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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023**

	For the year ended	
	December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue	621,022	627,734
Gross profit	117,066	149,412
Gross profit margin	18.9%	23.8%
Profit for the year	40,260	78,432
Net profit margin	6.5%	12.5%
Profit attributable to equity shareholders of the Company	39,432	76,878
Basic earnings per share (RMB)	0.30	0.66
Cash and cash equivalents	411,062	428,812

For the Year, the total revenue of the Group was approximately RMB621.0 million, representing a decrease of approximately 1.1% as compared with approximately RMB627.7 million for the year ended December 31, 2022.

For the Year, the gross profit of the Group was approximately RMB117.1 million, representing a decrease of 21.6% as compared with approximately RMB149.4 million for the corresponding period in 2022. The Group's gross profit margin was 18.9%, representing a decrease of 4.9% as compared with the gross profit margin of 23.8% for the year ended December 31, 2022.

For the Year, the profit of the Group was approximately RMB40.3 million, representing a decrease of approximately 48.7% as compared with approximately RMB78.4 million for the year ended December 31, 2022.

As of December 31, 2023, the Group's cash and cash equivalents amounted to approximately RMB411.1 million, representing a decrease of approximately 4.1% as compared with that as of December 31, 2022.

As of December 31, 2023, the Group had 23.1 million sq.m. of GFA under its management, representing an increase of 1.0% as compared with December 31, 2022.

The Board resolved not to recommend payment of any final dividend for the Year.

- 1 The Group's financial statements and annual results for the Year have been prepared under the CASBE, and relevant comparative figures for 2022 have been appropriately adjusted pursuant to the CASBE.
- 2 Data for the corresponding period of 2022 used in the section headed "Management Discussion and Analysis" in this announcement were restated.

ANNUAL RESULTS

The Board of the Company hereby announces the annual audited consolidated results of the Group for the Year, together with comparative figures for the year ended December 31, 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

(Expressed in Renminbi (“RMB”))

Items	Note	2023 RMB	2022 RMB
I. Operating income	13	621,021,864.07	627,733,930.87
Less: Operating costs	13	503,956,096.60	478,322,257.56
Taxes and surcharges		5,039,986.85	4,712,466.30
Selling expenses		-	-
General and administrative expenses		55,298,315.39	50,199,458.88
Research and development expenses		4,225,020.70	5,122,298.21
Financial expenses		-4,576,744.30	-13,152,856.50
Including: Interest expenses		168,474.84	154,812.46
Interest income		6,724,090.70	4,915,716.76
Add: Other income		2,806,605.97	3,767,798.42
Investment income (losses expressed with “-”)		-	-
Including: Income from investment in associates and joint ventures		-	-
Derecognized earnings of financial assets measured at amortized cost		-	-
Net exposure hedge income (losses expressed with “-”)		-	-
Gains from changes in fair value (losses expressed with “-”)		-	-
Credit impairment losses (losses expressed with “-”)		-8,341,428.45	-5,282,915.45
Impairment losses on assets (losses expressed with “-”)		-202,129.34	-
Gains from assets disposal (losses expressed with “-”)		-	-
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
II. Operating profit (losses expressed with “-”)		51,342,237.01	101,015,189.39
Add: Non-operating income		78,087.87	217,432.05
Less: Non-operating expenses		362,097.78	63,761.99
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
III. Total profit (losses expressed with “-”)		51,058,227.10	101,168,859.45
Less: Income tax expenses	14	10,797,975.76	22,736,736.11
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
IV. Net profit (net losses expressed with “-”)		40,260,251.34	78,432,123.34
Including: Net profit realized by the merged party under common control before the merger			
(I) Categorized by continuity of operations			
Net profit from continuing operations (net losses expressed with “-”)		40,260,251.34	78,432,123.34
Net profit from discontinued operations (net losses expressed with “-”)		-	-
(II) Categorized by the portion of equity ownership			
Net profit attributable to owners of the parent company		39,431,509.26	76,877,759.38
Non-controlling interests		828,742.08	1,554,363.96
V. Other comprehensive income, net of tax		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

