

# LSFW 魯商服務

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

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



2022  
ANNUAL REPORT

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wang Zhongwu (*Chairman*)  
Mr. Shao Meng  
Mr. Yang Yunlong  
(*appointed on September 15, 2022*)  
Mr. Bao Song  
(*appointed on September 15, 2022 and  
resigned on November 30, 2022*)  
Mr. Zhang Tiebo (*resigned on November 30, 2022*)

### Non-executive Directors

Ms. Li Lu  
Ms. Luo Ye (*appointed on November 30, 2022*)  
Mr. Zhao Yanfeng (*resigned on September 15, 2022*)

### Independent Non-executive Directors

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

## BOARD COMMITTEES

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

## Strategy Committee

Mr. Wang Zhongwu (*Chairman*)  
Mr. Zhao Yanfeng (*Chairman*)  
(*resigned on September 15, 2022*)  
Mr. Bao Song  
(*appointed on September 15, 2022 and  
resigned on November 30, 2022*)  
Mr. Shao Meng  
Ms. Chen Xiaojing

## SUPERVISORY COMMITTEE

### Supervisors

Mr. Wang Hongtao (*Chairman*)  
Mr. Zhang Xiangqian  
Ms. Wang Pin  
(*resigned on February 27, 2023*)  
Ms. Pan Meng  
(*appointed on February 27, 2023*)

## JOINT COMPANY SECRETARIES

Mr. Yang Zhen  
Mr. Wong Wai Chiu

## AUTHORIZED REPRESENTATIVES

Mr. Wang Zhongwu  
Mr. Wong Wai Chiu

## CORPORATE INFORMATION

**REGISTERED OFFICE IN THE PRC**

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

**HEADQUARTERS IN THE PRC**

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

**PRINCIPAL PLACE OF BUSINESS  
IN HONG KONG**

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

**H SHARE REGISTRAR**

**Computershare Hong Kong Investor  
Services Limited**

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

**LEGAL ADVISERS**

**As to Hong Kong laws**

Sidley Austin

**As to PRC laws**

Commerce & Finance Law Offices

**COMPLIANCE ADVISER**

Zhongtai International Capital Limited

**PRINCIPAL BANKS**

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

**COMPANY'S WEBSITE**

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

**STOCK CODE**

2376



# DEFINITIONS

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

2022 AGM	the 2022 annual general meeting of the Company to be convened and held on June 30, 2023
Articles of Association	the articles of association of the Company
Audit Committee	the audit committee of the Company
associate	has the meaning ascribed thereto under the Listing Rules
Board	the board of Directors
Board Diversity Policy	the board diversity policy of the Company
CIA	the China Index Academy
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 14 to the Listing Rules
China or PRC	the People's Republic of China
Domestic Shares	the domestic shares of the Company
GFA	gross floor area
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)
Hong Kong	the Hong Kong Special Administrative Region

## DEFINITIONS

HK\$	Hong Kong dollars, the lawful currency of Hong Kong
H Shares	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are listed on the Main Board of the Stock Exchange and subscribed for and traded in Hong Kong dollars
Listing	the listing of the H Shares on the Main Board
Listing Date	the date of the Listing, being July 8, 2022
Listing Rules	the 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 Development	Lushang Health Industry Development Co., Ltd. (魯商健康產業發展股份有限公司) (formerly known as Shandong Zibo Wanjie Industry Co., Ltd. (山東淄博萬傑實業股份有限公司), Shandong Wanjie High-tech Co., Ltd. (山東萬傑高科技股份有限公司) and Lushang Real Estate Co., Ltd. (魯商置業股份有限公司)), a joint stock company established in the PRC with limited liability on April 21, 1993, listed on the Shanghai Stock Exchange (stock code: 600223) and one of the controlling shareholders of our Company
Lushang Development Associates	associates of Lushang Development
Lushang Development Group	Lushang Development and its subsidiaries which, for the purpose of this annual report and unless the context otherwise requires, excludes the Group
Lushang Innovation	Lushang Innovation Development Co., Ltd.
Main Board	the main board of the Stock Exchange
Master Deposit Services Agreement	the master deposit services agreement dated June 22, 2022 entered into between the Company and Commercial Finance
Master Design Services Agreement	the master design services agreement dated June 22, 2022 entered into between the Company and Shandong Commercial
Master Engineering Services Agreement	the master engineering services agreement dated June 22, 2022 entered into between the Company and Shandong Commercial
Master Parking Lots Entrusted Management Services Agreement	the master parking lots entrusted management services agreement dated June 22, 2022 entered into between the Company and Lushang Development
Master Property Agency Services Agreement	the master property agency services agreement dated June 22, 2022 entered into between the Company and Lushang Development

## DEFINITIONS

Master Property Management and Related Services Agreement	the master property management and related services agreement dated June 22, 2022 entered into between the Company and Shandong Commercial
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Net Proceeds	the net proceeds from the Listing of approximately HK\$138 million
Nomination Committee	the nomination committee of the Company
Prospectus	the prospectus of the Company dated June 27, 2022
Remuneration Committee	the remuneration committee of the Company
RMB	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 one of the controlling shareholders of our Company
Shandong Commercial Associates	associates of Shandong Commercial (excluding Lushang Development 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
sq.m.	square meters
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy Committee	the strategy committee of the Company
Supervisors	the supervisors of the Company
Supervisory Committee	the supervisory committee of the Company
Year	the year ended December 31, 2022

# CORPORATE MILESTONES

## ANNUAL MILESTONES

### Successfully passing the three-system certifications in January 2022

In January, the Company has passed the Environmental Management System Certification, the Occupation Health and Safety Management System Certification and the Quality Management System Certification for consecutively 7 years.

### Being awarded the 3A enterprise credit in February 2022

In February, the Company was again awarded the Property Management Enterprise Credit Evaluation Certificate (AAA) (物業服務企業信用AAA級), the highest grade, by the Housing and Urban-rural Construction Bureau of Jinan (濟南市住房和城鄉建設局).

### March 2022 – 2021 Top 100 Property Management Service Companies for Government Procurement (2021政府採購百強物業管理服務商)

In March, the Company was awarded “2021 Top 100 Property Management Service Companies for Government Procurement” at the Selection Conference of 2021 Top 100 Property Management Service Companies for Government Procurement.

### March 2022 – 2022 Top 100 Property Management Companies in China (2022年中國物業服務百強企業)

In March, the Company has continuously consolidated its service capacity, upgraded its quality service and broadened its service scope, and was ranked 41st among the “2022 Top 100 Property Management Companies in China”.

### The Company was successfully listed on the Main Board of the Stock Exchange in July 2022

In July, the Company was successfully listed on the Main Board of the Stock Exchange, becoming the third listed company of Shandong Commercial Group and the first property management listed company in Shandong province.

### Establishing a subsidiary in October 2022

In October, the Company established a wholly-owned subsidiary, Shandong Licheng Shanlin Catering Management Co., Ltd. (山東立誠膳鄰餐飲管理有限公司), to integrate the value-added service business of catering management and actively explore the community group catering business and retail services.

### Acquiring a new professional qualification in November 2022

In November, Lushang Design, has obtained the electronic and intelligent engineering professional contracting grade two qualification with the approval of the Shandong Provincial Department of Housing and Urban Rural Development.

### November 2022 – 2022 Provincial Enterprise Civilization Unit (2022年度省屬企業文明單位)

In November, the Company was awarded 2022 Provincial Enterprise Civilization Unit.



## CORPORATE MILESTONES

### **Making remarkable achievement in basic service enhancement in December 2022**

In December, the Jinan Fenghuang City (濟南鳳凰城) project managed by the Company was awarded as the 2022 property service standardization project (2022年物業服務標準化項目) by Jinan Property Management Industry Association (濟南市物業管理行業協會). 2022 is a year focusing on infrastructure for the Company. Our annual priority is to improve the quality of basic services and the standardization construction of the Company has made great achievements.

### **December 2022 – 2022 Provincial Enterprise Civilization Unit**

In December, the Company won four honors, including “2021 Property Management Service Leading Enterprises in terms of Overall Strengths in Jinan City (2021年濟南市物業服務綜合實力領先企業)”, “2021 Leading Enterprises in terms of Property Area under Management in Jinan City (2021年濟南市物業管理面積領先企業)”, “2021 Leading Enterprise in terms of Operating Revenue of Property Services in Jinan City (2021年濟南市物業服務營業收入領先企業)” and “2021 Leading Enterprise of Property Services Industry in terms of performing Social Responsibility in Jinan City (2021年濟南市物業服務行業履行社會責任領先企業)”.

# CHAIRMAN'S STATEMENT

## 2022 REVIEW

In 2022, the Company focused on “improvement of basic services” and promoted its high-quality development by improving service quality, innovating service model, optimizing business lines and deepening root in city service.

For the year ended December 31, 2022, we recorded total revenue of RMB627.7 million (RMB582.8 million in 2021), representing an increase of 7.7% as compared with the total revenue for the year ended December 31, 2021; our profit before taxation in 2022 was RMB101.2 million, representing an increase of 3.4% as compared with the profit before taxation for the year ended December 31, 2021; our net profits for the Year amounted to RMB78.3 million, representing an increase of 1.7% as compared with the net profits for the year ended December 31, 2021.

### Improving comprehensive strength on a multi-dimensional basis

The Company's H Shares were successfully listed on the Main Board of the Stock Exchange in July 2022, and became the first listed property management company headquartered in Shandong Province. It was ranked 41st among the 2022 Top 100 Property Management Companies in China and was recognized as an “Outstanding Enterprise in the Property Management Industry with Diversified Operations” (物業管理行業多元化運營優秀企業), one of the “Leading Property Management Brands in Specialized Operations” (物業服務專業化運營領先品牌企業), “Shandong Renowned Brands (Service) Enterprise” (山東知名品牌(服務)企業) and “2022 Outstanding Member of Shandong Property Management Institute”(山東省物業管理協會2022年度優秀會員單位), and became a member unit of China Property Management Institute and vice president unit of Shandong Property Management Institute. All these demonstrated our company profile and our strength, setting a benchmark for the reform and integrated development of state-owned enterprises.

### Rationalizing business service lines for a full service industrial chain

Focusing on our strategic development, we established clear business lines, service systems and management mechanisms, and formed an upstream and downstream service industrial chain covering cities, communities and parks of all business formats from front-end design, mid-end service to back-end maintenance.

In 2022, we explored and vigorously laid out several business service offerings:

1. we established Shandong Licheng Shanlin Catering Management Co., Ltd. (山東立誠膳鄰餐飲管理有限公司) to actively explore value-added business for group meals and retail services;
2. we proactively developed city services and have currently been offering services in cities including Qingdao, Zibo, Heze and Binzhou, etc. Our management mode has become more mature and our service quality was well recognized by the market and commended by the local government; and
3. leveraging our professional edges, we explored and expanded our service chains. Lushang Design optimized the operation settings of its decoration business through extending industrial chain, and adopted a “model integrating decoration and construction” to actively explore a new focus for profit growth. It has also obtained several qualifications, including Grade B qualification for Urban-rural Planning, which provided strong support for our expansion of new business and securing large projects. The Company invested heavily in scientific research so as to deeply integrates production, learning and research, allowing it to receive the title of “gazelle enterprise” of Shandong Province and to be admitted to the list of “Small and medium-sized Scientific Technologic Type Enterprise of the Shandong Province”.

## CHAIRMAN'S STATEMENT

### Achieving initial success in improving the quality of basic services

We completed nine system certifications to standardize front-line management process, including quality management system, environmental management system, occupational health and safety management system and safety risk management system, etc. On top of our outstanding services, we focused on the “new normal” of high-end demands from customers to establish a differentiated service system. Five specialized projects were undertaken on business empowerment and product quality inspection, which helped to form closed loop model of “audit-rectification-improvement-review-rectification-improvement” for on-site quality improvement.

### CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

The Group adheres to the vision of being a comprehensive service provider for people to live a better life, and actively fulfills its corporate social responsibilities.

During the Year, the Company organized more than 400 community activities, such as the Service Day and Neighborhood Festival, which enriched the life of property owners within areas under management.

In the year ahead, the Company will continue to contribute to the sustainable development of the environment and society, and fulfill its responsibility as a state-owned enterprise.

### FUTURE PROSPECT

The Company will maintain its high quality development. By focusing on the vision of being a comprehensive service provider for people to live a better life, the Company will fully penetrate the “integrated lifestyle business chain” and “whole asset management operation and maintenance chain”, cultivate four key capabilities of products strength, organizational strength, technological strength and operational strength and create a “6+N” service model. Leveraging on the six main service offerings of property services, value-added operation services, city services, design services, decoration services and landscaping services, the properties under our management covers various types of properties, including residential buildings, office buildings, public buildings, industrial parks, hospitals and schools. We are committed to becoming a leading comprehensive property service provider and smart city space service provider in Shandong Province by implementing a three-step strategy of “strengthening foundation”, “building brand” and “promoting development”.

### ACKNOWLEDGEMENT

2022 is a milestone year in the development history of the Group. The successful listing of the H Shares on the Stock Exchange on July 8, 2022 is inseparable from the joint efforts of all our employees and strong support of all parties in the society. On behalf of the Board, I would like to express my sincere gratitude to all our employees, investors, customers and partners.

In 2023, we will seek a steady yet progressive growth with quality enhancement, strengthen foundation, build brand, pursue growth and enhance efficiency, in order to comprehensively promote high-quality development of the Company and continue to create more value for customers, shareholders, employees and partners.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

We are a comprehensive property management service provider with a market leading position in Shandong Province and a proven track record of rapid growth. According to CIA, we were ranked 41st among the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業) in terms of overall strength and were recognized as an “Outstanding Enterprise in the Property Management Industry with Diversified Operations in 2021” (2021物業管理行業多元化運營優秀企業) and one of the “Leading Property Management Brands in Specialized Operations in 2021” (2021物業服務專業化運營領先品牌企業). We were also recognized as one of the “Shandong well-known brand (services) enterprises” (山東知名品牌(服務)企業) and an “Outstanding Member Unit in 2022” by the Shandong Property Management Association. During the Year, the revenue of the Group was RMB627.7 million, representing a growth by 7.7% as compared with RMB582.8 million for the year ended December 31, 2021. The net profit during the Year was RMB78.3 million, representing a growth by 1.7% as compared with RMB77.0 million for the last corresponding period. As of December 31, 2022, the Group had 87 projects under management, with the total GFA under management of 22.2 million sq.m. We also had 87 contracted projects, with total contracted area of 26.1 million sq.m. Headquartered in Jinan, Shandong Province, through 16 years of development since our establishment in 2006, we have expanded our coverage to nearly all prefecture-level cities in Shandong Province and to Beijing and Harbin. We are deeply rooted in Shandong Province, which, according to CIA, is one of the most populous and economically prosperous provinces in China, and has always been and will continue to be our strategic development focus. According to National Bureau of Statistics, for the year ended December 31, 2022, the aggregate gross domestic product (GDP) of Shandong Province ranked third among all provinces in China, and the per capita annual disposable income in Shandong Province is higher than the average in China. Throughout the course of our development, we have adhered to our vision of “building sweet and healthy home” for property owners and residents (“健康為民·幸福為家”) in conducting our business. We believe that our commitment to customer satisfaction and customer-centric culture have shaped our brand image and helped establishing our leading market position in Shandong Province.

