FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with the consolidated financial information together with the accompanying notes in the Accountants' Report included in Appendix I to this document. Our financial information and the consolidated financial statements of our Group have been prepared in accordance with the Hong Kong Financial Reporting Standards, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole Accountants' Report and not rely merely on the information contained in this section. Unless the context otherwise requires, financial information in this section is described on a consolidated basis.

The discussion and analysis set forth in this section contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. Our actual results may differ significantly from those projected. Factors that could cause or contribute to such differences include, without limitation, those discussed in "Risk Factors" and "Business" and elsewhere in this document

Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this document may be due to rounding.

OVERVIEW

We are a comprehensive property management service provider in the PRC, with a primary focus in Shandong Province by upholding our strategy of "Shandong Focus (精耕山東)". A majority of our managed projects are located in Shandong Province and a few are located in first-tier cities, such as Beijing and Shenzhen. According to the F&S Report, we had a market share of approximately 0.1% in the overall PRC property management industry in terms of the total revenue generated from property management services in 2021, in particular, we ranked 12th and accounted for approximately 1.0% in the property management services market in Shandong Province.

We provide a wide range of property management services and other services through our operating subsidiaries and branches. The services we provide can be broadly divided into four business segments in terms of their nature, namely (i) property management services; (ii) property engineering and landscape construction services; (iii) property investment; and (iv) other services. For details of our services, please refer to section headed "Business — Our Business Model" in this Document.

In respect of our property management services, with over 25 years of experience and by our professional expertise, we have a comprehensive understanding of our customers' daily operation and specific requirements and needs to provide high-quality services to hospitals and public properties. For FY2021, we had 39 hospitals and 104 public properties under our management. According to the F&S Report, we ranked second in hospital sector and third in non-residential (including hospitals, public properties and commercial properties) sector among property management service providers in Shandong Province in terms of the revenue generated from the respective sectors in 2021, representing market share of approximately 7.2% and 2.1%, respectively. In terms of the revenue generated from respective sectors in PRC property management industry, we had a market share of approximately 0.6% in hospital sector and 0.3% in non-residential (including hospitals, public properties and commercial properties) sector, respectively.

For FY2019, FY2020, FY2021 and 1H2022, the total revenue of our Group was approximately RMB397.1 million, RMB486.1 million, RMB601.3 million and RMB321.4 million, respectively. For FY2019, FY2020, FY2021 and 1H2022, the revenue generated from the provision of our property management services amounted to approximately RMB367.0 million, RMB402.2 million, RMB542.8 million and RMB307.2 million, representing 92.4%, 82.8%, 90.3% and 95.6% of our total revenue, which were contributed from 162, 190, 226 and 231 property management projects, respectively.

PRINCIPAL FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our results of operations have been, and will continue to be, affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed "Risk Factors" in this document and those set out below:

Business mix

Our business mix affected our business and results of operation during the Track Record Period and are expected to continue affecting our business and results of operation in the future. During the Track Record Period, we derive our revenue from four types of services, namely (i) property management services; (ii) property engineering and landscape construction services; (iii) property investment; and (iv) other services. Our business mix may fluctuate in response to the demand of our customers, unexpected change in cost of services and our change in development strategies.

Since our gross profit margins vary across our four types of services, any significant change in the structure of our revenue contribution from our services or significant change in gross profit margin of any type of our services may have a significant impact on our overall gross profit margin. For further details of our gross profit margins, please refer to the paragraph headed "Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margins" in this section.

Branding positioning and pricing ability

We uphold our strategy of "Shandong Focus (精耕山東)", with our provision of property management services primarily focused in Shandong Province. We have been recognised by and awarded several highly regarded honours in the industry, which includes without limitation (i) TOP 500 Property Management Companies of China (物業服務企業綜合實力測評TOP 500); (ii) Shandong Premium Brand — Service* (山東優質品牌 — 服務類); (iii) High and New Technology Enterprise* (高新技術企業); (iv) Shandong Famous Brand* (山東知名品牌); (v) Key Service Enterprises in Shandong* (山東省重點服務業企業); and (vi) High-end Cultivation Enterprise in Service Industry in Shandong* (山東省服務業高端培育企業). We believe we have established a reputation amongst the locations of properties under our management, especially in Shandong Province. As such, our financial conditions and results of performance partly depend on our ability to manage, maintain and further develop the market's recognition of our brand name and its image.