Items	Note	2023 RMB	2022 RMB
Other comprehensive income attributable to owners of the parent company, net of tax		-	-
(I) Other comprehensive income that may not be reclassified to profit or loss		-	-
1. Changes from re-measurement of defined benefit plans, net		-	-
2. Other comprehensive income that may not be transferred to profit or loss under the equity method		-	-
3. Changes in fair value of other equity instrument investments		-	-
4. Changes in fair value of the enterprise's own credit risk		-	-
5. Others		-	-
(II) Other comprehensive income that may be reclassified to profit or loss		-	-
1. Other comprehensive income that may be transferred to profit or loss under the equity method		-	-
2. Changes in fair value of other debt investments		-	-
3. Amounts of financial assets reclassified to other comprehensive income		-	-
4. Credit impairment provision for other debt investments		-	-
5. Reserves for cash flow hedges		-	-
6. Differences on foreign currency translation		-	-
7. Disposal income from a package disposal of subsidiaries before loss of control		-	-
8. Conversion of other assets to investment property measured by fair value model		-	-
9. Others		-	-
Other comprehensive income attributable to minority Shareholders, net of tax		-	-
VI. Total comprehensive income		40,260,251.34	78,432,123.34
Total comprehensive income attributable to owners of the parent company		39,431,509.26	76,877,759.38
Total comprehensive income attributable to minority Shareholders		828,742.08	1,554,363.96
VII. Earning per share:		-	-
(I) Basic earnings per Share		0.30	0.66
(II) Diluted earnings per Share		0.30	0.66

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

(Expressed in RMB)

		As at December 31, 2023 RMB	As at December 31, 2022 RMB
Assets	<i>Note</i>		
Current assets:			
Monetary funds		411,624,018.91	428,811,504.41
Financial assets held for trading		–	–
Derivative financial assets		–	–
Bills receivable	3	17,917,933.62	23,585,685.07
Accounts receivable	4	295,434,336.15	260,421,279.00
Accounts receivable financing		200,000.00	–
Prepayments		1,897,975.45	3,041,904.12
Other receivables		3,767,892.22	5,314,816.95
Inventories		3,424,031.97	43,129,891.14
Contract assets	5	61,128,423.11	26,264,353.23
Assets held-for-sale		–	–
Non-current assets maturing within one year		–	–
Other current assets		2,840,033.47	2,497,073.14
Total current assets		<u>798,234,644.90</u>	<u>793,066,507.06</u>

Assets	<i>Note</i>	As at December 31, 2023 RMB	As at December 31, 2022 RMB
Non-current assets:			
Debt investments		–	–
Other debt investments		–	–
Long-term receivable		–	–
Long-term equity investments		–	–
Other equity instrument investments		–	–
Other non-current financial assets		–	–
Investment properties		39,504,900.36	–
Fixed assets	6	50,711,300.46	52,838,522.26
Construction in progress		–	–
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		1,758,722.04	2,540,376.24
Intangible assets		1,083,758.01	1,458,966.80
Development expenses		–	–
Goodwill		–	–
Long-term deferred expenses		2,898,728.72	600,609.43
Deferred income tax assets		6,611,673.12	8,732,203.31
Other non-current assets		–	–
		-----	-----
Total non-current assets		<u>102,569,082.71</u>	<u>66,170,678.04</u>
Total assets		<u>900,803,727.61</u>	<u>859,237,185.10</u>