### The Business Model of the Company

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

#### ***Property management services: accounting for approximately 46.9% of total revenue***

For the Year, the Group’s revenue from property management services amounted to approximately RMB294.1 million, representing an increase of approximately 15.1% as compared to the corresponding period in 2021, mainly due to the optimization of our project portfolio and strategic expansion of our city services during the Year.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Source of projects	2022		As of December 31, 2021		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 %
Lushang Development Group	12,620	57.0	12,424	54.3	196	1.6
Other related parties	1,095	4.9	918	4.0	177	19.3
Subtotal	13,715	61.9	13,342	58.3	373	2.8
Third parties	8,437	38.1	9,527	41.7	-1,090	-11.4
Total	22,152	100.0	22,869	100.0	-717	-3.1

We have a long and close strategic ongoing relationship with Lushang Development, a controlling shareholder of the Company. Lushang Development is a comprehensive property developer listed on the Shanghai Stock Exchange (stock code: 600223) and has developed a diversified portfolio of high-quality properties covering shopping malls, commercial pedestrian streets, residential buildings, office buildings and hotels. As of December 31, 2022, 53 properties under our management were developed by the Lushang Development Group with a total GFA under management of 12.6 million sq.m., representing an increase of 0.2 million sq.m. as compared to December 31, 2021.

In addition, we have maintained a close and long-term relationship with Shandong Commercial, a controlling shareholder of the Company. Shandong Commercial is a large-scale holding company with a wider range of investments in retail, healthcare, finance and commercial tourism and hotel administration, among other sectors. As of December 31, 2022, 6 properties under our management were developed by Shandong Commercial Group with a total GFA under management of 1.1 million sq.m., representing an increase of 0.2 million sq.m. as compared to December 31, 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

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,									
	2022		2022			2021		2021		
	Revenue		GFA under management	Number of projects under management		Revenue		GFA under management	Number of projects under management	
	RMB'000	%	sq.m.'000	%		RMB'000	%	sq.m.'000	%	
Residential properties	173,138	58.9	12,301	55.5	43	170,633	66.8	12,153	53.2	38
Non-residential properties										
(1) Commercial properties	75,965	25.8	2,555	11.5	26	69,762	27.3	2,405	10.5	27
(2) Others	44,996	15.3	7,296	33.0	18	15,090	5.9	8,311	36.3	17
Total	294,099	100.0	22,152	100.0	87	255,485	100.0	22,869	100.0	82

We provide property management to a diversified portfolio of properties, including both residential properties and non-residential properties such as commercial complexes, municipal facilities, office buildings, apartments, schools, theme towns, hospitals, banks, industrial parks and airline base property. As of December 31, 2022, we managed a total of 44 non-residential properties, with an aggregate GFA of non-residential properties under management of 9.9 million sq.m.. Our diversified portfolio of properties under management has helped us diversify our revenue streams.

**Value-added services to non-property owners: accounting for approximately 29.9% 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,			
	2022		2021	
	RMB'000	Percentage of revenue	RMB'000	Percentage of revenue
		%		%
Design services	73,423	39.1	67,728	33.1
Landscaping services	75,243	40.0	65,848	32.1
Preliminary property management services	16,595	8.8	24,881	12.1
Pre-delivery services	10,440	5.6	28,469	14.0
Others customized services	12,207	6.5	17,890	8.7
Total	187,908	100.0	204,816	100.0

## MANAGEMENT DISCUSSION AND ANALYSIS

For the Year, the Group's revenue from value-added services to non-property owners amounted to approximately RMB187.9 million, representing a decrease of approximately 8.3% over the corresponding period in 2021, mainly due to the decrease in the number of projects delivered by property developers during the Year resulting from the downturn of the real estate market, which led to the decrease in the revenue from preliminary property management services and pre-delivery services.

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

**Community value-added services: accounting for approximately 23.2% of total revenue**

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

Service type	For the year ended December 31,		For the year ended December 31,	
	2022	Percentage of revenue	2021	Percentage of revenue
	RMB'000	%	RMB'000	%
Parking space management services	39,041	26.8	34,256	28.0
Community living services	60,457	41.5	53,735	43.9
Utility management services	36,594	25.1	26,881	21.9
Community space and resource management services	9,635	6.6	7,630	6.2
<b>Total</b>	<b>145,727</b>	<b>100.0</b>	122,502	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 RMB145.7 million, representing an increase of approximately 19.0% as compared with the corresponding period of 2021, primarily due to the increase in our GFA under management for residential properties and commercial properties.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

## Revenue

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

Revenue	For the year ended December 31,				
	2022		2021		Growth Rate
	RMB'000	Percentage of revenue %	RMB'000	Percentage of revenue %	
Property management services	294,099	46.9	255,485	43.8	15.1
Value-added services to non-property owners	187,908	29.9	204,816	35.1	-8.3
Community value-added services	145,727	23.2	122,502	21.1	19.0
Total	627,734	100.0	582,803	100.0	7.7

For the Year, the total revenue of the Group was approximately RMB627.7 million (2021: approximately RMB582.8 million), representing an increase of approximately 7.7% as compared with the corresponding period in 2021, mainly due to the revenues derived from our two service lines increased as stated below:

**Property management services:** The revenue of our property management services increased by 15.1% from RMB255.5 million for the year ended December 31, 2021 to RMB294.1 million for the Year, primarily due to the optimization of our project portfolio and strategic expansion of our city services during the Year.

**Community value-added services:** The revenue of our community value-added services increased by 19.0% from RMB122.5 million for the year ended December 31, 2021 to RMB145.7 million for the Year, primarily due to the increase in our GFA under management for residential properties and commercial properties.

The revenue of our value-added services to non-property owners decreased by 8.3% from RMB204.8 million for the year ended December 31, 2021 to RMB187.9 million for the Year, primarily due to the decrease in the number of projects delivered by property developers during the Year resulting from the downturn of the real estate market, which led to the decrease in the revenue from preliminary property management services and pre-delivery services.

## Cost of Sales

For the Year, the cost of sales of the Group was approximately RMB483.0 million (2021: approximately RMB435.0 million), representing an increase of approximately 11.0% as compared with the corresponding period in 2021, primarily due to (i) the increase in labor costs due to our continuous business expansion; and (ii) the increase in maintenance, greening, cleaning, security maintenance and garbage disposal expenses due to the increase in the number of properties under our management.



## MANAGEMENT DISCUSSION AND ANALYSIS

**Gross Profit and Gross Profit Margin**

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

	For the year ended December 31,			
	2022		2021	
	Gross profit	margin	Gross profit	margin
	RMB'000	%	RMB'000	%
Property management services	51,851	17.6	44,875	17.6
Value-added services to non-property owners	53,337	28.4	72,672	35.5
Community value-added services	39,512	27.1	30,301	24.7
<b>Total</b>	<b>144,700</b>	<b>23.1</b>	<b>147,849</b>	<b>25.4</b>

For the Year, our gross profit was approximately RMB144.7 million, representing a decrease of 2.1% as compared with RMB147.8 million for the corresponding period in 2021. The gross profit margin of the Group decreased from approximately 25.4% in the same period in 2021 to approximately 23.1%.

For the Year, the gross profit margin of the property management services of the Group was approximately 17.6%, which was stable as compared with the corresponding period.

The gross profit margin of value-added services to non-property owners of the Group was approximately 28.4% (2021: approximately 35.5%). The drop in the gross profit margin of value-added services to non-property owners as compared with the corresponding period was mainly due to the lower gross profit margin of our design and construction services. We incurred additional staff costs when outsourcing our design and construction services to third-party subcontractors.

The gross profit margin of community value-added services of the Group was approximately 27.1% (2021: approximately 24.7%). The increase in the gross profit margin of community value-added services of the Group as compared with the corresponding period was primarily due to the expanded service scope of our community space and resource management services to address customer's diverse needs. Community space and resource management services are less labor intensive, and thus have a higher gross profit margin.

**Administrative and Other Expenses**

For the Year, the total administrative expenses of the Group were approximately RMB56.4 million, representing an increase of approximately 7.0% from approximately RMB52.7 million for the year ended December 31, 2021, primarily due to the increase in fees for employee benefits incurred by executives due to more managerial personnel recruited by us to complement our continuous business expansion.

**Other Income**

For the Year, other income was approximately RMB3.9 million, representing an increase of approximately 18.9% from approximately RMB3.3 million for the year ended December 31, 2021, primarily due to the increase in subsidies from the government granted by local government for creating and maintaining local jobs, as well as the increase in our increment in exemption of value-added tax.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Profit for the Year

Our profit for the Year was approximately RMB78.3 million, representing an increase of approximately 1.7% from approximately RMB77.0 million for the year ended December 31, 2021.

### Current Assets

As of December 31, 2022, the current assets of the Group were approximately RMB790.6 million, representing an increase of 39.8% as compared with approximately RMB565.6 million as of December 31, 2021. As of December 31, 2022, the current ratio (current assets divided by current liabilities) of the Group was approximately 2.2 times (December 31, 2021: approximately 1.7 times).

### Property, Plant and Equipment

Our property, plant and equipment mainly consist of plant and buildings, machinery and other equipment and vehicles. As of December 31, 2022, the Group's property, plant and equipment amounted to approximately RMB55.4 million, representing a decrease of approximately RMB2.0 million as compared with approximately RMB57.4 million as of December 31, 2021, primarily due to the depreciation of the property, plant and equipment during the Year.

### Trade and Bills Receivables

Our trade and bill receivables increased from approximately RMB196.9 million as of December 31, 2021 to approximately RMB284.0 million as of December 31, 2022, primarily due to the increase in the amount due from third-party customers owing to our business expansion.

### Prepayments, Deposits and Other Receivables

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

As of December 31, 2022, prepayments, deposits and other receivables amounted to approximately RMB8.4 million, representing a decrease of approximately RMB24.9 million as compared with approximately RMB33.3 million as of December 31, 2021, primarily attributable to the transfer of listing expenses to the capital reserve within equity upon the Listing.

### Trade Payables

As of December 31, 2022, trade payables amounted to approximately RMB192.7 million, representing an increase of approximately RMB55.2 million as compared with approximately RMB137.5 million as of December 31, 2021, primarily attributable to the increase in fees paid to suppliers due to our expansion on landscaping services and design services.

### 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, 2022, accrued expenses and other payables amounted to approximately RMB92.7 million, representing a decrease of approximately RMB32.6 million as compared with approximately RMB125.3 million as of December 31, 2021, primarily attributable to our payment of year-end bonus for the year 2021 in the first quarter of 2022 and payment of listing expense.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and Capital Resources

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

### Cash and Cash Equivalents

As of December 31, 2022, the Group's cash and cash equivalents amounted to approximately RMB428.8 million, representing an increase of 55.6% as compared with approximately RMB275.5 million as of December 31, 2021, primarily due to the proceeds from the issuance of H Shares. The cash and cash equivalents were denominated in RMB.

### Interest-bearing Borrowings

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

### Pledge of Assets

As of December 31, 2022, we have pledged assets of RMB3.0 million as securities for our interest-bearing borrowings.

### Gearing Ratio

Gearing ratio is calculated by the net debt as at the end of respective periods (total debt net of cash and cash equivalents and restricted cash) divided by total equity as at the same date. Our gearing ratio was 0.4% as of December 31, 2022 (December 31, 2021: nil).

### Significant Investments Held, Material Acquisitions and Disposals

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

### Future Plans for Material Investments and Capital Assets

Except for the plans disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group has no future commitment 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, 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Foreign Exchange Risk

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

### Employees and Remuneration Policy

As of December 31, 2022, the Group had 1,644 employees (as of December 31, 2021: 1,448 employees). We motivate our employees at all positions with competitive compensation schemes, performance-based incentives and career development opportunities. Compensation for employees of the Group is made with reference to the market as well as individual performance and contribution. The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry.

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

For details of the employees’ retirement scheme, please refer to Note 6(b) to the consolidated financial statements. As of 31 December 2022, no forfeited contributions were available to reduce the existing level of contributions payable by the Group.

### SUBSEQUENT EVENTS

No events has taken place subsequent to December 31, 2022 and up to the date of this annual report that may have a material impact on the Group’s operating and financial performance that need to be disclosed.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS

### Chairman of the Board and executive Director

**Mr. Wang Zhongwu (王忠武)**, aged 48, joined the Group in August 2010 and currently serves as an executive Director, Chairman of the Board and general manager. He is primarily responsible for daily business operations and strategic decision-making of the Group.

Prior to joining the Group, from July 1995 to August 2001, Mr. Wang served as a manager of the property management department in Shandong World Trade Centre (山東世界貿易中心), where he was primarily responsible for overseeing the overall management of common areas and the operation of power equipment systems. From August 2001 to November 2005, he served as a deputy manager of the engineering department of Shandong Yinzuo Jiuxin Real Estate Development Co., Ltd. (山東銀座久信房地產開發有限公司), a property developer, where he was primarily responsible for managing its engineering operations. From November 2005 to May 2009, he served successively as a manager of engineering department, deputy general manager and executive deputy general manager of Tai'an Yinzuo Real Estate Development Company Limited (泰安銀座房地產開發有限公司), a property developer, where he was primarily responsible for operations of engineering projects and devising and implementing administrative management. From May 2009 to June 2010, Mr. Wang served as a deputy general manager of Chongqing Lushang Property Company Limited (重慶魯商地產有限公司), a property developer, where he was primarily responsible for project operation and to implement the development plans of the company. From June 2010 to August 2010, Mr. Wang served as a project general manager of the Guoao City project of Shandong Lushang Property Co., Ltd. (山東省魯商置業有限公司) (a wholly-owned subsidiary of Lushang Development, "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 Development 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 Development, 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 Development and he was primarily responsible for overall business operation of Lushang Development Group, including the business of the Group. Since December 2022, Mr. Wang has been appointed as a director of Shandong Urban and Rural Development Group Co., Ltd.\* (山東省城鄉發展集團有限公司).

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

\* For identification purposes only

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**DIRECTORS** (CONTINUED)**Executive Directors**

**Mr. Shao Meng (邵萌)**, aged 34, was appointed as an executive Director on March 30, 2021. He also serves as the chief financial officer. 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 Development, 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 Development, where he was primarily responsible for overseeing the financial affairs of the property management business of the Group in Zibo, Shandong province.

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

**Mr. Yang Yunlong (楊雲龍)**, aged 41, was appointed as an executive Director on September 15, 2022. He is primarily responsible for handling capital operation, economic operation analysis, tendering and procurement affairs of the Group.

Mr. Yang has served as an accountant at the finance and property department of Zhejiang Guangxia Shandong Co., Ltd. from July 2007 to June 2009, where he was primarily responsible for financial account processing. From July 2009 to May 2021, Mr. Yang held several positions at Shandong Power Pipeline Engineering Co., Ltd., a member of the China Power Construction Group Co., Ltd., including serving as an accountant at the finance and property department of the Guangzhou branch from July 2009 to September 2010 and at the headquarters from October 2010 to February 2012, as the chief accountant at the finance and property department of the Fuxin branch from March 2012 to February 2013 and the Shenyang branch from March 2013 to December 2015, as the financial reporting director of the finance and property department at the headquarters from January 2016 to April 2016, as the deputy director of the finance and property department from May 2016 to February 2018 and as the director of the finance and property department from March 2018 to June 2021. From July 2021 to June 2022, Mr. Yang served as the finance director of Lushang Development.

Mr. Yang obtained his bachelor's degree in management from Shandong University of Economics in July 2007. In December 2016, he was certified as a certified public accountant by the examination committee for Certified Public Accountants of the Ministry of Finance, and in December 2017, he was certified as a senior accountant by the Senior Accountant Review Committee of China Power Construction Group Co., Ltd.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS (CONTINUED)

#### Non-executive Directors

**Ms. Li Lu (李璐)**, aged 47, was appointed as a non-executive Director on March 2, 2021. She is primarily responsible for the provision of guidance for the overall development of the Group.

