	298,514.00
Others	101,248.54	121,025.55
Subtotal	10,724,346.96	4,296,442.96
Less: Provision for bad debts	615,584.32	582,159.03
Total	10,108,762.64	3,714,283.93

16.2.2. Disclosure by aging

Aging	Ending balance	Opening balance
Within 1 year	8,680,033.80	3,066,720.99
1-2 years	925,859.25	61,319.59
2-3 years	18,251.53	128,361.34
Over 3 years	1,100,202.38	1,040,041.04
Subtotal	10,724,346.96	4,296,442.96
Less: Provision for bad debts	615,584.32	582,159.03
Total	10,108,762.64	3,714,283.93

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

16. Notes to the main items in the financial statements of the parent company
(CONTINUED)

16.2. Other receivables (Continued)

16.2.3. Disclosure by the method of provision for bad debts

Type	Book balance		Ending balance		Book value
	Amount	Proportion (%)	Provision for bad debts Amount	Provisioning ratio (%)	
Provision for bad debts on an individual basis	177,303.91	1.65	177,303.91	100.00	—
Provision for bad debts on a collective basis	10,547,043.05	98.35	438,280.41	4.16	10,108,762.64
Including: Related party portfolio	2,147,060.15	20.02	33,027.16	1.54	2,114,032.99
Low risk portfolio	7,908,902.42	73.75	—	—	7,908,902.42
Aging portfolio	491,080.48	4.58	405,253.25	82.52	85,827.23
Total	10,724,346.96	100.00	615,584.32	5.74	10,108,762.64

Type	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Provision for bad debts 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

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

Name	Ending balance		Opening balance		Reason for provision	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts		
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
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	177,303.91	177,303.91	100.00	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

16. Notes to the main items in the financial statements of the parent company
(CONTINUED)

16.2. Other receivables (Continued)

16.2.3. 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	1,774,201.15	898.58	0.05
1-2 years	342,159.00	2,018.74	0.59
2-3 years	600.00	9.84	1.64
Over 3 years	30,100.00	30,100.00	100.00
Total	2,147,060.15	33,027.16	—

② Low risk portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	6,815,602.17	—	—
1-2 years	583,700.25	—	—
2-3 years	14,500.00	—	—
Over 3 years	495,100.00	—	—
Total	7,908,902.42	—	—

③ Aging portfolio

Aging	Book balance	Ending balance Provision for bad debts	Provisioning ratio (%)
Within 1 year	90,230.48	4,403.25	4.88
Over 3 years	400,850.00	400,850.00	100.00
Total	491,080.48	405,253.25	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

16. Notes to the main items in the financial statements of the parent company

(CONTINUED)

16.2. Other receivables (Continued)

16.2.3. 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	4,005.12		578,153.91	582,159.03
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	33,425.29	—	—	33,425.29
Reverse in the period	—	—	—	—
Transfer in the period	—	—	—	—
Write-off in the period	—	—	—	—
Other changes	—	—	—	—
Ending balance	37,430.41	—	578,153.91	615,584.32

16.2.4. 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	177,303.91	—	—	—	177,303.91
Provision for bad debts on a collective basis	404,855.12	33,425.29	—	—	438,280.41
Including: Related party portfolio	2,337.12	30,690.04	—	—	33,027.16
Low risk portfolio	—	—	—	—	—
Aging portfolio	402,518.00	2,735.25	—	—	405,253.25
Total	582,159.03	33,425.29	—	—	615,584.32

16.2.5. Other receivables actually written off in the current period

None.

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

16. Notes to the main items in the financial statements of the parent company
(CONTINUED)

16.2. Other receivables (Continued)

16.2.6. 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
Jinan Public Security Housing Service Center	Public Maintenance Fund	2,729,246.42	Within 1 year, 1-2 years	25.45	—
Etong-Jinfu Payment Co., LTD.	POS In-Transit Funds	2,612,733.30	Within 1 year	24.36	—
Shandong Licheng Shanlin Catering Management Co., LTD.	Related Party Balances	1,301,261.67	Within 1 year	12.14	—
Guangzhou Ehui Trading Co., LTD.	Security Deposit	500,000.00	Within 1 year	4.66	—
Zhangdian District Youdongxi Imaging Studio	Security Deposit	500,000.00	Within 1 year	4.66	—
Total	—	7,643,241.39	—	71.27	—

16.3. Long-term equity investments

Item	Ending balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	28,334,477.17	—	28,334,477.17	46,887,489.30	—	46,887,489.30
Investments in associates and joint ventures	36,931,107.62	—	36,931,107.62	—	—	—
Total	65,265,584.79	—	65,265,584.79	46,887,489.30	—	46,887,489.30