		As at December 31, 2023 RMB	As at December 31, 2022 RMB
Liabilities and shareholders' equity	<i>Note</i>		
Current liabilities:			
Short-term borrowings		–	–
Financial liabilities held-for-trading		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable	7	201,696,808.99	177,027,304.04
Advances		336,976.79	–
Contract liabilities	8	71,800,943.11	54,971,683.36
Employee benefits payable		25,395,648.20	35,222,573.33
Taxes payable		2,957,855.94	9,303,595.09
Other payables	9	60,213,944.23	55,307,310.07
Liabilities held-for-sale		–	–
Non-current liabilities due within one year		952,518.46	2,402,744.17
Other current liabilities		12,002,961.85	18,961,830.51
		-----	-----
Total current liabilities		375,357,657.57	353,197,040.57
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Non-current liabilities:			
Long-term borrowings		–	–
Bonds payable		–	–
Including: Preference shares		–	–
Perpetual bonds		–	–
Lease liabilities		1,740,952.23	2,553,478.24
Long-term payable		–	139,992.44
Long-term employee benefits payable		–	–
Accrued liabilities		–	–
Deferred income		–	–
Deferred income tax liabilities		–	–
Other non-current liabilities		–	–
		-----	-----
Total non-current liabilities		1,740,952.23	2,693,470.68
		-----	-----
Total liabilities		377,098,609.80	355,890,511.25
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		As at December 31, 2023 RMB	As at December 31, 2022 RMB
Liabilities and shareholders' equity	<i>Note</i>		
Shareholders' equity:			
Share capital	10	133,340,000.00	133,340,000.00
Other equity instruments		–	–
Including: Preference shares		–	–
Perpetual bonds		–	–
Capital reserves	11	208,802,523.38	214,329,955.14
Less: Treasury stock		–	–
Other comprehensive income		–	–
Specific reserve		–	–
Surplus reserves	12	13,003,776.37	9,755,021.62
Retained earnings		164,609,236.80	142,800,857.91
		<u>519,755,536.55</u>	<u>500,225,834.67</u>
Total equity attributable to shareholders of the parent company		519,755,536.55	500,225,834.67
Non-controlling interests		<u>3,949,581.26</u>	<u>3,120,839.18</u>
Total shareholders' equity		523,705,117.81	503,346,673.85
Total liabilities and shareholders' equity		900,803,727.61	859,237,185.10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company, formerly known as Shandong Lushang Property Services Co., Ltd, was established in the People's Republic of China (the “**PRC**”) on March 24, 2006 as a limited liability company under the Company Law of the PRC and converted into a joint stock company with limited liability on March 12, 2021. The address of the Company's registered office is Room 202, Block 2, Lushang Guo'ao City No.9777 Jingshi Road, Lixia District, Jinan, Shandong, PRC.

The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. The immediate parent of the Company is Lushang Freda Pharmaceutical Co., Ltd. (魯商福瑞達醫藥股份有限公司) (“**Lushang Freda**”), and the ultimate controlling party of the Company is Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司).

The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on July 8, 2022.

Unless otherwise stated, the Company's financial information is presented in Renminbi (“**RMB**”), which is the Company's functional currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Company is incorporated in the PRC and its overseas listed foreign shares have been listed on the Main Board of the Stock Exchange since July 8, 2022. It has adopted International Financial Reporting Standards (the “**IFRSs**”) for the preparation of its financial statements as at December 31, 2022. In order to improve working efficiency and lower the cost for preparing two sets of financial statements in accordance with the CASBE as well as the IFRSs, on July 17, 2023, the Board considered and approved to prepare the Company's financial statements and disclose relevant financial information in accordance with the CASBE starting from the interim report as at June 30, 2023. The extraordinary general meeting was held and approved the corresponding changes to the Articles of Association on August 3, 2023. For details, please refer to the Company's announcement dated July 17, 2023.

The Company recognizes, measures and prepares its financial statements according to actual transactions and events as well as the Accounting Standards for Business Enterprises—Basic Standards and various specific accounting standards, the Application Guidance for Accounting Standards for Business Enterprises, the interpretations of the Accounting Standards for Business Enterprises and other relevant regulations (hereinafter collectively referred to as “**Accounting Standards for Business Enterprises**”) issued by the Ministry of Finance. In addition, the Company discloses relevant financial information in accordance with the requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

There was no difference in net assets and net profit in the Company's financial reports disclosed under the CASBE and the IFRSs for the same period in December 2022.

(b) Going Concern

The Company has assessed its ability to continue as a going concern for the next 12 months from the end of the reporting period, and has not identified any matters or circumstances that cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern assumption.

3 BILLS RECEIVABLES

Types	December 31, 2023				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis	-	-	-	-	-
Provision for bad debts made on a collective basis	18,040,920.49	100.00	122,986.87	0.68	17,917,933.62
Including: the bank acceptance portfolio	-	-	-	-	-
The related party portfolio	14,743,920.49	81.72	40,261.45	0.27	14,703,659.04
The aging portfolio	3,297,000.00	18.28	82,725.42	2.51	3,214,274.58

Types	December 31, 2022				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on an individual basis	-	-	-	-	-
Provision for bad debts made on a collective basis	23,585,685.07	100.00	-	-	23,585,685.07
Including: the bank acceptance portfolio	-	-	-	-	-
The related party portfolio	23,585,685.07	100.00	-	-	23,585,685.07
The aging portfolio	-	-	-	-	-