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

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

**Ms. Luo Ye (羅擘)**, aged 35, was appointed as a non-executive Director on November 30, 2022.

Mr. Luo served as a staff member of the fund business department of Shandong Economic Development and Investment Company from April 2015 to August 2016, a business manager of the capital operation department of Shandong Finance Investment Group Co., Ltd. from August 2016 to July 2018, a department manager of the investment and financing department of Shandong New Kinetic Energy Fund Management Co., Ltd. From July 2018 to November 2020. Ms. Luo has been serving as a deputy general manager of Shandong New Kinetic Energy Investment Management Co., Ltd. since November 2020.

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.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

**Ms. Leung Bik San (梁碧珊)**, aged 52, was appointed as an independent non-executive Director on June 6, 2022. Ms. Leung is responsible for providing independent advice on the operations and management of the Group.

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

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

**Ms. Chen Xiaojing (陳曉靜)**, aged 53, 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.

\* For identification purposes only



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS *(CONTINUED)*

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

**Mr. Ma Tao (馬濤)**, aged 65, 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 Development, 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.

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

### SUPERVISORS

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

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**SUPERVISORS** (CONTINUED)

**Mr. Wang Hongtao (王洪濤)**, aged 48, was appointed as a Supervisor and president of the Supervisory Committee on March 2, 2021. Mr. Wang is primarily responsible for supervising the work of the Supervisory Committee, the Board and senior management officers of the Group.

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

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

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**SUPERVISORS** (CONTINUED)

**Mr. Zhang Xiangqian (張向乾)**, aged 49, was appointed as a Supervisor on March 2, 2021. He is primarily responsible for supervising the Board and senior management officers of the Group. Mr. Zhang joined the Group in May 2009.

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

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

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

\* For identification purposes only

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**SUPERVISORS** (CONTINUED)

**Ms. Pan Meng (潘萌)**, aged 34, was appointed as a Supervisor on February 27, 2023. She is primarily responsible for supervising the Board and senior management officers of the Group. Ms. Pan joined the Group in 2010. From August 2010 to April 2015, she served as the director of the customer service management department of the Yulongwan Project\* (御龍灣項目) of the Company, mainly responsible for project customer relationship management and property fees management. From April 2015 to April 2018, Ms. Pan successively served as the project manager at the service centre of the Lushang Plaza Project\* (魯商廣場項目) of the Company, and the project manager at the service centre of the Ginza Garden Project\* (銀座花園項目) of the Company. From April 2018 to October 2021, Ms. Pan served as the head of the administrative and human resources department of the Company, and since November 2021, she served as the director of the human resources and administration center of the Company. Ms. Pan completed the undergraduate course of business administration at the Shandong Normal University in January 2016.

**SENIOR MANAGEMENT**

**Mr. Liu Jiapeng (劉加朋)**, aged 46, is the executive deputy general manager. Mr. Liu assists the general manager for overall management of daily business operations of the Group. Mr. Liu joined the Group in January 2011 as a manager of our financial department.

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

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

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

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**SENIOR MANAGEMENT** (CONTINUED)

**Mr. Li Zhaopan (李兆攀)**, aged 38, was appointed as the general manager assistant of the Company on January 7, 2021. He joined the Group in October 2007 and is primarily responsible for assisting general manager of the Company for management and oversight of property management projects.

Upon joining the Group, in October 2007, Mr. Li served as a staff member and engineering manager of project Yinzuo Garden, a property management project of the Company until February 2012. From February 2012 to September 2013, Mr. Li was successively served as an engineering director and deputy project manager of our project in Qingdao, and was primarily responsible for supervising and ensuring the quality of engineering-related operations. From September 2013 to July 2015, Mr. Li served as a project screening manager and was primarily responsible for inspection of new projects we have undertaken and providing the Company with implementation advise in accordance with the inspection results. From July 2015 to January 2021, Mr. Li served as an executive deputy general manager and general manager of the Harbin project of the Company, where he was primarily responsible for overall project management and daily operation of the project. Mr. Li completed an undergraduate course in real estate development and management from Shandong Normal University (山東師範大學) in the PRC in January 2013.

**Mr. Yang Zhen (楊振)**, aged 36, was appointed as the secretary of our Board on May 20, 2022. He is also serving as our joint company secretary and is primarily responsible for handling corporate secretarial matters. Mr. Yang joined the Group in May 1, 2014 and has served as the director of the office of the Board since November 2022, where he has been primarily responsible for managing capital markets affairs and daily business operations of the Board.

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

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

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

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**JOINT COMPANY SECRETARIES**

**Mr. Yang Zhen (楊振)**, aged 36, was appointed as our joint company secretary on June 24, 2021. For details of his biography, see “Senior Management” in this section.

**Mr. Wong Wai Chiu (黃偉超)**, aged 68, was appointed as our joint company secretary on June 24, 2021. He is primarily responsible for handling corporate secretarial matters. Mr. Wong is an associate director of SWCS Corporate Services Group (Hong Kong) Limited. He has extensive experience in compliance and secretarial related works. Mr. Wong obtained his bachelor’s degree in social science from University of Hong Kong (香港大學) in Hong Kong in October 1977. He obtained his master’s degrees of applied science from University of Technology Sydney in Australia in May 1990, corporate governance from Hong Kong Polytechnic University (香港理工大學) in Hong Kong in November 2010 and arbitration and disputes resolution from City University of Hong Kong (香港城市大學) in Hong Kong in November 2007. He was certified as a chartered secretary by The Hong Kong Chartered Governance Institute in September 2018 and a certified public accountant by the Institute of Certified Public Accountants of Australia in December 2010. Mr. Wong was also admitted as a certified trust practitioner of Hong Kong Trustees’ Association in September 2019.

# CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report for the period from the Listing Date to December 31, 2022.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Save for the deviation for reasons set out below, during the period from the Listing Date and up to December 31, 2022, the Group has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. With effect from November 30, 2022, Mr. WANG Zhongwu assumes the dual roles of the Chairman and the general manager of the Company. The Board believes that having the same individual in both roles as the Chairman and the general manager of the Company will continue to ensure that the Group has consistent leadership and the ability to make and implement the overall strategy of the Group effectively. The Board believes that this structure does not compromise the balance of power and authority between the Board and the management of the Company. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

Upon specific enquiry, all Directors and Supervisors confirmed that they have complied with the Model Code since the Listing Date and up to December 31, 2022.

## CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

### Board Composition

As at December 31, 2022, the Board comprises eight Directors with three executive Directors, two non-executive Directors, and three independent non-executive Directors. With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. Our Board currently comprises four female Directors and four male Directors. Hence, we consider the Board has achieved gender diversity. We will continue to take steps to promote and maintain gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels.

Details of our Board composition as at December 31, 2022 and up to the date of this annual report are set out below:

#### *Executive Directors*

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

#### *Non-executive Directors*

Ms. Li Lu  
Ms. Luo Ye

#### *Independent Non-executive Directors*

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

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

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

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

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



## CORPORATE GOVERNANCE REPORT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

For the period from the Listing Date to December 31, 2022, the Board has complied with the requirements of Rule 3.10A of the Listing Rules (which specified that an issuer must appoint independent non-executive directors representing at least one-third of the board), and the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules (which specify that every board of directors shall include at least three independent non-executive directors, and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise).

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

The Board has also established mechanisms to ensure independent views are available to the Board, including providing the Directors with sufficient resources to perform its duties and shall seek, at the Company's expense, independent professional advice to perform its responsibilities if necessary. For the year ended December 31, 2022, the Board reviewed the implementation of the abovementioned mechanism and considered the mechanism to be appropriate and effective.

### THE APPOINTMENT OF DIRECTORS

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

## CORPORATE GOVERNANCE REPORT

**NOMINATION POLICY**

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

The procedure for nominating Directors is as follows:

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

## CORPORATE GOVERNANCE REPORT

### BOARD DIVERSITY POLICY

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

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

Our Directors have a balanced mix of knowledge, skills and experience, including property management, business management, engineering operation, construction design, audit, finance and investment. They obtained degrees in various majors, including public administration, business management, engineering, commerce and economics. We have three independent non-executive Directors who have different industry backgrounds, representing over one-third of our Board members. Furthermore, our Board has a wide age range of 34 to 65 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 Committee

The Board has established the Strategy Committee with written terms of reference. The Strategy 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 Committee. The primary duties of the Strategy 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; and
- other matters required by laws, administrative regulations, departmental rules and authorised by the Board.

During the period from the Listing Date to December 31, 2022, the Strategy Committee has not held any meeting.

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES *(CONTINUED)*

#### Audit Committee

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

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

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

During the period from the Listing Date to December 31, 2022, the Audit Committee held one meeting to review the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2022.

#### Remuneration Committee

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

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

During the period from the Listing Date to December 31, 2022, the Remuneration Committee held two meetings to review the remuneration policy and structure of the Company and to determine the terms of the specific remuneration package of each newly appointed Director.

#### Nomination Committee

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

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

During the period from the Listing Date to December 31, 2022, the Nomination Committee held two meetings to consider and make recommendation on the nomination of new Directors candidates with reference to the Company's nomination policy and Board Diversity Policy.

## CORPORATE GOVERNANCE REPORT

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

The general meeting is the highest authority of the Company. It provides an opportunity for direct communication and a sound relationship between the Shareholders and the Board and senior management. The Company attaches great importance to the general meeting. During the period from the Listing Date and up to December 31, 2022, the Company held a total of two general meetings, namely the 2022 first extraordinary general meeting of the Company held on September 15, 2022 and the 2022 second extraordinary general meeting of the Company held on November 30, 2022. All the resolutions submitted at the general meetings were passed.

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

During the period from the Listing Date and up to December 31, 2022, the Board of Directors convened four 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 Committee	General meeting
Mr. Zhao Yanfeng <sup>(Note 1)</sup>	1/1	-	-	-	0/0	0/0
Mr. Wang Zhongwu	4/4	-	2/2	-	0/0	2/2
Mr. Shao Meng	4/4	-	-	-	0/0	2/2
Mr. Yang Yunlong <sup>(Note 2)</sup>	3/3	-	-	-	-	2/2
Mr. Bao Song <sup>(Note 3)</sup>	2/2	-	-	-	0/0	2/2
Mr. Zhang Tiebo <sup>(Note 4)</sup>	3/3	-	-	-	-	1/1
Ms. Li Lu	4/4	1/1	-	2/2	-	2/2
Ms. Luo Ye <sup>(Note 5)</sup>	1/1	-	-	-	-	1/1
Ms. Leung Bik San	4/4	1/1	-	-	-	2/2
Ms. Chen Xiaojing	4/4	1/1	2/2	2/2	0/0	2/2
Mr. Ma Tao	4/4	-	2/2	2/2	-	2/2

Notes:

1. Mr. Zhao Yanfeng resigned on September 15, 2022.
2. Mr. Yang Yunlong was appointed on September 15, 2022.
3. Mr. Bao Song was appointed on September 15, 2022 and resigned on November 30, 2022.
4. Mr. Zhang Tiebo resigned on November 30, 2022.
5. Ms. Luo Ye was appointed on November 30, 2022.

## 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. In addition, in preparation for the Listing, all Directors have received formal and comprehensive training regarding their responsibilities and obligations under the Listing Rules and relevant laws. 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. ZHAO Yanfeng, Mr. WANG Zhongwu, Mr. SHAO Meng, Mr. YANG Yunlong, Mr. BAO Song, Mr. ZHANG Tiebo, Ms. LI Lu, Ms. LUO Ye, Ms. LEUNG Bik San, Ms. CHEN Xiaojing and Mr. MA Tao have complied with code provision C.1.4 of the Corporate Governance Code and participated in continuous professional development to develop and refresh their knowledge and skills.

Training received by Directors for the year ended December 31, 2022:

Directors	Types of training <sup>(Note)</sup>
Mr. ZHAO Yanfeng	A,B
Mr. WANG Zhongwu	A,B
Mr. SHAO Meng	A,B
Mr. YANG Yunlong	A,B
Mr. BAO Song	A,B
Mr. ZHANG Tiebo	A,B
Ms. LI Lu	A,B
Ms. LUO Ye	A,B
Ms. LEUNG Bik San	A,B
Ms. CHEN Xiaojing	A,B
Mr. MA Tao	A,B

Notes:

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

B: Reading 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, 2022 are set out in Notes 8 and 9 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, 2022.

The remuneration level of the Company's senior management (excluding Directors and Supervisors) by band for the year ended December 31, 2022 is set out below:

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

## CORPORATE GOVERNANCE FUNCTION

The Board has a duty to perform the functions set out in Code Provision A.2.1 of the Corporate Governance Code. During the period from the Listing Date to December 31, 2022, the Board has developed and reviewed the Company's policies and practices on corporate governance; reviewed and monitored the training and continuing professional development of Directors and senior management and the Company's policies and practices in relation to compliance with legal and regulatory requirements; developed, reviewed and monitored the code of conduct and compliance manual to employees and Directors; and reviewed the Company's compliance with the Corporate Governance Code.

## DIRECTORS' AND OFFICERS' INSURANCE

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

## INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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



## CORPORATE GOVERNANCE REPORT

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

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

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

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

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

The Board is of the view that the Group's risk management and internal control systems were effective and adequate in 2022 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, 2022, which give a true and fair view of the condition of the Company and the Group and of the Group's results and cash flows.

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

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

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

## CORPORATE GOVERNANCE REPORT

### AUDITOR'S REMUNERATION

For the year ended December 31, 2022, the Company's remuneration to the external auditor of the Company, KPMG, for audit services for 2022 was RMB1.4 million. Apart from this, the Company's external auditor provided non-audit services in respect of 2022 interim results review at a fee of RMB0.4 million.

### JOINT COMPANY SECRETARIES

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

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

During the year ended December 31, 2022, Mr. Yang Zhen and Mr. Wong Wai Chiu have received relevant professional training of not less than 15 hours respectively in accordance with Rule 3.29 of the Listing Rules.

### SHAREHOLDERS' RIGHTS

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

#### Convening of general meetings

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

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

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

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

## CORPORATE GOVERNANCE REPORT

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

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

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

**Enquiries to the Board**

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

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

**COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS**

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

In addition, the Company updates its website from time to time to keep the Shareholders updated of the recent development of the Company. The Company endeavors to maintain an ongoing dialogue with shareholders. At the annual general meeting, the Directors (or their delegates as appropriate) will be available to meet with the Shareholders and answer their enquiries. Having considered the multiple channels of communication in place as described above, the Company considers the implementation of the Shareholders' communication policy during 2022 was effective.

## CORPORATE GOVERNANCE REPORT

**DIVIDEND POLICY**

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

**EMPLOYEE DIVERSITY**

The Group insists on the principle of fairness and voluntariness in recruitment, and does not impose any restrictive requirements on gender, ethnicity, nationality and region. In order to avoid child labour and forced labour, we, in strict compliance with the provision of Article 15 of the Labour Law of the People's Republic of China, ban the employer from recruiting juveniles under the age of 16, and strictly check whether the actual age of the candidates meets the employment criteria by checking their identity card, etc. By the end of 31 December 31, 2022, the Group had 1,644 employees in total.