16.3.1. 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 Chengfa 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 Licheng Shanlin Catering Management Co., LTD.	5,000,000.00	—	—	—	—	—	5,000,000.00	—
Da'antong (Shandong) Mechanical and Electrical Equipment Engineering Co., Ltd.	4,890,711.51	—	—	—	—	—	4,890,711.51	—
Shandong Lushang Tang'an Property Co., LTD	—	—	1,230,000.00	—	—	—	1,230,000.00	—
Total	46,887,489.30	—	1,230,000.00	—	—	-19,783,012.13	28,334,477.17	—

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

16. Notes to the main items in the financial statements of the parent company
(CONTINUED)

16.3. Long-term equity investments (Continued)

16.3.2. Investments in Associates and Joint Ventures

Investee

Investee Units	Beginning Balance	Beginning Balance of Impairment Provision	Additional Investment	Investment Reduction	Changes during the Year						Ending Balance	Ending Balance of Impairment Provision	
					Investment Income/(Loss) Recognised under Equity Method	Other Comprehensive Income Adjustments	Other Changes in Equity	Declared Cash Dividends or Profit	Impairment Provision Recognised	Others			
I. Associated Enterprises													
Shandong Chengfa garden engineering Co., LTD	—	—	—	—	1,819,552.06	—	—	—	—	—	35,111,555.56	36,931,107.62	—
Total	—	—	—	—	1,819,552.06	—	—	—	—	—	35,111,555.56	36,931,107.62	—

16.4. Operating revenue and operating costs

16.4.1. Operating revenue and operating costs

Item	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	469,683,738.08	381,664,222.28	468,437,847.49	381,810,782.46
Other business	106,918.35	—	1,148,679.98	332,302.68
Total	469,790,656.43	381,664,222.28	469,586,527.47	382,143,085.14

16.4.2. 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	338,376,312.07	106,918.35	338,483,230.42
Community value-added services	115,037,032.8	—	115,037,032.8
Value-added services to non-property owners	16,270,393.21	—	16,270,393.21
Classified by operating area			
Including: China	469,683,738.08	106,918.35	469,790,656.43
Classification by the time of the transfer of services			
Including: Transfer at a point in time	63,211,025.04	106,918.35	63,317,943.39
Transfer over time	406,472,713.04	—	406,472,713.04
Total	469,683,738.08	106,918.35	469,790,656.43

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

16. Notes to the main items in the financial statements of the parent company
(CONTINUED)

16.4. Operating revenue and operating costs (Continued)

16.4.2. The situation of the revenue generated by the contract (Continued)

Contract classification	Amount in the previous period		Total
	Main business	Other business	
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

16.5. Income from investments

Item	Amount in the current period	Amount in the previous period
Income from long-term equity investments accounted for using the equity method	1,819,552.06	—
Investment income from disposal of long-term equity investments	—	1,864,250.00
Gain arising from the remeasurement of the remaining equity investment at fair value after loss of control	7,527,307.75	—
Total	9,346,859.81	1,864,250.00

NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

17. Supplementary Information

17.1. 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)	-41,036.71	
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)	168,000.00	
Other non-operating income and expenses other than the above-mentioned items	75,272.10	
Other items of profit or loss that meet the definition of non-recurring profit and loss	-224,680.27	Investment income from loss of control resulting from subsidiary capital increase
Subtotal	-22,444.88	
Less: Effects of income tax	1,909,966.27	
Effects of non-controlling interests (after tax)	17,561.04	
Total	-1,932,411.15	—

17.2. 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	5.82	0.25	0.25
Net profit attributable to the common stock shareholders of the parent company after deducting non-recurring profit and loss	6.12	0.27	0.27

FIVE YEAR FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	570,699	608,919	621,022	627,734	582,803
Profit before tax	45,616	59,103	51,058	101,169	97,809
Income tax	(11,420)	(13,978)	(10,798)	(22,737)	(20,792)
Profit for the year	34,196	45,125	40,260	78,432	77,017
Profit attributable to					
– Owners of the Company	33,949	45,091	39,431	76,878	75,810
– Non-controlling interests	247	33	829	1,554	1,207
	34,196	45,125	40,260	78,432	77,017

	At 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total assets	850,441	929,093	900,804	859,237	634,396
Total liabilities	260,185	360,263	377,099	355,890	333,952
Net assets	590,256	568,830	523,705	503,347	300,444

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.