4 ACCOUNTS RECEIVABLE

Types	December 31, 2023				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts made on a collective basis	314,598,063.90	100.00	19,163,727.75	6.09	295,434,336.15
Including: the aging portfolio	177,084,911.10	56.29	18,083,691.86	10.21	159,001,219.24
The related party portfolio	137,513,152.80	43.71	1,080,035.89	0.79	136,433,116.91

Types	December 31, 2022					
	Book balance		Provision for bad debts			Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		
Provision for bad debts made on a collective basis	271,412,900.63	100.00	10,991,621.63	4.05		260,421,279.00
Including: the aging portfolio	147,701,160.74	54.42	10,991,621.63	7.44		136,709,539.11
The related party portfolio	123,711,739.89	45.58	–	–		123,711,739.89

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

The aging portfolio	December 31, 2023
Up to 1 year (inclusive)	200,600,530.37
1-2 years	94,489,849.97
2-3 years	11,553,291.83
Over 3 years	<u>7,954,391.73</u>
Total	<u>314,598,063.90</u>

5 CONTRACT ASSETS

Items	December 31, 2023			December 31, 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Landscaping services	33,819,901.18	159,420.92	33,660,480.26	24,223,976.18	–	24,223,976.18
Design services	4,798,998.07	1,094.11	4,797,903.96	731,387.27	–	731,387.27
Decoration services	22,711,653.20	41,614.31	22,670,038.89	1,308,989.78	–	1,308,989.78
Total	<u>61,330,552.45</u>	<u>202,129.34</u>	<u>61,128,423.11</u>	<u>26,264,353.23</u>	<u>–</u>	<u>26,264,353.23</u>

6 FIXED ASSETS

Details of fixed assets

Items	Houses and buildings	Means of transportation	Machinery and other equipment	Total
I. Original carrying amount				
1. Opening balance	41,793,419.69	13,699,051.10	13,528,544.03	69,021,014.82
2. Increase in the current period	–	861,411.38	2,971,082.56	3,832,493.94
Purchases	–	861,411.38	2,971,082.56	3,832,493.94
3. Decrease in the current period	–	76,014.43	954,728.91	1,030,743.34
Disposal or retirement	–	76,014.43	954,728.91	1,030,743.34
4. Closing balance	41,793,419.69	14,484,448.05	15,544,897.68	71,822,765.42
II. Accumulated amortisation				
1. Opening balance	3,300,418.20	4,075,734.00	8,806,340.36	16,182,492.56
2. Increase in the current period	992,510.16	2,549,716.82	2,172,089.32	5,714,316.30
Provisions in the current period	992,510.16	2,549,716.82	2,172,089.32	5,714,316.30
3. Decrease in the current period	–	59,105.83	726,238.07	785,343.90
Disposal or retirement	–	59,105.83	726,238.07	785,343.90
4. Closing balance	4,292,928.36	6,566,344.99	10,252,191.61	21,111,464.96
III. Allowance for impairment				
1. Opening balance	–	–	–	–
2. Increase in the current period	–	–	–	–
3. Decrease in the current period	–	–	–	–
4. Closing balance	–	–	–	–
IV. Carrying amount				
1. Closing carrying amount	37,500,491.33	7,918,103.06	5,292,706.07	50,711,300.46
2. Opening carrying amount	38,493,001.49	9,623,317.10	4,722,203.67	52,838,522.26

7 ACCOUNTS PAYABLES

(a) Presentation of accounts payables

Items	December 31, 2023	December 31, 2022
Payables for materials	9,657,093.08	2,000,279.26
Construction payables	93,194,280.36	81,589,203.75
Accrued accounts payable	780,864.97	1,467,007.88
Payable expenses	1,975,297.20	1,701,508.25
Payables for project costs	89,371,698.92	82,388,136.66
Others	6,717,574.46	7,881,168.24
Total	<u>201,696,808.99</u>	<u>177,027,304.04</u>

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

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

Aging	December 31, 2023	December 31, 2022
Up to 1 year	152,737,044.34	141,962,901.42
1-2 years	38,495,716.53	29,847,207.34
2-3 years	9,296,755.27	2,416,847.27
Over 3 years	1,167,292.85	2,800,348.01
Total	<u>201,696,808.99</u>	<u>177,027,304.04</u>