The indicators on employees of the Group in 2022 are as follows:

Name of indicator	At the end of 2022 (persons)	Percentage of total number of employees at the end of 2022
Male employees	902	54.9
Female employees	742	45.1
Employees aged 30 and under	454	27.6
Employees aged from 31 to 50	919	55.9
Employees aged 51 or above	271	16.5

The Group encourages gender diversity across its workplace. We maintain a 55:45 ratio of males to females in the workforce as at December 31, 2022. The Board considers that gender diversity in respect of both the Board and the workforce (including senior management) has been achieved.

**ARTICLES OF ASSOCIATION**

There were no changes in the Articles of Association from the Listing Date to December 31, 2022. The latest version of the Articles of Association is available on the Company's website ([www.lushangfuwu.com](http://www.lushangfuwu.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

# REPORT OF THE BOARD

The Board is pleased to present its directors' report and the audited consolidated financial statements of the Company for the year ended December 31, 2022.

## GENERAL INFORMATION AND INITIAL PUBLIC OFFERING

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

## PRINCIPAL ACTIVITIES

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

## FINAL DIVIDEND

The Board has resolved to recommend the distribution of a final dividend in cash of RMB0.1074 per share of the Company (before tax) for the year ended December 31, 2022.

As at 31 December 2022, 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, 2022, details of the changes in share capital of the Company are set out in Note 25 to the financial statements.

### DEBENTURES

The Company did not issue any debentures for the year ended December 31, 2022.

### 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, 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

### RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group for the year ended December 31, 2022 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, 2022, our aggregate amount of reserve available for distribution to equity Shareholders of the Company was approximately RMB142.7 million.

## REPORT OF THE BOARD

## PROCEEDS FROM THE LISTING

The H Shares were successfully listed on the Main Board of the Stock Exchange on July 8, 2022 and 33,340,000 H Shares were issued. After deduction of underwriting fees and related expenses, the net proceeds from the Listing were approximately HK\$138 million (the “**Net Proceeds**”) and the net price per H Share was approximately HK\$4.14.

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

Proposed use of Net Proceeds as set out in the Prospectus	Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised Net Proceeds	Unutilised Net Proceeds	Expected time of full utilisation
			as of December 31, 2022 (HK\$ million)	as of December 31, 2022 (HK\$ million)	
Major categories					
Sub-categories and specific plans					
<i>Strategic cooperation, acquisitions and investments to expand business scale and diversity property portfolio</i>	60.0	82.8	0	82.8	December 31, 2024
(i) Strategic acquisitions and investments in property management companies with a focus on managing residential projects	48.0	66.24	0	66.24	
(ii) Strategic acquisitions and investments in property management companies with a focus on managing non-residential projects to further diversify our managed property portfolio	12.0	16.56	0	16.56	
<i>Enhance property management services and further develop our diversified community value-added services to improve our customers' experience and satisfaction</i>	15.0	20.7	0	20.7	December 31, 2023
(i) Further improve our traditional property management services to enhance customer experiences:	10.0	13.8	0	13.8	
– For training programs, among which:		5.06	0	5.06	



## REPORT OF THE BOARD

## PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus	Approximate % of Net Proceeds	Intended use of Net Proceeds	Utilised Net Proceeds as of December 31, 2022	Unutilised Net Proceeds as of December 31, 2022	Expected time of full utilisation
	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
(a) to provide occupational training programs for our employees to obtain necessary qualifications and licenses for, among others, fire safety, security services, human resources, financial management and greening and gardening;	0.43	0	0.43		
(b) to hold training classes targeting different levels of our employees, including our management trainees, entry level employees and senior employees, to create a highly professional workforce and ensure the smooth implementation of our standardized operation procedures;	3.6	0	3.6		
(c) to organize internal competitions to further incentivize our employees and therefore align our employees' interests with ours;	0.17	0	0.17		
(d) to the training of our internal instructors of our training programs;	0.43	0	0.43		

## REPORT OF THE BOARD

## PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus	Approximate % of Net Proceeds	Intended use of Net Proceeds	Utilised Net Proceeds as of December 31, 2022	Unutilised Net Proceeds as of December 31, 2022	Expected time of full utilisation
		(HK\$ million)	(HK\$ million)	(HK\$ million)	
(e) to provide to training sessions relating to property management industry to help our employees and management team stay abreast of industry development trends.		0.43	0	0.43	
– For brand promotions, among which:		8.76	0	8.76	
(a) to improve the content of our online platforms such as our official website, TikTok account and WeChat official account to increase the publicity of our brand;		0.26	0	0.26	
(b) to hold press conferences and public relation campaigns to further enhance our brand awareness;		0.95	0	0.95	
(c) to hold publicity campaigns that features our brand ambassadors and our services and products to create more opportunities to interact with our customers and further enhance our social influence;		3.86	0	3.86	

## REPORT OF THE BOARD

## PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus	Approximate % of Net Proceeds	Intended use of Net Proceeds	Utilised Net Proceeds as of December 31, 2022	Unutilised Net Proceeds as of December 31, 2022	Expected time of full utilisation
		(HK\$ million)	(HK\$ million)	(HK\$ million)	
(d) to advertisement on both traditional media and new media platforms; and		2.74	0	2.74	
(e) to unify our firmwide VI designs to consolidate and streamline our brand promotion management.		0.95	0	0.95	
(ii) Further develop our diversified community value-added services	5.0	6.9	0	6.9	
<i>Invest in technology systems and standardized business operations</i>	15.0	20.7	0	20.7	December 31, 2023
<i>Develop technology-supported community platform</i>					
(i) Develop our online service platforms to improve interactions with our customers	2.2	3.0	0	3.0	
(ii) Procure and upgrade intelligent devices and facilities at our managed properties, among which:	9.8	13.5	0	13.5	
(a) to monitoring and communication equipment and personnel that manage the smart systems;		1.28	0	1.28	
(b) to parking lot renovation; and		3.08	0	3.08	
(c) to the smart system assuming that developing and upgrading such systems in each community.		9.14	0	9.14	

## REPORT OF THE BOARD

## PROCEEDS FROM THE LISTING (CONTINUED)

Proposed use of Net Proceeds as set out in the Prospectus	Approximate % of Net Proceeds	Intended use of Net Proceeds (HK\$ million)	Utilised	Unutilised	Expected time of full utilisation
			Net Proceeds as of December 31, 2022 (HK\$ million)	Net Proceeds as of December 31, 2022 (HK\$ million)	
(iii) Develop and upgrade our internal management systems, among which:	3.0	4.14	0	4.14	
(a) to internal management system operation and data protection; and		2.5	0	2.5	
(b) to human resource for internal management.		1.64	0	1.64	
<i>Working capital</i>	<i>Working capital and other general corporate purposes.</i>	10.0	13.8	0	13.8 December 31, 2023
Total		100.0	138		

As of 31 December 2022, the Directors did not use any of the net proceeds and are not aware of any material change in the planned use of the Net Proceeds. The remaining Net Proceeds which had not been utilized were deposited with licensed financial institution in mainland China. The unutilised Net Proceeds and the above timeline of intended utilization will be applied in the manners disclosed by the Company. However, the expected timeline for the unutilised Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

## INVESTMENT PROPERTIES

The Company had no properties held for investment.

## PROPERTY INTERESTS AND PROPERTY VALUATION

As disclosed in the Prospectus, Cushman & Wakefield, an independent property valuer, valued our properties based on certain assumptions. In valuing the basement car parks under Yinzuo Jingdu International Plaza (銀座晶都國際廣場), Cushman & Wakefield has adopted the Market Comparison Method.

Cushman & Wakefield has valued our basement car parks as of 30 April 2022 and is of the opinion that the market value of the property in which we had an interest as of such date was RMB7.1 million, and the hypothetical value would be RMB35.8 million. The full text of the letter and summary disclosure of property valuation with regard to our basement car parks are set out in "Appendix III – Valuation Report" to the Prospectus. The following table shows the reconciliation of the aggregate amount reflected in the financial information as of 31 December 2022 as disclosed in the Accountants' Report included in this annual report, with the valuation of these basement car parks as of 30 April 2022 disclosed in "Appendix III – Valuation Report" to the Prospectus:

## REPORT OF THE BOARD

**PROPERTY INTERESTS AND PROPERTY VALUATION** (CONTINUED)

(RMB'000)

<b>Net book value of inventories of the Group as of 31 December 2022</b>	38,302 <sup>(1)</sup>
Valuation surplus as of 31 December 2022	4,598
<b>Valuation as of 30 April 2022 as set out in Appendix III to the Prospectus</b>	<b>42,900</b>

Notes:

(1) Such amount excluded the net book value of specific goods for sales with a carrying amount of RMB3.9 million as of 31 December 2022.

**RIGHTS OF PRE-EMPTION**

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

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

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

**EQUITY-LINKED AGREEMENTS**

For the year ended December 31, 2022, no equity-linked agreement was entered into by the Group or still in effect.

**SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS**

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

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

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

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

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

For the year ended December 31, 2022, no Director, Supervisor or any entity connected with the Directors or Supervisors of the Company is materially interested in, either directly or indirectly, any material transactions, arrangements or contracts relating to the business of the Company to which the Company or any of its subsidiaries is a party.

## REPORT OF THE BOARD

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

For the year ended December 31, 2022, no Directors, the Supervisors or any of their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete with the Company's business as required to be disclosed under Rule 8.10 of the Listing Rules.

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

As at December 31, 2022, the interests and short positions of the Directors, Supervisors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company's associated corporation (within the meaning of Part XV of SFO), which will be required to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name	Name of associated corporation	Nature of interest	Number of Shares interested	Approximate percentage of shareholding
Mr. Wang Zhongwu	Lushang Development	Beneficial owner	200,000 <sup>(1)</sup>	0.0198%
Ms. Li Lu	Lushang Development	Beneficial owner	300,000 <sup>(2)</sup>	0.0297%
Mr. Shao Meng	Lushang Development	Beneficial owner	2,681 <sup>(3)</sup>	0.0003%
Mr. Wang Hongtao	Lushang Development	Beneficial owner	130,000 <sup>(4)</sup>	0.0129%
Mr. Zhang Xiangqian	Lushang Development	Beneficial owner	73,334 <sup>(5)</sup>	0.0073%

Notes:

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

## REPORT OF THE BOARD

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

So far as is known to the Directors, as of December 31, 2022, the persons (other than Directors, Supervisors and chief executives of the Company) or corporations who had an interest or short position in the shares and/or underlying shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Nature of interest	Class of Shares	Number of Shares interested <sup>(1)</sup>	Approximate percentage of shareholding in the relevant class of Shares <sup>(2)</sup>	Approximate percentage of shareholding in the total Shares <sup>(3)</sup>
Lushang Development <sup>(4)</sup>	Beneficial owner	Domestic Shares	95,100,000 (L)	95.1%	71.3%
	Interest in controlled corporation	Domestic Shares	4,900,000 (L)	4.9%	3.7%
Shandong Commercial	Interest in controlled corporation	Domestic Shares	100,000,000 (L)	100%	75.0%
Beijing Urban Construction Group Co., Ltd.* (北京城建集團有限責任公司)	Interest in controlled corporation	H Shares	6,495,000 (L)	19.48%	4.87%
Beijing Urban Construction Real Estate Development Co., Ltd.* (北京城建房地產開發有限公司)	Beneficial owner	H Shares	6,495,000 (L)	19.48%	4.87%
HWABAO TRUST CO., LTD	Trustee	H Shares	6,495,000 (L)	19.48%	4.87%
CHINA INTERNATIONAL ECONOMIC TRADING LIMITED	N/A <sup>(5)</sup>	H Shares	4,680,000 (L)	14.04%	3.51%
LU DUNKE <sup>(6)</sup>	Interest in controlled corporation	H Shares	3,650,000 (L)	10.95%	2.74%
Wenshang County Science Advancement and Construction Security and Workforce Co., Ltd.* (汶上縣科進建安勞務有限責任公司) <sup>(6)</sup>	Beneficial owner	H Shares	3,650,000 (L)	10.95%	2.74%

\* For identification purposes only

## REPORT OF THE BOARD

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

Name	Nature of interest	Class of Shares	Number of Shares interested <sup>(1)</sup>	Approximate percentage of shareholding in the relevant class of Shares <sup>(2)</sup>	Approximate percentage of shareholding in the total Shares <sup>(3)</sup>
FAN QINYUAN <sup>(7)</sup>	Interest in controlled corporation	H Shares	3,025,000 (L)	9.07%	2.27%
Nantong Chen Yun Construction Workforce Co., Ltd.* (南通辰運建築勞務有限公司) <sup>(7)</sup>	Beneficial owner	H Shares	3,025,000 (L)	9.07%	2.27%
Shandong Tian Qi Venture Capital Co., Ltd.* (山東天齊創業投資有限公司)	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 the Listing Date.
- (3) Calculated based on the total number of 133,340,000 Shares in issue as at December 31, 2022.
- (4) Shandong Lushang Innovation holds 4,900,000 Shares, representing approximately 3.7% of our total Shares in issue. As at December 31, 2022, Lushang Innovation was wholly owned by Lushang Development, which is owned as to approximately 52.0% by Shandong Commercial and 1.7% by Lushang Group Co., Ltd., a company owned as to approximately 68.2% by Shandong Commercial. By virtue of the SFO, Lushang Development is deemed to be interested in the Shares held by Lushang Innovation and Shandong Commercial is deemed to be interested in the Shares held by Lushang Development.
- (5) Based on the disclosure of interests form submitted by CHINA INTERNATIONAL ECONOMIC TRADING LIMITED on July 11, 2022 in respect of the relevant event that occurred on the Listing Date.
- (6) 汶上縣科進建安勞務有限責任公司 is a company beneficially wholly-owned by LU DUNKE.
- (7) 南通辰運建築勞務有限公司 is a company beneficially wholly-owned by FAN QINYUAN.

Save as disclosed above, as at December 31, 2022, the Directors were not aware of any persons (other than Directors, Supervisors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

\* For identification purposes only



## REPORT OF THE BOARD

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended December 31, 2022 were there any rights to acquire benefits by means of the purchase of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no subsisting arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

### PERMITTED INDEMNITY PROVISION

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

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2022.

### CHARITABLE DONATIONS

During the year ended December 31, 2022, the Group did not make charitable donations.

### COMPLIANCE WITH DEED OF NON-COMPETITION

Each of Shandong Commercial, Lushang Development and Lushang Innovation, 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, 2022, 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, 2022.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2022, the revenue attributable to the Group's five largest customers and the largest customer accounted for 36.7% and 29.4%, respectively, of the Group's total revenue for the year ended December 31, 2022. Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 20.1% and 6.0%, respectively, of the Group's total purchases for the year ended December 31, 2022.

None of the Directors, Supervisors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for the year ended December 31, 2022.

## REPORT OF THE BOARD

**CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS**

Saved as disclosed under "Continuing Connected Transaction", neither the Company nor any of its subsidiaries entered into any significant contracts with the controlling shareholders of the Company or any of its subsidiaries for the year ended December 31, 2022.

**CONTINUING CONNECTED TRANSACTION**

From the Listing Date to December 31, 2022, the Group entered into the following non-exempted continuing connected transactions with its connected persons:

**1. Master Engineering Services Agreement**

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

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

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

The actual transaction amounts for the Engineering Services provided by the Group to Lushang Development Associates and Shandong Commercial Associates for the year ended December 31, 2022 were RMB60.3 million and RMB1.3 million, respectively, which have not exceeded the aforesaid annual caps.

## REPORT OF THE BOARD

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

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

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

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

The actual transaction amounts for the Design Services provided by the Group to Lushang Development Associates and Shandong Commercial Associates for the year ended December 31, 2022 were RMB43.5 million and RMB7.0 million, respectively, which have not exceeded the aforesaid annual caps.