8 CONTRACT LIABILITIES

Item	December 31, 2023	December 31, 2022
Property management fees	67,504,491.47	49,999,588.92
Community value-added services	4,164,548.01	4,797,660.47
Landscaping design services	131,903.63	174,433.97
Total	71,800,943.11	54,971,683.36

9 OTHER PAYABLES

Presentation of other payables by nature

Nature	December 31, 2023	December 31, 2022
Deposit and security deposit	26,692,561.67	26,888,791.07
Advance payment	1,807,743.52	1,867,040.67
Escrow fund	7,519,181.24	7,652,580.44
Party building	1,904,958.76	1,771,267.15
Public maintenance funds	2,970,899.28	1,391,131.66
Utilities	1,595,214.83	6,537,865.10
Intermediation fees	4,261,616.05	4,200,809.72
Others	2,721,768.88	4,997,824.26
Total	49,473,944.23	55,307,310.07

10 Share Capital

Item	December 31, 2022	Changes in current period (+ or -)					Subtotal	December 31, 2023
		Issuance of new shares	Bonus share	Reserved funds converted into shares	Others			
Total shares	133,340,000.00	-	-	-	-	-	133,340,000.00	

11 CAPITAL RESERVE

Item	December 31, 2022	Increase in the period	Decrease in the period	December 31, 2023
Capital premium (Equity premium)	208,802,523.38	-	-	208,802,523.38
Other capital reserves	5,527,431.76	-	5,527,431.76	-
Total	214,329,955.14	-	5,527,431.76	208,802,523.38

12 SURPLUS RESERVE

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	9,755,021.62	3,248,754.75	–	13,003,776.37
Total	<u>9,755,021.62</u>	<u>3,248,754.75</u>	<u>–</u>	<u>13,003,776.37</u>

13 OPERATING REVENUE & OPERATING COST

(a) Operating revenue & operating cost

Item	January to December in 2023		January to December in 2022	
	Revenue	Cost	Revenue	Cost
Principle operations	619,879,359.07	503,789,959.24	627,204,061.94	478,322,257.56
Other operations	1,142,505.00	166,137.36	529,868.93	–
Total	<u>621,021,864.07</u>	<u>503,956,096.60</u>	<u>627,733,930.87</u>	<u>478,322,257.56</u>

(b) Income from contracts

Classification of contract	January to December in 2023	January to December in 2022
Goods	–	–
Including: Property management services	317,289,600.53	294,098,639.50
Value-added services to non-property owners	167,941,788.23	187,907,845.62
Community value-added services	135,790,475.31	145,727,445.75
Total	<u>621,021,864.07</u>	<u>627,733,930.87</u>
Classified by region	January to December in 2023	January to December in 2022
Including: Mainland of China	621,021,864.07	627,733,930.87
Classified by contract term	–	–
Including: Revenue recognised at a point in time	121,447,746.01	167,002,923.90
Revenue recognised over time	499,574,118.06	460,731,006.97
Total	<u>621,021,864.07</u>	<u>627,733,930.87</u>

14 INCOME TAX EXPENSES

Item	January to December in 2023	January to December in 2022
Current income tax calculated on the basis of the tax laws and relevant regulations	–	–
– Corporate income taxes in Mainland of China	12,289,664.46	22,077,451.41
Deferred income tax expenses	-1,491,688.70	659,284.70
Total	<u>10,797,975.76</u>	<u>22,736,736.11</u>

The Group had no Hong Kong profit, since it had no taxable income derived from Hong Kong during the year.

15 RETURN ON NET ASSETS AND EARNINGS PER SHARE

Profit for the reporting period	Return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to the holders of ordinary shares of the parent company	7.84	0.30	0.30
Net profit attributable to the holders of ordinary shares of the parent company (excluding: extraordinary profit and loss)	<u>7.43</u>	<u>0.29</u>	<u>0.29</u>

CHAIRMAN’S STATEMENT

2023 REVIEW

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

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

Improving services, creating characteristics to strengthen quality construction

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

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

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

Building systems, strengthening teams to stimulate talent vitality

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

Setting standards, focusing on innovation to improve development quality and efficiency

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

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

Optimising layout and promoting transformation to enhance industrial vitality

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

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

FUTURE PROSPECT

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

ACKNOWLEDGEMENT

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a comprehensive property management service provider with a market leading position in Shandong Province and a proven track record of rapid growth. According to CIA, we were ranked 35th among the 2023 Top 100 Property Management Companies in China (2023 中國物業服務百強企業第35名) in terms of overall strength and were recognized as the “2022 Outstanding Member of Shandong Property Management Institute” (山東省物業管理協會2022年度「優秀會員單位」), 5th place among the “2022 TOP 10 Property Management Service Provider in Shandong Province” (「2022山東省物業服務力TOP10企業」第五名), 3rd place among the “2022 TOP 5 Property Management Service Provider for Residential Properties in Shandong Province” (「2022山東省住宅物業服務力TOP5」第三名), 3rd place among the “2022 TOP 5 Property Management Service Provider in Jinan” (「2022物業服務力濟南TOP5」第三名), “2022 Government Procurement for 20 Years · Top 100 Property Management Service Providers” (「2022政府採購20年·百強物業管理服務商」) and Star-level Service Company of “Qilu Red Property” (「齊魯紅色物業」星級服務企業). The SASAC of the State Council officially released the “List of Typical Cases and Excellent Brand Stories of State-owned Enterprise Brand Building in 2022”(「2022年度國有企業品牌建設典型案例和優秀品牌故事名單」) and the “Qifu” (祺服) brand of Lushang Services was selected as an outstanding brand case by the SASAC of the State Council, which is the only case selected among state-owned enterprises in Shandong Province. During the Year, the revenue of the Group was RMB621.0 million, representing a decrease by 1.1% as compared with RMB627.7 million as at December 31, 2022. The Company’s net profit attributable to owners of the parent company during the Year was RMB39.4 million, representing a decrease by 48.7% as compared with RMB76.9 million for the corresponding period in 2022. As at December 31, 2023, the Group had 95 projects under management, with the total GFA under management of 23.1 million sq.m. (December 31, 2022: 22.2 million sq.m.), representing a growth by 4.1%. It also had 95 contracted projects, with total contracted area of 26.5 million sq.m. (December 31, 2022: 26.1 million sq.m.), representing a growth by 1.5%. Headquartered in Jinan, Shandong Province, through 17 years of development since our establishment in 2006, we have expanded our coverage to nearly all prefecture-level cities in Shandong Province and to Beijing and Harbin. We are deeply rooted in Shandong Province, which, according to CIA, is one of the most populous and economically prosperous provinces in China, and has always been and will continue to be our strategic development focus. According to National Bureau of Statistics, as at December 31, 2023, the aggregate GDP of Shandong Province ranked third among all provinces in China, and the annual disposable income per capita in Shandong Province is higher than the average in China. Throughout the course of our development, we have adhered to our vision of “service provider for wonderful life” (“美好生活服務商”) in conducting our business. We believe that our commitment to customer satisfaction and customer-centric culture have shaped our brand image and helped to establish our leading market position in Shandong Province.

The Business Model of the Company

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

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

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

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

Source of projects	2023		As of December 31, 2022		Change	
	GFA under management	Proportion of GFA under management	GFA under management	Proportion of GFA under management	GFA under management	Growth rate
	sq.m. in thousands	%	sq.m. in thousands	%	sq.m. in thousands	%
Lushang Freda Group	251 ⁽¹⁾	1.1	12,620	57.0	-12,369	-98.0
Other related parties	14,709 ⁽¹⁾	63.8	1,095	4.9	13,614	1243.3
Subtotal	14,961	64.9	13,715	61.9	1,246	9.1
Third parties	8,090	35.1	8,437	38.1	-347	-4.1
Total	23,051	100	22,152	100.0	899	4.1

Note (1): Consequential to the Disposal, certain projects with a total GFA under management of approximately 13,634 sq.m. in thousands were shifted from the Lushang Freda Group to the Shandong Commercial Group.

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

Source of projects	For the year ended/As at December 31,									
	2023					2022				
	Revenue		GFA under management		Number of projects	Revenue		GFA under management		Number of projects
	RMB'000	%	sq.m.'000	%		RMB'000	%	sq.m.'000	%	
Residential properties	182,570	57.5	13,105	56.8	40	173,138	58.9	12,301	55.5	43
Non-residential properties										
(1) Commercial properties	77,923	24.6	2,925	12.7	33	75,965	25.8	2,555	11.5	26
(2) Others	56,797	17.9	7,021	30.5	22	44,996	15.3	7,296	33.0	18
Total	317,290	100.0	23,051	100	95	294,099	100.0	22,152	100.0	87

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

Value-added services to non-property owners: accounting for approximately 27.0% of total revenue

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

Administrative and Other Expenses

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

Other Income

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

Profit for the Year

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

Current Assets

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

Fixed Assets and Right-of-use Assets

Our fixed assets and right-of-use assets mainly consist of plant and buildings, machinery and other equipment and vehicles. As of December 31, 2023, the Group's fixed assets and right-of-use assets amounted to approximately RMB52.5 million, representing a decrease of approximately RMB2.9 million as compared with approximately RMB55.4 million as of December 31, 2022, primarily due the depreciation of fixed assets and right-of-use assets during the Year.