**3. Master Property Agency Services Agreement**

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

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

The maximum annual amounts payable by Lushang Development Associates in relation to the Property Agency Services to the Group under the Master Property Agency Services Agreement for each of the two years ending December 31, 2023 shall not exceed RMB13.0 million and RMB15.0 million, respectively.

The actual transaction amounts for the Property Agency Services provided by the Group to Lushang Development Associates for the year ended December 31, 2022 was RMB6.2 million, which has not exceeded the aforesaid annual cap.

## REPORT OF THE BOARD

**CONTINUING CONNECTED TRANSACTION** (CONTINUED)**4. Master Parking Lots Entrusted Management Services**

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

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

The actual transaction amounts for the Parking Lots Entrusted Management Services provided by Lushang Development Associates to the Group to for the year ended December 31, 2022 was RMB0.8 million, which has not exceeded the aforesaid annual cap.

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

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

## REPORT OF THE BOARD

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

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

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

The actual transaction amounts for the Property Management and Related Services provided by the Group to Lushang Development Associates and Shandong Commercial Associates for the year ended December 31, 2022 were RMB53.2 million and RMB13.2 million, respectively, which have not exceeded the aforesaid annual caps.

Each of Shandong Commercial and Lushang Development 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 Master Engineering Services Agreement, the Master Design Services Agreement, the Master Property Agency Services Agreement, the Master Parking Lots Entrusted Management Services Agreement and the Master Property Management and Related Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

**6. Master Deposit Services Agreement**

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

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 of December 31, 2022, Commercial Finance had total assets of approximately RMB8,490.6 million, registered capital of RMB2 billion and a capital adequacy ratio of 27.6%. During the year ended December 31, 2022, our deposit in Commercial Finance only accounted for a very small scale of the total deposits placed in it and hence, we are not its major customer.

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

## REPORT OF THE BOARD

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

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

The actual maximum daily deposit balances (including paid interests) our Group deposited in Commercial Finance during the year ended December 31, 2022 was approximately RMB248.8 million, which has not exceeded the aforesaid annual cap.

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

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

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

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

**CONFIRMATION FROM THE AUDITOR**

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

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

- (1) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions have not been approved by the Board;

## REPORT OF THE BOARD

### **CONFIRMATION FROM THE AUDITOR** *(CONTINUED)*

- (2) 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
- (3) 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.

The Company has lodged a copy of the auditor's letter with the Stock Exchange.

### **RELATED PARTY TRANSACTIONS**

Details of the material related party transactions entered into by the Group during the year ended December 31, 2022 are set out in Note 27 to the consolidated financial statements. Save as disclosed above, the related party transactions set out in the note above do not fall within the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

### **MATERIAL LITIGATION**

During the year ended December 31, 2022, 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**

There has been no change in the auditor since the Listing Date. The consolidated financial statements for the year ended December 31, 2022 have been audited by KPMG, Certified Public Accountant.

### **PUBLIC FLOAT**

Based on the published information and to the knowledge of the Directors, for the year ended December 31, 2022 and as at the date of this annual report, the Company maintained sufficient public float in compliance with the Listing Rules.

## REPORT OF THE BOARD

### RELATIONSHIPS WITH STAKEHOLDERS

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

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

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

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

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

Details of the remuneration of the Directors, the Supervisors and the five highest paid individuals for the Relevant Year are set out in Notes 8 and 9 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 27 to the Listing Rules. The report will present the Company's commitment to sustainable development during the year under review, and it will cover the significant economic, environmental and social achievements and impacts arising from the activities of the Company and its joint ventures.



## REPORT OF THE BOARD

### 2022 AGM

The 2022 AGM will be convened and held on Friday, June 30, 2023. The notice of the 2022 AGM will be published on the Company's website ([www.lushangfuwu.com](http://www.lushangfuwu.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and dispatched to the Shareholders in the manner prescribed under the Listing Rules in due course.

### CLOSURE OF REGISTER OF MEMBERS

#### (i) Attending the 2022 AGM

For the purpose of determining the Shareholders' entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, June 27, 2023 to Friday, June 30, 2023, 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 2022 AGM, all the completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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 26, 2023 for registration. Shareholders whose names appear on the register of members of the Company of Friday, June 30, 2023 are entitled to attend and vote at the 2022 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 Thursday, July 6, 2023 to Thursday, July 13, 2023, 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, Computershare Hong Kong Investor Services Limited, at Shops 1712 -1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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 Wednesday, July 5, 2023 for registration. It is expected that the proposed final dividend, if approved by the Shareholders at the 2022 AGM, will be paid on or before Thursday, August 31, 2023 to Shareholders whose names appear on the register of members of the Company on Thursday, July 13, 2023.

By order of the Board

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

**Mr. Wang Zhongwu**

*Chairman and executive Director*

Jinan, the PRC, March 30, 2023

# REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company is pleased to present the Report of the Supervisory Committee of the Group for the year ended December 31, 2022.

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

The Supervisory Committee is of the view that, during 2022, the Company operated strictly in accordance with the requirements of relevant laws and regulations, such as the Listing Rules, and the internal control management system, such as the Articles of Association, and the Directors, senior management of the Company performed their duties diligently and faithfully in accordance with laws, regulations and the Articles of Association, thereby effectively protecting the interests of the Company and the Shareholders.

## MEMBERS OF THE SUPERVISORY COMMITTEE

The Supervisors of the Company for the year ended December 31, 2022 and up to the date of this report include:

Mr. Wang Hongtao (王洪濤)

Mr. Zhang Xiangqian (張向乾)

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

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

## MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2022

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

During the year ended December 31, 2022, the Company convened 2 meetings of the Supervisory Committee, which reviewed the financial positions of the Company and reviewed the rules of procedure of the Supervisory Committee of the Company. Supervisors carefully reviewed meeting materials and fully studied and discussed the proposals before attending the meetings of the Supervisory Committee. They attended all meetings of the Supervisory Committee in person and earnestly performed supervisory duties.

During the year ended December 31, 2022, the members of the Supervisory Committee supervised the procedures and content of the meetings by attending Shareholders' general meetings and meetings of the Board, and effectively monitored the Company's decision-making procedures, operation of the Company according to laws, financial condition, and supervised the Directors and the management in the performance of their duties during the course of daily operations of the Company, which safeguarded the legitimate interests of the Company and the Shareholders.

## REPORT OF THE SUPERVISORY COMMITTEE

### **MAJOR WORK OF THE SUPERVISORY COMMITTEE IN 2022** (CONTINUED)

#### **Evaluation on behaviours of the Board and the senior management in 2022**

During 2022, the Board and the senior management of the Company performed their duties diligently, operated business in compliance with laws, thoroughly learnt about the operation of the Company and conducted adequate discussions so as to make collective decisions on relevant matters of the Company and facilitate the implementation of various resolutions passed by the Board.

During 2022, procedures for making major operating decisions of the Company were legal and valid. The Directors and senior management of the Company were able to conscientiously perform their duties with a pioneering spirit in strict compliance with national laws and regulations, relevant provisions of the Articles of Association and resolutions of shareholders' general meetings and the Board; no Directors or senior management of the Company were found by the Supervisory Committee to have committed any acts in contravention of laws, regulations or the Articles of Association or detrimental to the interests of the Shareholders and the Company.

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

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

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

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

The Supervisory Committee of the Company conducted a careful and detailed inspection of the Company's financial condition, and reviewed the Group's audited financial report for the year ended December 31, 2022 and other financial information. It believed that the financial report has reflected the Company's operating results and financial condition in a comprehensive, truthful and objective manner. Financial accounts were unambiguous, accounting and financial management were in compliance with relevant regulations, and no problem was found, and they were not aware of any violation of the relevant accounting standards and legal requirements by the personnel who were involved in the preparation and review of the annual report; the unqualified opinion on financial report issued by the audit firm was objective and fair.

### **MAJOR INITIATIVES OF THE SUPERVISORY COMMITTEE FOR 2023**

In 2023, the Supervisory Committee will work diligently and faithfully under relevant requirements of the Listing Rules, the Articles of Association and the Rules of Procedure of the Supervisory Committee, implement effective supervision on the Company, Directors and senior management, closely monitor the operation and management of the Company, pay attention to any significant development of the Company to promote sustainable development of the Company, and faithfully safeguard the interests of the Shareholders and the Company as a whole. Meanwhile, the Supervisory Committee will further integrate supervision resources, procure improvement in management, assist in and ensure successful realization of the Company's work targets for 2023.

# INDEPENDENT AUDITOR'S REPORT

## Independent auditor's report to the shareholders of Lushang Life Services Co., Ltd.

(Incorporated in PRC with limited liability)

### Opinion

We have audited the consolidated financial statements of Lushang Life Services Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 6 to 62, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matter

Key audit matters is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matters was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

#### Expected credit loss allowance for trade receivables

Refer to notes 15 to the consolidated financial statements and the accounting policies in note 2(h).

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2022, the Group's gross trade receivables from third parties and a loss allowance for expected credit losses (ECLs) amounted to RMB147.70 million and RMB10.99 million, respectively.</p> <p>The Group's trade receivables comprise mainly receivables from property owners and property developers.</p> <p>The Group measures the ECL allowance for trade receivables at an amount equal to lifetime ECL based on the loss patterns for different customers grouped according to the shared credit risk characteristics, ageing of trade receivables, historical loss rates, current economic conditions and forward-looking information at the end of each reporting period.</p> <p>We identified the ECL allowance for trade receivables as a key audit matter because trade receivables is material to the Group and the assessment of the ECL allowance is inherently subjective and requires the exercise of significant management judgement.</p>	<p>Our audit procedures to assess the ECL allowance for trade receivables included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal controls relating to credit control, segmentation of trade receivables, ageing analysis review, and the assessment of the ECL allowance;</li> <li>evaluating the Group's policy for estimating the ECL allowance with reference to the requirements of the prevailing accounting standard;</li> <li>obtaining an understanding on the key data and assumptions of the ECL model adopted by management, including the basis of segmentation of trade receivables, historical default data and management's estimation of loss rate;</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

## Key audit matter (CONTINUED)

Expected credit loss allowance for trade receivables	
<i>Refer to notes 15 to the consolidated financial statements and the accounting policies in note 2(h).</i>	
The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> <li>assessing the appropriateness of management's estimation of loss allowance and examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;</li> <li>assessing whether items in the trade receivables ageing report were categorised in the appropriate time band by comparing with the demand notes, invoices and other relevant underlying documentation, on a sample basis;</li> <li>re-performing the calculation of the loss allowance as at 31 December 2022 based on the Group's ECL allowance policies; and</li> <li>assessing reasonableness of the disclosures in the consolidated financial statements in respect of ECL allowance for trade receivables with the reference to the requirements of the prevailing accounting standards.</li> </ul>

### Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

### Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's 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 directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

## INDEPENDENT AUDITOR'S REPORT

**Auditor's responsibilities for the audit of the consolidated financial statements**  
*(CONTINUED)*

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ka Chun.

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

30 March 2023

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022  
(Expressed in Renminbi ("RMB"))

	Note	2022 RMB'000	2021 RMB'000
<b>Revenue</b>	4(a)	<b>627,734</b>	582,803
Cost of sales		<b>(483,034)</b>	(434,954)
<b>Gross profit</b>		<b>144,700</b>	147,849
Other net income	5	<b>3,921</b>	3,296
Administrative and other expenses		<b>(56,388)</b>	(52,724)
Recognition of expected credit loss on financial assets		<b>(5,282)</b>	(3,757)
<b>Profit from operations</b>		<b>86,951</b>	94,664
Finance income		<b>14,503</b>	5,845
Finance costs		<b>(280)</b>	(2,700)
Finance income, net	6(a)	<b>14,223</b>	3,145
<b>Profit before taxation</b>		<b>101,174</b>	97,809
Income tax	7	<b>(22,877)</b>	(20,792)
<b>Profit and total comprehensive income for the year</b>		<b>78,297</b>	77,017
<b>Profit and total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>76,742</b>	75,810
Non-controlling interests		<b>1,555</b>	1,207
<b>Profit and total comprehensive income for the year</b>		<b>78,297</b>	77,017
<b>Earnings per share (RMB)</b>	10		
– Basic and diluted		<b>0.66</b>	0.76

The notes on pages 75 to 118 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(c).



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022  
(Expressed in RMB)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	11	55,379	57,398
Intangible assets	12	1,459	1,806
Deferred tax assets	23(b)	8,616	9,617
Other long-term assets		601	–
		<b>66,055</b>	68,821
<b>Current assets</b>			
Inventories	14	43,130	42,245
Contract assets	20(a)	26,264	15,576
Trade and bills receivables	15	284,007	196,887
Prepayments, deposits and other receivables	16	8,357	33,264
Amounts due from related parties		–	2,117
Cash and cash equivalents	17	428,812	275,486
		<b>790,570</b>	565,575
<b>Current liabilities</b>			
Trade payables	18	192,677	137,530
Accrued expenses and other payables	19	92,728	125,281
Contract liabilities	20(b)	54,972	60,846
Lease liabilities	22	1,655	731
Current taxation	23(a)	7,921	6,529
Interest-bearing borrowings	21	1,632	–
Amounts due to related parties		–	595
		<b>351,585</b>	331,512
<b>Net current assets</b>		<b>438,985</b>	234,063
<b>Total assets less current liabilities</b>		<b>505,040</b>	302,884
<b>Non-current liabilities</b>			
Lease liabilities	22	1,670	2,440
Interest-bearing borrowings	21	140	–
<b>NET ASSETS</b>		<b>503,230</b>	300,444
<b>CAPITAL AND RESERVES</b>			
Share capital	25	133,340	100,000
Reserves		366,768	198,877
<b>Total equity attributable to equity shareholders of the Company</b>		<b>500,108</b>	298,877
<b>Non-controlling interests</b>		<b>3,122</b>	1,567
<b>TOTAL EQUITY</b>		<b>503,230</b>	300,444

The consolidated financial statements on pages 71 to 118 were approved and authorized for issue by the board of directors on 30 March 2023 and are signed on its behalf by:

**Wang Zhongwu**  
Director

**Shao Meng**  
Director

The notes on pages 75 to 118 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022  
(Expressed in RMB)

Note	Attributable to equity shareholders of the Company							Total equity RMB'000
	Paid in/ Share capital RMB'000 (note 25(b))	Capital reserves RMB'000 (note 25(d)(i))	Statutory reserves surplus RMB'000 (note 25(d)(ii))	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000		
<b>Balance at 1 January 2021</b>	100,000	27,406	11,720	118,703	257,829	60	257,889	
<b>Changes in equity for 2021:</b>								
Profit and total comprehensive income for the period	-	-	-	75,810	75,810	1,207	77,017	
Appropriation to reserves	-	-	4,648	(4,648)	-	-	-	
Deemed distribution arising from the Reorganization	-	(37,850)	-	-	(37,850)	-	(37,850)	
Effect of the Company's conversion from a limited liability company into a joint stock company	-	130,536	(11,720)	(118,816)	-	-	-	
Capital injection by a non-controlling equity holder of a subsidiary of the Group	-	-	-	-	-	300	300	
Equity settled share-based payments	24	3,088	-	-	3,088	-	3,088	
<b>Balance at 31 December 2021 and 1 January 2022</b>	<b>100,000</b>	<b>123,180</b>	<b>4,648</b>	<b>71,049</b>	<b>298,877</b>	<b>1,567</b>	<b>300,444</b>	
<b>Changes in equity for 2022:</b>								
Profit and total comprehensive income for the period	-	-	-	76,742	76,742	1,555	78,297	
Issuance of shares by initial public offering	33,340	91,117	-	-	124,457	-	124,457	
Appropriation to reserves	-	-	5,107	(5,107)	-	-	-	
Equity settled share-based payments	24	32	-	-	32	-	32	
<b>Balance at 31 December 2022</b>	<b>133,340</b>	<b>214,329</b>	<b>9,755</b>	<b>142,684</b>	<b>500,108</b>	<b>3,122</b>	<b>503,230</b>	