Trade and Bills Receivables

Our trade and bill receivables increased from RMB284.0 million as of December 31, 2022 to RMB313.4 million as of December 31, 2023, primarily due to slowdown in collecting of trade receivables as a result of the downturn of the real estate market and adverse economic conditions in the PRC. We will continue to vigorously put various measures in place to ensure timely collection of trade and bill receivables.

Prepayments, Deposits and Other Receivables

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

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

Trade Payables

As of December 31, 2023, trade payables amounted to approximately RMB201.7 million, representing an increase of approximately RMB24.7 million as compared with approximately RMB177.0 million as of December 31, 2022, primarily attributable to the fact that payment nodes of outsourcing fees for property management services and labor costs for landscaping service have not yet reached, resulting in more trade payables incurred.

Accrued Expenses and Other Payables

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

As of December 31, 2023, accrued expenses and other payables amounted to approximately RMB88.6 million, representing a decrease of approximately RMB11.2 million as compared with approximately RMB99.8 million as of December 31, 2022, primarily attributable to lower remuneration performance as a result of the deviation from performance expectations for 2023.

Liquidity and Capital Resources

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

Cash and Cash Equivalents

As of December 31, 2023, the Group's cash and cash equivalents amounted to approximately RMB411.1 million, representing a decrease of 4.1% as compared with approximately RMB428.8 million as of December 31, 2022, primarily due to our increased efforts on daily repair and maintenance of building facilities and equipment for the Year to improve the quality of services.

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

Interest-bearing Borrowings

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

Pledge of Assets

As of December 31, 2023, we have pledged assets of RMB2.3 million as securities for our interest-bearing borrowings (December 31, 2022: RMB3.0 million).

Gearing Ratio

Gearing ratio is calculated based on total liabilities, which represent the sum of current liabilities and non-current liabilities, divided by total assets, which represent the sum of current assets and non-current assets, as at the respective dates and multiplied by 100%. Our gearing ratio was 41.9% as of December 31, 2023 (December 31, 2022: 41.4%).

Significant Investments, Material Acquisitions and Disposals

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

Future Plans for Material Investments and Capital Assets

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

Contingent Liabilities and Commitments

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

Proceeds from the Listing

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

Foreign Exchange Risk

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

Employees and Remuneration Policy

As of December 31, 2023, the Group had 1,437 employees (as of December 31, 2022: 1,644 employees). During the Year, we have adjusted the composition of our remuneration in line with the industry conditions and strengthened the incentives for value-added operations, investment development and other specialized businesses in order to fully motivate our employees. Compensation for employees of the Group is made with reference to the market as well as the nature of work and individual performance. The Group regularly makes necessary adjustments to the remuneration policies and packages to accommodate the pay levels in the industry.

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

SUBSEQUENT EVENTS

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

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

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

For details, please refer to the Acquisition Announcement.

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

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

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

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

Save as disclosed above, no events has taken place subsequent to December 31, 2023 and up to the date of this announcement that may have a material impact on the Group's operating and financial performance that need to be disclosed.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

REVIEW OF ANNUAL RESULTS

The Company established the Audit Committee in compliance with the Appendix C1 to the Listing Rules. The Audit Committee has reviewed the annual financial results for the Year and considers that the annual financial results are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

FINAL DIVIDEND

The Board resolved not to recommend payment of any final dividend for the Year.

2023 AGM

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

Closure of Register of Members

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

SCOPE OF WORK OF DA HUA

The figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the Year as set out in this announcement have been agreed by the Company’s independent auditor, Da Hua, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by Da Hua in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Da Hua on this announcement.