The notes on pages 75 to 118 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022  
(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
<b>Operating activities</b>			
Profit before taxation		101,174	97,809
Adjustments for:			
Depreciation and amortisation	6(c)	7,143	4,971
Recognition of expected credit losses on financial assets		5,282	3,757
Net losses on disposal of property, plant and equipment	5	30	51
Finance income, net	6(a)	(14,223)	(3,145)
Equity settled share-based payment transactions		234	449
Changes in working capital:			
(Increase)/decrease in inventories		(885)	8,329
Increase in trade and bills receivables		(92,438)	(66,123)
Increase in contract assets		(10,688)	(11,395)
(Increase)/decrease in prepayments, deposits and other receivables		(4,158)	1,102
Increase in trade payables		55,147	54,025
(Decrease)/increase in accrued expenses and other payables		(24,251)	7,706
Decrease in contract liabilities		(5,874)	(20,027)
<b>Cash generated from operations</b>		<b>16,493</b>	77,509
Income taxes paid	23(a)	(20,686)	(48,513)
<b>Net cash generated from operating activities</b>		<b>(4,193)</b>	28,996
<b>Investing activities</b>			
Payments for purchase of property, plant and equipment and intangible assets		(5,881)	(39,433)
Proceeds from disposal of property, plant and equipment		473	(4)
Advances to related parties		-	(116,474)
Repayments received from related parties		2,117	390,624
Interest received		5,197	21,118
<b>Net cash generated from investing activities</b>		<b>1,906</b>	255,831
<b>Financing activities</b>			
Capital element of lease rentals paid	17(b)	-	(737)
Proceeds from issuance of shares by initial public offering, net of share issuance expenses		168,743	-
Repayments of interest-bearing borrowings	17(b)	(1,433)	(110,000)
Interest element of lease rentals paid	17(b)	-	(147)
Interest paid	17(b)	(394)	(2,866)
Proceeds from capital injection by a non-controlling equity holder of a subsidiary of the Group		-	300
Advances from related parties		-	311
Payments to related parties	17(b)	(595)	(2,706)
Acquisition of subsidiaries under common control		-	(37,850)
Listing expense paid		(20,014)	(20,071)
<b>Net cash generated from/(used in) financing activities</b>		<b>146,307</b>	(173,766)
<b>Net increase in cash and cash equivalent</b>		<b>144,020</b>	111,061
<b>Cash and cash equivalents at 1 January</b>		<b>275,486</b>	164,425
<b>Effect of foreign exchange rate changes</b>		<b>9,306</b>	-
<b>Cash and cash equivalents at 31 December</b>	17(a)	<b>428,812</b>	275,486

The notes on pages 75 to 118 form part of these consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 1 Corporate information

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

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC.

## 2 Significant accounting policies

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by International Accounting Standard Board (“**IASB**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 2 Significant accounting policies (CONTINUED)

#### (c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

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

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)(ii)).

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**2 Significant accounting policies (CONTINUED)****(e) Property, plant and equipment**

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(g)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(s)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Plant and buildings	20 – 40 years
– Machinery and other equipment	3 – 10 years
– Vehicles	4 years
– Right-of-use assets	Over the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(f) Intangible assets**

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(h)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(h)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	3 – 5 years
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Both the period and method of amortisation are reviewed annually.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 2 Significant accounting policies (CONTINUED)

#### (g) Leased assets

At inception of a contract, the Group assesses 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

##### (i) As a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(h)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**2 Significant accounting policies (CONTINUED)****(h) Credit losses and impairment of assets****(i) Credit losses from financial instruments and contract assets**

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including cash and cash equivalents, trade and bills receivables, other receivables and amount due from related parties and contract assets).

Other financial assets measured at fair value, including financial instruments measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash short falls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and bills receivables, other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 2 Significant accounting policies (CONTINUED)

#### (h) Credit losses and impairment of assets (continued)

##### (i) Credit losses from financial instruments and contract assets (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 3 years past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**2 Significant accounting policies (CONTINUED)****(h) Credit losses and impairment of assets (continued)****(i) Credit losses from financial instruments and contract assets (continued)****Write-off policy**

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

**(ii) Impairment of other non-current assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

**NOTES TO THE FINANCIAL STATEMENT**

(Expressed in RMB unless otherwise indicated)

**2 Significant accounting policies (CONTINUED)****(i) Inventories**

Inventories are assets which are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

- Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
- Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(j) Contract assets and contract liabilities**

A contract asset is recognised when the Group recognises revenue (see note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(k)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

**(k) Trade and other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(j)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(h)(i)).

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(h)(i).

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**2 Significant accounting policies (CONTINUED)****(m) Trade and other payables**

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(n) Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(s)).

**(o) Employee benefits****(i) Short-term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

**(ii) Termination benefits**

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

**(iii) Equity settled share-based payments**

The parent company of the Company operates a share scheme for the purpose of providing incentives and rewards to eligible participants of the Company who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the Company's parent company's equity at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option-pricing model method to determine the fair value of the option granted by the Company's parent company.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled.

**(p) Income tax**

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 2 Significant accounting policies (CONTINUED)

#### (p) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are off set against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**NOTES TO THE FINANCIAL STATEMENT**

(Expressed in RMB unless otherwise indicated)

**2 Significant accounting policies (CONTINUED)****(q) Provisions, contingent liabilities**

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(r) Revenue and other income**

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

**(i) Property management services**

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

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

**(ii) Value-added services to non-property owners**

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

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

**NOTES TO THE FINANCIAL STATEMENT**

(Expressed in RMB unless otherwise indicated)

**2 Significant accounting policies (CONTINUED)****(r) Revenue and other income (continued)****(iii) 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.

**(iv) Interest income**

Interest income is recognised as it accrues under the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(h)(i)).

**(v) Government grants**

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the assets by way of recognised in other income.

**(s) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(t) Related parties**

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**2 Significant accounting policies (CONTINUED)****(t) Related parties (continued)**

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(u) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**3 Accounting judgement and estimates****(a) Sources of estimation uncertainty****(i) Expected credit loss for financial assets**

The credit losses for trade and bills receivables, contract assets and other financial assets including other receivables, amounts due from related parties are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, which are based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 26(a). Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowances in future periods.



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 4 Revenue and segment reporting

## (a) Revenue

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

## (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by timing of revenue recognition and disaggregation of revenue by major service lines is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Over time	460,731	407,446
– A point in time	167,003	175,357
<b>Total</b>	<b>627,734</b>	<b>582,803</b>
	2022 RMB'000	2021 RMB'000
Type of services		
– Property management services	294,099	255,485
– Community value-added services	145,727	122,502
– Value-added services to non-property owners	187,908	204,816
<b>Total</b>	<b>627,734</b>	<b>582,803</b>

For the years ended 31 December 2022 and 2021, the Group's customer base is diversified and none of them contributed 10% or more of the Group's revenue.

## (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For property management services, the Group recognises revenue when the services are provided on monthly basis and recognises to which the Group has a right to invoice and that corresponds directly with the value of performance completed. The Group has elected the practical expedient for not to disclose the remaining performance obligations for this type of contracts. The majority of the property management service contracts do not have a fixed term.

For community value-added services and value-added services to non-property owners, which is generally less than a year, and there is no significant unsatisfied performance obligation at the end of reporting period.

## (b) Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resource to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

No geographical segment analysis is shown as all of the Group's revenue are derived from activities in, and from customers located in the PRC and all the Group's assets are situated in the PRC.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 5 Other net income

	2022 RMB'000	2021 RMB'000
Government grants (note (i))	3,262	3,454
Net losses on disposal of property, plant and equipment	(30)	(51)
Others	689	(107)
	<b>3,921</b>	<b>3,296</b>

Note:

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

## 6 Profit before taxation

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

## (a) Finance income, net:

	2022 RMB'000	2021 RMB'000
Interest income from cash at bank	1,420	647
Interest income from financial institution/Interest income on other advances	3,777	5,198
Net gain on foreign exchange	9,306	–
	<b>14,503</b>	<b>5,845</b>
Interest expense on interest-bearing borrowings	(126)	(2,553)
Interest expense on lease liabilities	(154)	(147)
	<b>14,223</b>	<b>3,145</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 6 Profit before taxation (CONTINUED)

## (b) Staff costs

	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	137,475	125,283
Contributions to defined contribution retirement plan	13,038	12,421
Equity settled share-based payments (note 24)	234	449
	<b>150,747</b>	138,153

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

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

## (c) Other items

	2022 RMB'000	2021 RMB'000
Cost of inventories (note 14)	37,150	25,351
Depreciation and amortisation		
– owned property, plant and equipment and intangible assets	6,306	4,385
– right-of-use assets	782	586
– other long-term assets	55	–
Auditors' remuneration		
– audit services	1,415	20
– review services	377	–
Listing expense	3,601	461

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

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

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

	2022 RMB'000	2021 RMB'000
<b>Current tax – PRC Corporate Income Tax</b>		
Provision for the year	22,078	21,844
<b>Deferred tax</b>		
Origination and reversal of temporary differences	799	(1,052)
	<b>22,877</b>	20,792

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	101,174	97,809
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (note (i))	25,294	24,452
Tax effect of PRC preferential tax (note (ii))	(2,001)	(2,378)
Tax effect of non-deductible expenses	1,090	1,052
Tax relief related to additional tax deduction on Small Low-profit Enterprises (note (iii))	(547)	(1,174)
Tax relief related to additional tax deduction on research and development costs incurred (note (ii))	(959)	(1,160)
Actual tax expense	<b>22,877</b>	20,792

## Notes:

- (i) The provision for PRC Corporate Income Tax is calculated at 25% of the estimated assessable profits for the year.
- (ii) A subsidiary has been approved as High and New Technology Enterprise (“HNTE”). The entitled subsidiary is subject to a preferential income tax rate of 15% in certain years. The HNTE certificate needs to be renewed every three years. In addition to the preferential income tax rate, this subsidiary is also entitled to an additional 75% tax deduction for its qualified research and development costs incurred.
- (iii) Certain subsidiaries have been approved as Small Low-profit Enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 5% or 10% during the Relevant Periods.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name of directors	Directors' fees RMB'000	Basic salaries and allowance RMB'000	Discretionary Bonus RMB'000	Retirement benefit contribution RMB'000	Sub-total RMB'000	Equity settled share-based payments RMB'000	2022 Total RMB'000
<b>Executive Directors</b>							
Mr. Wang Zhongwu	-	417	267	40	724	24	748
Mr. Zhang Tiebo	-	407	23	40	470	16	486
Mr. Bao Song	-	144	-	13	157	-	157
Mr. Yang Yunlong	-	170	-	17	187	-	187
Mr. Shao Meng	-	166	200	22	388	1	389
<b>Non-executive directors</b>							
Mr. Zhao Yanfeng	-	260	517	28	805	-	805
Ms. Luo Ye	-	-	-	-	-	-	-
Ms. Li Lu	-	-	217	-	217	-	217
<b>Independent Non-executive directors</b>							
Ms. Leung Bik San	57	-	-	-	57	-	57
Ms. Chen Xiaojing	42	-	-	-	42	-	42
Mr. Ma Tao	42	-	-	-	42	-	42
<b>Supervisors</b>							
Mr. Zhang Xiang qian	-	-	-	-	-	-	-
Ms. Wang Pin	-	56	15	9	80	-	80
Mr. Wang Hongtao	-	-	-	-	-	-	-
	141	1,620	1,239	169	3,169	41	3,210

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 8 Directors' emoluments (CONTINUED)

Name of directors	Directors' fees RMB'000	Basic salaries and allowance RMB'000	Discretionary Bonus RMB'000	Retirement benefit contribution RMB'000	Sub-Total RMB'000	Equity settled share-based payments RMB'000	2021 Total RMB'000
<b>Executive Directors</b>							
Mr. Wang Zhong wu	-	283	9	25	317	52	369
Mr. Zhang Tiebo	-	370	298	38	706	34	740
Mr. Shao Meng	-	167	2	20	189	2	191
<b>Non-executive directors</b>							
Ms. Li Lu	-	-	-	-	-	-	-
Mr. Zhao Yanfeng	-	113	-	9	122	-	122
<b>Supervisors</b>							
Mr. Zhang Xiang qian	-	50	-	3	53	-	53
Ms. Wang Pin	-	96	18	10	124	-	124
Mr. Wang Hongtao	-	-	-	-	-	-	-
	-	1,079	327	105	1,511	88	1,599

On 6 June 2022, Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao were appointed as independent non-executive directors of the Company.

On 15 September 2022, Mr. Zhao Yanfeng resigned as executive director of the Company and Mr. Bao Song and Yang Yunlong were appointed as executive directors of the Company.

On 30 November 2022, Mr. Bao Song and Mr. Zhang Tiebo resigned as executive directors of the Company and Ms. Luo Ye was appointed as a non-executive director of the Company.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 9 Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, two (2021: one) were directors of the Company, whose emoluments are disclosed in note 8. The emoluments of the remaining three (2021: four) individuals were as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other emoluments	1,402	1,358
Discretionary bonuses	233	918
Retirement scheme contributions	120	133
Equity settled share-based payment	–	96
	<b>1,755</b>	2,505

The emoluments of the above individual with the highest emoluments are within the following bands:

	2022 Number of individuals	2021 Number of individuals
Nil to Hong Kong Dollar (“HKD”) 1,000,000	3	4

## 10 Earnings per share

## (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB76,742,000 (2021: RMB75,810,000) and the weighted average of 116,076,000 ordinary shares (2021: 100,000,000) in issue during the year, calculated as follows:

	2022	2021
Issued ordinary shares at 1 January	100,000,000	–
Effect of shares issued by initial public offering (note 25(b))	16,076,000	100,000,000
Weighted average number of ordinary shares at 31 December	<b>116,076,000</b>	100,000,000

Weighted average of 116,076,000 ordinary shares for the year ended 31 December 2022 included the weighted average of 33,340,000 ordinary shares issued immediately after the completion of placing, in addition to the 100,000,000 ordinary shares, being the number of shares in issue upon the conversion to a joint stock company on 12 March 2021 as detailed in note 25(b).

For the purpose of computing basic and diluted earnings per share for 2021, the 100,000,000 ordinary shares is issued upon the conversion to a joint stock company in March 2021 were deemed to have been issued throughout the year of 2021.

## (b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2022 and 2021.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 11 Property, plant and equipment

	Plant and buildings RMB'000	Machinery and other equipment RMB'000	Vehicles RMB'000	Total RMB'000
<b>Cost:</b>				
At 1 January 2021	13,992	9,353	3,536	26,881
Additions	31,711	2,652	8,914	43,277
Disposals	–	(437)	(135)	(572)
At 31 December 2021	45,703	11,568	12,315	69,586
Additions	–	2,742	2,065	4,807
Disposals	–	(969)	(718)	(1,687)
At 31 December 2022	45,703	13,341	13,662	72,706
<b>Accumulated depreciation:</b>				
At 1 January 2021	(665)	(6,092)	(1,187)	(7,944)
Charge for the year	(2,229)	(1,472)	(1,027)	(4,728)
Written back on disposals	–	362	122	484
At 31 December 2021	(2,894)	(7,202)	(2,092)	(12,188)
Charge for the year	(1,774)	(2,791)	(1,758)	(6,323)
Written back on disposals	–	749	435	1,184
At 31 December 2022	(4,668)	(9,244)	(3,415)	(17,327)
<b>Carrying amount:</b>				
At 31 December 2022	41,035	4,097	10,247	55,379
At 31 December 2021	42,809	4,366	10,223	57,398



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 11 Property, plant and equipment (CONTINUED)

## (a) Right-of-use assets

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

	2022 RMB'000	2021 RMB'000
Buildings	2,540	3,322

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

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Buildings	782	586
Interest on lease liabilities (note 6(a))	154	147
Expense relating to short-term leases	834	972

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 17(c) and 22, respectively.

## 12 Intangible assets

	Software RMB'000
<b>Cost:</b>	
At 1 January 2021	491
Purchased intangible assets	1,843
At 31 December 2021	2,334
Purchased intangible assets	418
At 31 December 2022	2,752
<b>Accumulated amortisation:</b>	
At 1 January 2021	(285)
Charge for the year	(243)
At 31 December 2021	(528)
Charge for the year	(765)
At 31 December 2022	(1,293)
<b>Carrying amount:</b>	
At 31 December 2022	1,459
At 31 December 2021	1,806

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 13 Investment in subsidiaries

The following list contains the particulars of all subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated:

Company name	Place of incorporation and business and date of establishment/ incorporation	Particulars of issued and paid-up	Percentage of ownership interest			Principal activities
			The Group's effective interest	Held by the Company	Held by the subsidiaries	
Shandong Lushang Architectural Design Co., Ltd. ("Lushang Design")* (山東省魯商建築設計有限公司)	The PRC 9 May 2011	RMB5,000,000	100%	100%	–	Construction design services
Shandong Lan'an Landscape Engineering Co., Ltd. ("Lan'an Landscape")* (山東藍岸園林工程有限公司)	The PRC 11 December 2008	RMB20,000,000	100%	100%	–	Landscape design construction and maintenance
Shandong Lushang Tang'an Property Co., Ltd. ("Lushang Tang'an") (note (i))* (山東魯商唐安物業有限公司)	The PRC 2 December 2020	RMB3,000,000	41%	41%	–	Real estate service and other related services
Shandong Licheng Shanlin Catering Management Co., Ltd ("Licheng Shanlin")* (山東立誠膳鄰餐飲管理有限公司)	The PRC 18 October 2022	RMB5,000,000	100%	100%	–	Catering management services

Notes:

- \* The official names of these entities are in Chinese. The English translations are for identification purpose only. These companies are limited liability companies established in the PRC.
- (i) The Company is entitled to 51% voting rights at the shareholders' meetings, and has the power to exercise control over the entity's operating and management activities and therefore Lushang Tang'an is accounted for as a subsidiary by virtue of the Company's control over it.

The following table lists out the information relating to Lushang Tang'an, the subsidiary of the Group which has a material non-controlling interest (NCI). The summarized financial information presented below represents the amounts before any inter-company elimination.

	2022 RMB'000	2021 RMB'000
NCI percentage	59%	59%
Non-current assets	81	72
Current assets	13,424	10,036
Current liabilities	8,424	7,661
Net assets	5,081	2,447
Carrying amount of NCI	3,122	1,566

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 13 Investment in subsidiaries (CONTINUED)

	2022 RMB'000	2021 RMB'000
Revenue	14,890	13,573
Profit for the year	2,635	2,045
Profit for the year attributable to NCI	1,555	1,207
Cash flows from operating activities	831	(125)
Cash flows from investing activities	(4)	(15)
Cash flows from financing activities	-	177

## 14 Inventories

	2022 RMB'000	2021 RMB'000
Raw materials and consumables	965	466
Parking lots for sales	42,165	41,779
	43,130	42,245

As at 31 December 2022, all of the parking lots for sales are expected to be recovered after more than one year.

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

	2022 RMB'000	2021 RMB'000
Carrying amount of inventories consumed/sold	37,150	25,351

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

## 15 Trade and bills receivables

	2022 RMB'000	2021 RMB'000
Bills receivables	23,586	17,101
Trade receivables (note (a))		
– Related parties	123,712	106,038
– Third parties	147,701	79,422
	294,999	202,561
Less: loss allowance (note 26(a))	(10,992)	(5,674)
	284,007	196,887

All of the trade and bills receivables of the Group, net of allowance, are expected to be recovered within one year.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 15 Trade and bills receivables (CONTINUED)

## (a) Ageing analysis

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

	2022 RMB'000	2021 RMB'000
Within 1 year	256,057	181,562
1 to 2 years	23,921	7,731
2 to 3 years	4,029	6,497
Over 3 years	–	1,097
	<b>284,007</b>	196,887

Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 26(a).

## 16 Prepayments, deposits and other receivables

	2022 RMB'000	2021 RMB'000
Prepayments	3,042	2,004
Deposits	2,579	2,130
Prepayments in connection with the proposed initial listing of the Company's shares	–	29,101
Other receivables	2,943	272
Less: loss allowance	<b>(207)</b>	(243)
	<b>8,357</b>	33,264

## 17 Cash and cash equivalents and other cash flow information

## (a) Cash and cash equivalents comprise

	2022 RMB'000	2021 RMB'000
Cash at bank and on hand	179,375	73,616
Deposits in other financial institutions	249,437	201,870
Cash and cash equivalents in the consolidated statements of cash flows	<b>428,812</b>	275,486

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 17 Cash and cash equivalents and other cash flow information (CONTINUED)

## (b) Reconciliation of liabilities arising from financing activities:

	Interest-bearing borrowings RMB'000 (note 21)	Interest payables RMB'000 (note 19)	Lease liabilities RMB'000 (note 22)	Amounts due to related parties RMB'000	Total RMB'000
<b>At 1 January 2022</b>	–	268	3,171	595	4,034
<b>Changes from financing cash flows:</b>					
Interest paid	–	(394)	–	–	(394)
Repayments of interest-bearing borrowings	(1,433)	–	–	–	(1,433)
Payments to related parties	–	–	–	(595)	(595)
Total changes from financing cash flows	(1,433)	(394)	–	(595)	(2,422)
<b>Other changes:</b>					
Interest on interest-bearing borrowings	–	126	–	–	126
Interest on lease liabilities	–	–	154	–	154
Non-cash transaction *	3,205	–	–	–	3,205
Total other changes	3,205	126	154	–	3,485
<b>At 31 December 2022</b>	<b>1,772</b>	<b>–</b>	<b>3,325</b>	<b>–</b>	<b>5,097</b>

\* The non-cash transaction represented the reclassification of accounts.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 17 Cash and cash equivalents and other cash flow information (CONTINUED)

## (b) Reconciliation of liabilities arising from financing activities: (continued)

	Interest-bearing borrowings RMB'000 (note 21)	Interest payables RMB'000 (note 19)	Lease liabilities RMB'000 (note 22)	Amounts due to related parties RMB'000	Total RMB'000
<b>At 1 January 2021</b>	110,250	313	–	2,990	113,553
<b>Changes from financing cash flows:</b>					
Repayments of interest-bearing borrowings	(110,000)	–	–	–	(110,000)
Interest paid	–	(2,866)	–	–	(2,866)
Capital element of lease rentals paid	–	–	(737)	–	(737)
Interest element of lease rentals paid	–	–	(147)	–	(147)
Advances from related parties	–	–	–	311	311
Payments to related parties	–	–	–	(2,706)	(2,706)
<b>Total changes from financing cash flows</b>	<b>(110,000)</b>	<b>(2,866)</b>	<b>(884)</b>	<b>(2,395)</b>	<b>(116,145)</b>
<b>Other changes:</b>					
Increase in lease liabilities from entering into new leases during the year	–	–	3,908	–	3,908
Interests on interest-bearing borrowings	–	2,553	–	–	2,553
Interest on lease liabilities	–	–	147	–	147
Non-cash transactions	(250)	268	–	–	18
<b>Total other changes</b>	<b>(250)</b>	<b>2,821</b>	<b>4,055</b>	<b>–</b>	<b>6,626</b>
<b>At 31 December 2021</b>	<b>–</b>	<b>268</b>	<b>3,171</b>	<b>595</b>	<b>4,034</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 17 Cash and cash equivalents and other cash flow information (CONTINUED)

## (c) Total cash outflow for leases:

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	2022 RMB'000	2021 RMB'000
Within operating cash flows	834	891
Within financing cash flows	–	884

These amounts related to the following:

	2022 RMB'000	2021 RMB'000
Lease rentals paid	834	1,775

## 18 Trade payables

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

	2022 RMB'000	2021 RMB'000
Within 1 year	161,959	125,496
Over 1 year	30,718	12,034
	<b>192,677</b>	<b>137,530</b>

## 19 Accrued expenses and other payables

	2022 RMB'000	2021 RMB'000
Accrued payroll and other benefits	35,223	52,309
Deposits	27,082	28,362
Receipts and payments on behalf of property owners	6,538	7,932
Other taxes and charges payable	2,199	3,481
Receipts on behalf of residents/tenants	7,828	7,749
Payables for purchase of property, plant and equipment	–	3,205
Payables for expenditures incurred in connection with the initial public offering of the Company's share	4,201	9,030
Other payables and accruals	9,657	13,213
	<b>92,728</b>	<b>125,281</b>

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

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 20 Contract assets and contract liabilities

## (a) Contract assets

	2022 RMB'000	2021 RMB'000
<b>Contract assets</b>		
Arising from performance under construction contracts	26,264	15,576

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. Upon completion of construction services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at 31 December 2022 and 2021 is within one year.

## (b) Contract liabilities

	2022 RMB'000	2021 RMB'000
Prepayments received for property management service	50,000	48,578
Prepayments received for community value-added services	4,798	10,335
Prepayments received for value-added services to non-property owners	174	1,933
Balance at 31 December	54,972	60,846

*Movements in contract liabilities*

	2022 RMB'000	2021 RMB'000
Balance at 1 January	60,846	80,873
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(57,736)	(78,352)
Increase in contract liabilities as a result of billing in advance of property management services, community value-added services and value-added services to non-property owners	51,862	58,325
Balance at 31 December	54,972	60,846

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

The Group's amounts of contract liabilities expected to be recognized as income after more than one year are RMB174,000 and RMB1,282,000 at 31 December 2022 and 2021, respectively.



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 21 Interest-bearing borrowings

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Other borrowings, secured (note)	1,772	–

Note:

As at 31 December 2022, other borrowings of RMB1,772,000 are secured by the Group's vehicles of RMB2,973,000.

All the borrowings are interest-bearing, measured at amortized cost, repayable as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	1,632	–
After 1 year but within 2 years	140	–
	1,772	–
Less: amounts due within 1 year shown under current liabilities	(1,632)	–
Amount shown under non-current liabilities	140	–

The ranges of effective interest rates on the Group's borrowings are as follows:

	Effective annual interest rate	At 31 December	Effective annual interest rate	At 31 December
		2022		2021
		RMB'000		RMB'000
Fixed-rate borrowing	4.95%	1,772	–	–

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**22 Lease liabilities**

The lease liabilities of the Group were repayable as follow:

	2022 RMB'000	2021 RMB'000
Within 1 year	1,655	731
After 1 year but within 2 years	812	770
After 2 years but within 5 years	858	1,670
	<b>3,325</b>	3,171

**23 Income tax in the consolidated statement of financial position****(a) Current taxation in the consolidated statement of financial position represents:**

	2022 RMB'000	2021 RMB'000
<b>PRC Corporate Income Tax</b>		
<b>At 1 January</b>	<b>6,529</b>	33,198
Provision for the year	22,078	21,844
Payments during the year	(20,686)	(48,513)
At 31 December	<b>7,921</b>	6,529

**(b) Deferred tax assets recognised:**

	Credit loss allowance RMB'000	Provision and accrued expense RMB'000	Equity settled share-based payments RMB'000	Cumulative tax losses RMB'000	Total RMB'000
<b>Deferred tax arising from:</b>					
At 1 January 2021	536	3,606	1,394	390	5,926
Credited/(charged) to profit or loss	890	461	91	(390)	1,052
Credited to equity directly	-	-	2,639	-	2,639
At 31 December 2021 and 1 January 2022	1,426	4,067	4,124	-	9,617
Credited/(charged) to profit or loss	1,284	(1,026)	(1,057)	-	(799)
Credited to equity directly	-	-	(202)	-	(202)
At 31 December 2022	2,710	3,041	2,865	-	8,616

**NOTES TO THE FINANCIAL STATEMENT**

(Expressed in RMB unless otherwise indicated)

**24 Equity settled share-based payments****(a) Share options granted on 20 September 2018**

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

**(b) Share options granted on 5 December 2018**

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

The fair value of the options for the share options granted on 20 September 2018 and 5 December 2018 to the recipients was recognised as expense over the period in which the service conditions are fulfilled in the consolidated statements of profit or loss and other comprehensive income. The estimate of the fair value of the share options granted is measured based on a black-scholes valuation model. The Group recorded aggregate RMB449,000 and RMB234,000 share-based compensation expense in the consolidated statements of profit of loss and other comprehensive income for the years ended 31 December 2021 and 2022, respectively, for the aforesaid share option scheme of the Company.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 25 Capital, reserves and dividends

## (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity for the year ended 2022 and 2021 are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Paid in/ Share capital RMB'000	Capital reserves RMB'000	Statutory reserves surplus RMB'000	Retained profits RMB'000	Total RMB'000
<b>Balance at 1 January 2021</b>	100,000	572	11,720	111,867	224,159
<b>Changes in equity for the year ended 31 December 2021:</b>					
Profit and total comprehensive income for the year	-	-	-	46,484	46,484
Appropriation to reserves	-	-	4,648	(4,648)	-
Acquisition of subsidiaries under common control	-	(853)	-	-	(853)
Effect of the Company's conversion from a limited liability company into a joint stock company	-	130,536	(11,720)	(118,816)	-
Equity settled share-based payment (note 25)	-	868	-	-	868
<b>Balance at 31 December 2021 and 1 January 2022</b>	<b>100,000</b>	<b>131,123</b>	<b>4,648</b>	<b>34,887</b>	<b>270,658</b>
<b>Changes in equity for the year ended 31 December 2022:</b>					
Profit and total comprehensive income for the period	-	-	-	51,065	51,065
Appropriation to reserves	-	-	5,107	(5,107)	-
Issuance of shares by initial public offering	33,340	91,117	-	-	124,457
Equity settled share-based payment (note 24)	-	254	-	-	254
<b>Balance at 31 December 2022</b>	<b>133,340</b>	<b>222,494</b>	<b>4,648</b>	<b>85,952</b>	<b>446,434</b>

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 25 Capital, reserves and dividends (CONTINUED)

## (b) Paid-in capital/Share capital

The paid-in capital/share capital in the Group's consolidated statement of financial position represents the paid-in capital/share capital of the Company as at 31 December 2022 and 2021, which was RMB100,000,000 and RMB133,340,000, respectively. The movements are as follows:

	No. of shares	Paid-in capital/ Share capital RMB'000
At 1 January 2021	–	100,000
Issue of shares upon the Company's conversion from a limited Liability company into a joint stock company (note (i))	100,000,000	–
At 31 December 2021	100,000,000	100,000
Issuance of shares by initial public offering (note (ii))	33,340,000	33,340
At 31 December 2022	133,340,000	133,340

Notes:

- (i) The Company was converted to a joint stock company on 12 March 2021, 100,000,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on 29 January 2021.
- (ii) On 8 July 2022, 33,340,000 ordinary shares with par value of RMB1 each were issued at a price of HKD5.92 each by initial public offering. The proceeds of RMB33,340,000, representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses, of approximately RMB91,117,000 were credited to the capital reserve.