PUBLICATION OF ANNUAL RESULTS AND 2023 ANNUAL REPORT

This announcement is published on the websites of the Company (www.lushangfuwu.com) and the Stock Exchange (www.hkexnews.hk). The 2023 annual report will be dispatched to the Shareholders and will be made available on the websites of the Company and the Stock Exchange as and when appropriate.

DEFINITIONS

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

“2023 AGM”	the 2023 annual general meeting of the Company to be convened and held on June 21, 2024
“Acquisition”	acquisition of the equity interest in Shandong Lujian, as referred to in the Acquisition Announcement
“Acquisition Announcement”	the announcement of the Company dated February 27, 2024, in relation to, amongst other things, the Acquisition and the Equity Interest Transfer Agreement
“associate”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors

“CASBE”	China Accounting Standards for Business Enterprises
“China” or “PRC”	the People’s Republic of China
“CIA”	the China Index Academy
“Company”	Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司) (formerly known as Shandong Lushang Property Services Co., Ltd. (山東魯商物業服務有限公司)), a company established in the PRC with limited liability on March 24, 2006 and converted into a joint stock company with limited liability on March 12, 2021 and the H Shares of which are listed on the Stock Exchange (stock code: 2376)
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix C1 to the Listing Rules
“Da Hua”	Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)), the auditor of the Company
“Director(s)”	the directors of the Company
“Disposal”	the disposal by Lushang Freda of its real estate business to Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司), a wholly-owned subsidiary of Shandong Commercial, a controlling shareholder of the Company
“Equity Interest Transfer Agreement”	the equity interest transfer agreement in relation to, amongst other things, the Acquisition, as referred to in the Acquisition Announcement

“Equity Transfer Agreement”	the equity transfer agreement dated February 27, 2024 entered into between the Company, Shandong Urban and Rural Development Group Co., Ltd.* (山東省城鄉發展集團有限公司) and Shandong HuiBangDa in relation to the disposal of 100% of the equity interest in Shandong HuiBangDa by the Company
“GFA”	gross floor area
“Group”, “we”, “our” or “us”	the Company and its subsidiaries
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the H Shares on the Stock Exchange
“Listing Date”	the date of the Listing, being July 8, 2022
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lushang Freda”	Lushang Freda Pharmaceutical Co., Ltd. (魯商福瑞達醫藥股份有限公司) (formerly known as Lushang Health Industry Development Co., Ltd. (魯商健康產業發展股份有限公司)), a joint stock company established in the PRC with limited liability on April 21, 1993, whose shares are listed on the Shanghai Stock Exchange (stock code: 600223) and a controlling shareholder of the Company

“Lushang Freda Group”	Lushang Freda and its subsidiaries which, for the purpose of this announcement and unless the context otherwise requires, excludes the Group
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Prospectus”	the prospectus of the Company dated June 27, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets and Supervision and Administration Commission
“Shandong Commercial”	Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司) (formerly known as Shandong Commercial Group General Corporation (山東省商業集團總公司)), a company established in the PRC with limited liability on November 26, 1992, which is controlled by the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會) and a controlling shareholder of the Company
“Shandong Commercial Group”	Shandong Commercial and its subsidiaries which, for the purpose of this announcement and unless the context otherwise requires, excludes the Group
“Shandong HuiBangDa”	Shandong HuiBangDa Furbishing Engineering Co., Ltd.* (山東省匯邦達裝飾工程有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to completion of the disposal of 100% of the equity interest in it by the Company pursuant to the Equity Transfer Agreement

“Shandong Lujian”	Shandong Lujian Property Management Limited* (山東魯健產業管理有限公司), a company established in the PRC with limited liability and is owned by Lushang Freda as to 100% of its equity interest as at the date of the Acquisition Announcement
“Shareholder(s)”	shareholder(s) of the Company
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisors”	the supervisors of the Company
“Year”	the year ended December 31, 2023

By order of the Board
Lushang Life Services Co., Ltd.
Mr. WANG Zhongwu
Chairman and executive Director

Jinan, the PRC, March 22, 2024

As at the date of this announcement, the Board comprises Mr. WANG Zhongwu as Chairman and executive Director, Mr. SHAO Meng as executive Director, Ms. LI Lu, Ms. LUO Ye and Ms. LI Han as non-executive Directors, and Ms. LEUNG Bik San, Ms. CHEN Xiaojing and Mr. MA Tao as independent non-executive Directors.

* *For identification purposes only*