## (c) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the year:

	2022 RMB'000	2021 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.1074 (2021: nil) per ordinary share	14,321	–

The final dividend proposed for shareholders' approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**25 Capital, reserves and dividends (CONTINUED)****(d) Nature and purpose of reserve****(i) Capital reserve**

The capital reserve comprises the following:

- For the year ended 31 December 2022, share options were granted to certain key management of the Group by Lushang Development, which then indirectly held 100% equity interest of the Group. The Group recognised a total expense and a corresponding capital reserve of RMB32,000 (2021: RMB3,088,000) (including the effect of deferred taxation) during the year ended 31 December 2022;
- For the year ended 31 December 2022, the net proceeds in excess of the par value of issued ordinary shares upon initial public offerings;
- In January 2021, the Company acquired 100% equity interests in Lushang Design and Lan'an Landscape, with the paid-in capital of RMB5,000,000 and RMB20,000,000, respectively, at a total consideration of RMB37,850,000 from Shandong Lushang Property Co., Ltd., the fellow subsidiary of the Company; and
- On 12 March 2021, the Company was converted from a limited liability company into a joint stock company limited liability company. Based on the approval obtained from authorities, the Company issued and allotted 100,000,000 ordinary shares with par value of RMB1 each to the respective then shareholders of the Company in accordance with the proportion of their paid-in capitals to the Company as at 12 March 2021. The remaining net assets of the Company as at the base date 31 January 2021 were converted into capital reserve with the amount of RMB130,536,000 at the date of conversion.

**(ii) Statutory reserve**

In accordance with relevant PRC laws and regulations and the articles of association of subsidiaries of the Group established in the PRC, these subsidiaries were required to set up certain statutory reserves, which were non-distributable, to transfer 10% of their net profit to their respective statutory reserves until the respective reserves reach 50% of the respective registered capital. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

**(e) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of interest-bearing borrowings less cash and cash equivalents, and equity of the Group, comprising paid-in capital/share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

The Group is not subject to externally imposed capital requirements for the year ended 31 December 2022.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

### 26 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

#### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash at bank, contract asset, trade and bills receivables, prepayments, deposits and other receivables and amounts due from related parties. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable are limited because the counterparties are banks and financial institutions with a high credit standing assigned by the management of the Group, to which the Group considers having low credit risk.

In respect of amounts due from related parties, prepayments, deposits and other receivables, the Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method based on historical settlement records and looking-forward information. Thus except for RMB207,000 (2021: RMB243,000) of allowance provision provided, no other loss allowance provision for these receivables was recognised for the year ended 31 December 2022.

In respect of trade receivables from third parties, the Group measures loss allowances at an amount equal to lifetime ECLs based on historical settlement records and forward-looking information. The Group has a large number of customers and there was no concentration of credit risk. In addition, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group considers that a default event occurs when there is significant decrease in services fee collection rate and estimates the expected credit loss rate. Normally, the Group does not obtain collateral from customers.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 26 Financial risk management and fair values of financial instruments (CONTINUED)

## (a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables from third parties as at 31 December 2022 and 2021.

	At 31 December 2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
With in 1 year	2.15%	119,435	(2,573)
1 – 2 years	10.74%	17,721	(1,903)
2 – 3 years	26.93%	5,514	(1,485)
Over 3 years	100.00%	5,031	(5,031)
		147,701	(10,992)

  

	At 31 December 2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
With in 1 year	1.65%	64,876	(1,069)
1 – 2 years	7.30%	6,148	(449)
2 – 3 years	14.72%	4,974	(732)
Over 3 years	100.00%	3,424	(3,424)
		79,422	(5,674)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables from third parties during the for the year ended 31 December 2021 and 2022 is as follows:

	2022 RMB'000	2021 RMB'000
<b>Balance at 1 January</b>	5,674	1,917
Impairment loss recognized during the period	5,318	3,757
<b>Balance at 31 December</b>	10,992	5,674



## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 26 Financial risk management and fair values of financial instruments (CONTINUED)

## (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the respective reporting period) and the earliest dates the Group can be required to pay:

	31 December 2022					Carrying amount at 31 December
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Interest bearing borrowings	1,687	141	–	–	1,828	1,772
Trade payables	192,677	–	–	–	192,677	192,677
Accrued expenses and other payables	92,728	–	–	–	92,728	92,728
Lease liabilities	1,768	884	884	–	3,536	3,325
<b>Total</b>	<b>288,860</b>	<b>1,025</b>	<b>884</b>	<b>–</b>	<b>290,769</b>	<b>290,502</b>

	31 December 2021					Carrying amount at 31 December
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade payables	137,530	–	–	–	137,530	137,530
Accrued expenses and other payables	125,013	–	–	–	125,013	125,013
Amounts due to related parties	595	–	–	–	595	595
Lease liabilities	884	884	1,768	–	3,536	3,171
<b>Total</b>	<b>264,022</b>	<b>884</b>	<b>1,768</b>	<b>–</b>	<b>266,674</b>	<b>266,309</b>

## (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is not significant.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 26 Financial risk management and fair values of financial instruments (CONTINUED)

## (d) Currency risk

The Group is exposed to currency risk primarily through the proceeds from issuance of shares by initial public offering which give rise to cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily HKD.

## (i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in RMB)	
	2022	2021
	HKD RMB'000	HKD RMB'000
Cash and cash equivalents	29,416	–

## (ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2022			2021		
	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
HKD	5%	(1,103)	–	5%	N/A	N/A
	(5%)	1,103	–	(5%)	N/A	N/A

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

## (e) Fair value measurement

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

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 27 Material related party transactions

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

**(a) Names and relationships of the related parties that had material transactions with the Group during the years ended 31 December 2022 and 2021 were as follows:**

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

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 27 Material related party transactions (CONTINUED)

## (a) Names and relationships of the related parties that had material transactions with the Group during the years ended 31 December 2022 and 2021 were as follows: (continued)

Name of related party	Relationship
Haerbin Lushang Real Estate Co., Ltd.* (哈爾濱魯商置業有限公司)	A company controlled by the Controlling Owner
Jining Lushang Real Estate Co., Ltd.* (濟寧魯商地產有限公司)	A company controlled by the Controlling Owner
Qingdao Lushang Lan'an Real Estate Co., Ltd.* (青島魯商藍岸地產有限公司)	A company controlled by the Controlling Owner
Qingdao Lushang Langu Health Industry Co., Ltd.* (青島魯商藍谷健康產業有限公司)	A company controlled by the Controlling Owner
Taian Lushang Real Estate Co., Ltd.* (泰安魯商地產有限公司)	A company controlled by the Controlling Owner
Qingdao Lushang Jinxiu Real Estate Co., Ltd.* (青島魯商錦繡置業有限公司)	A company controlled by the Controlling Owner
Shandong Municipal Service Technician College * (山東省城市服務技師學院)	A company controlled by the ultimate controlling party
Jinan Lumao Real Estate Co., Ltd.* (濟南魯茂置業有限公司)	A company controlled by the Controlling Owner
Zibo Yilin Real Estate Development Co., Ltd.* (淄博藝林房地產開發有限公司)	A company controlled by the ultimate controlling party
Weifang Lushang Real Estate Co., Ltd.* (濰坊魯商置業有限公司)	A company controlled by the Controlling Owner
Qingdao Inzone Investment & Development Co., Ltd.* (青島銀座投資開發有限公司)	A company controlled by the ultimate controlling party
Qingdao Lushang Real Estate Qingdao Co., Ltd.* (青島魯商置業青島有限公司)	A company controlled by the Controlling Owner
Linyi Lushang Real Estate Co., Ltd.* (臨沂魯商地產有限公司)	A company controlled by the Controlling Owner
Linyi Lushang Real Estate Co., Ltd.* (臨沂魯商置業有限公司)	A company controlled by the Controlling Owner
Qingdao Lvfu Real Estate Development Co., Ltd.* (青島綠富房地產開發有限公司)	A company controlled by the Controlling Owner
Qingdao Lushangrunzhi Investment & Development Co., Ltd.* (青島魯商潤置投資開發有限公司)	A company controlled by the Controlling Owner
Lushang Jiunvfeng (Taian) Rural Revitalization Co., Ltd.* (魯商九女峰(泰安)鄉村振興有限公司)	A company controlled by the ultimate controlling party

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 27 Material related party transactions (CONTINUED)

## (a) Names and relationships of the related parties that had material transactions with the Group during the years ended 31 December 2022 and 2021 were as follows: (continued)

Name of related party	Relationship
Shandong Luxin Real Estate Co., Ltd.* (山東魯新置業有限公司)	A company controlled by the Controlling Owner
Yantai Lushang Jiahui Real Estate Co., Ltd.* (煙台魯商嘉會置業有限公司)	A company controlled by the Controlling Owner
Taishanyou Rural Revitalization Ecotourism Development (Shandong) Co., Ltd.* (泰山佑鄉村振興生態旅游發展(山東)有限公司)	A company controlled by the ultimate controlling party
Yantai Lumao Real Estate Co., Ltd.* (煙台魯茂置業有限公司)	A company controlled by the Controlling Owner
Jining Ruihe Real Estate Development Co., Ltd.* (濟寧瑞和置業發展有限公司)	A company controlled by the Controlling Owner
Shangdong Fuyuan micro-credit Loan Co., Ltd.* (山東富源小額貸款有限公司)	A company controlled by the ultimate controlling party
Shandong Commercial Group Finance Co., Ltd.* (山東省商業集團財務有限公司)	A company controlled by the ultimate controlling party
Shandong Inzone Home Furnishing Co., Ltd. Home Life Plaza* (山東銀座家居有限公司居家生活廣場)	A company controlled by the ultimate controlling party
Lushang Health Industry Development Co., Ltd.* (魯商健康產業發展股份有限公司)	A Controlling Shareholder
Shandong Inzone Automobile Trading Co., Ltd.* (山東銀座汽車貿易有限公司)	A company controlled by the ultimate controlling party
Inzone Group Co., Ltd.* (銀座集團股份有限公司)	A company controlled by the ultimate controlling party
Linyi Juyi Real Estate Co., Ltd.* (臨沂居易置業有限公司)	A company controlled by the ultimate controlling party

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

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 27 Material related party transactions (CONTINUED)

## (b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	3,963	2,185
Post-employment benefits	254	164
Equity compensation benefits	52	112
	4,269	2,461

Total remuneration is included in "staff costs" (see note 6(b)).

## (c) Significant related party transaction

The Group entered into the following transaction with its related parties.

	2022 RMB'000	2021 RMB'000
Render of services	184,644	217,696
Purchase of goods and services	21,835	10,926
Advance payments by related parties	9,399	8,236
Purchase of property, plant and equipment	–	32,389
Advances to related parties	–	116,474
Repayments from related parties	–	390,624
Advances from related parties	2,117	311
Payments to related parties	595	2,706
Repayment of borrowings to related parties	–	90,000
Interest income	3,777	5,198
Interest expense	–	2,200

## (d) Balances with related parties

	2022 RMB'000	2021 RMB'000
<b>Trade related: (note (a))</b>		
Trade receivables	123,712	106,038
Bills receivables	23,586	17,101
Contract assets	25,532	15,576
Trade payables	7,880	2,811
Contract liabilities	177	1,992
Payables for purchase of property, plant and equipment	–	12
Lease liabilities	3,325	3,171
<b>Non-trade related:</b>		
Cash and cash equivalents (note (b))	249,437	201,870
Amounts due from related parties:		
The immediate ultimate parent	–	591
Fellow subsidiaries	–	1,526
Amounts due to related parties:		
Fellow subsidiaries	–	595

(a) The trade related balances with the related parties arose from the sales or purchase of goods or services with the related parties.

(b) The balance of cash and cash equivalents represents deposits placed with Shandong Commercial Group Finance Co., Ltd., a financial institution controlled by the ultimate controlling party of the Group.

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

## 28 Statements of financial position of the Company

(Expressed in RMB)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		52,213	53,671
Intangible assets		1,048	1,371
Deferred tax assets		5,324	5,613
Investments in subsidiaries	13	38,997	36,997
Other long-term assets		601	–
		<b>98,183</b>	97,652
<b>Current assets</b>			
Inventories		43,130	42,245
Trade and bills receivables		145,720	112,687
Prepayments, deposits and other receivables		7,761	32,865
Amounts due from related parties		–	1,693
Cash and cash equivalents		401,272	233,794
		<b>597,883</b>	423,284
<b>Current liabilities</b>			
Interest-bearing borrowings		1,632	–
Trade payables		97,244	82,886
Accrued expenses and other payables		89,475	102,783
Contract liabilities		54,533	58,687
Current taxation		6,608	5,217
Amounts due to related parties		–	705
		<b>249,492</b>	250,278
<b>Net current assets</b>		<b>348,391</b>	173,006
<b>Total assets less current liabilities</b>		<b>446,574</b>	270,658
<b>Non-current liabilities</b>			
Interest-bearing borrowings		140	–
<b>NET ASSETS</b>		<b>446,434</b>	270,658
<b>CAPITAL AND RESERVES</b>			
Share capital	25	133,340	100,000
Reserves		313,094	170,658
<b>TOTAL EQUITY</b>		<b>446,434</b>	270,658

Approved and authorised for issue by the board of directors on 30 March 2023.

Wang Zhongwu  
DirectorShao Meng  
Director

## NOTES TO THE FINANCIAL STATEMENT

(Expressed in RMB unless otherwise indicated)

**29 Non-adjusting events after the reporting period**

After the end of the reporting period the directors proposed a final dividend in cash of RMB0.1074 per share of the Company. Further details are disclosed in note 25(c).

**30 Immediate and ultimate controlling party**

At 31 December 2022, the directors consider the immediate parent and ultimate controlling party of the Group to be Lushang Development and Shandong Commercial Group, respectively.

**31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022**

Up to the date of issue of these financial statements, the IFRS has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
IFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to IAS 1, <i>Presentation of financial statements</i> : <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to IAS 1, <i>Presentation of financial statements</i> and HKFRS Practice Statement 2, <i>Making materiality judgements</i> : <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to IAS 8, <i>Accounting policies, changes in accounting estimates and errors</i> : <i>Definition of accounting estimates</i>	1 January 2023
Amendments to IAS 12, <i>Income taxes</i> : <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
IFRS 17, <i>Insurance contracts</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of these amendments, new standards and interpretations are unlikely to have a significant impact.



## FOUR YEAR FINANCIAL HIGHLIGHTS

	For the year ended 31 December			
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	<b>627,734</b>	582,803	402,844	321,145
Profit before tax	<b>101,174</b>	97,809	58,889	39,828
Income tax	<b>(22,877)</b>	(20,792)	(13,527)	(10,894)
Profit for the year	<b>78,297</b>	77,017	45,362	28,934
Profit attributable to				
– Owners of the Company	<b>76,742</b>	75,810	45,302	28,934
– Non-controlling interests	<b>1,555</b>	1,207	60	–
	<b>78,297</b>	77,017	45,362	28,934

  

	At 31 December			
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	<b>856,625</b>	634,396	862,352	342,572
Total liabilities	<b>353,395</b>	333,952	604,463	225,685
Net assets	<b>503,230</b>	300,444	257,889	116,887