During the Track Record Period, the majority of our revenue was generated from the provision of our property management services, which accounted for approximately 92.4%, 82.8%, 90.3% and 95.6% of our total revenue for FY2019, FY2020, FY2021 and 1H2022, respectively. We generally price our property management services based on the stipulated number of employees and workers to be deployed for each position and consider a number of factors, including (i) the size, location and type of the properties; (ii) the expected standards for our property management services and the frequency of performing our services; (iii) budgeted operational expenses (including but not limited to labour, materials and administrative expenses); (iv) targeted profit margins; (v) local government's pricing guidance and/or regulations on property management fees (for residential properties); (vi) pricing of comparable properties; (vii) evaluation of our competitors' pricing; and (viii) the potential growth of business of our Group in general. We have to achieve a balance between pricing our projects competitively while maintaining our brand image as a quality property management service provider and ensuring reasonable profit margins. Failure to balance various factors in determining our pricing may materially and adversely affect our financial position and results of operations.

Impact of fluctuation in staff costs

Property management industry is a labour-intensive industry, and market players are reliant on the large pool of manpower required for execution works. During the Track Record Period, our staff costs constituted a substantial portion of our cost of services, which amounted to approximately RMB269.1 million, RMB268.4 million, RMB266.3 million and RMB154.6 million, representing approximately 81.5%, 70.0%, 54.7% and 60.8% of our total cost of services for FY2019, FY2020, FY2021 and 1H2022, respectively. In addition, our staff costs related to our administrative staff also constituted a substantial portion of our administrative expenses.

We have implemented a number of cost-saving measures, including implementing information technology systems to reduce our reliance on manual labour. We cannot assure you that we will be able to control our costs or successfully pass the cost impact to the service fees charged by us to maintain our profitability. For details of sensitivity analysis on our staff costs, please refer to the paragraph headed "Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Cost of services" in this section.

Impact of increase in subcontracting fees

In March 2021, as part of our manpower allocation measures, we have engaged three subcontractors to replace the deployment of part-time workers whose costs were recognised in staff cost in our cost of services during the Track Record Period. For details, please refer to the section headed "Business — Our Suppliers — Our subcontractors" in this document.

In this regard, while our subcontracting costs recorded in our cost of services were approximately RMB34.1 million, RMB77.8 million, RMB168.6 million and RMB74.7 million, which represented approximately 10.3%, 20.3%, 34.6% and 29.3% of our total cost of services for FY2019, FY2020, FY2021 and 1H2022, respectively, our subcontracting costs may constitute a larger proportion of our cost of services after the Track Record Period. Failure to control our subcontracting cost in an effective manner whilst maintaining our service quality may have a negative impact to our future financial position and results of operations.

Changes in tax policies

Our operations are subject to PRC corporate income tax, value added tax and other local taxes. For FY2019, FY2020, FY2021 and 1H2022, our effective income tax rates, calculated as income tax expenses divided by profit before tax, were approximately 26.3%, 21.3%, 21.2% and 27.0%, respectively. The statutory PRC enterprise income tax rate in the PRC is 25%. Some of our subsidiaries were entitled to preferential income tax rates of 10% for qualifying as small low-profit enterprises during the Track Record Period. Our PRC subsidiary, Kaidi Network, received the certificate of "High and New Technology Enterprise" in 2020 under which it is entitled to a preferential PRC income tax rate of 15% for three years. If there is any material adverse change in the preferential income tax treatment currently enjoyed by such subsidiaries, our profitability may be materially and adversely affected.

BASIS OF PRESENTATION AND PREPARATION

Our Company was incorporated under the laws of Cayman Islands as an exempted company with limited liability on 30 June 2020. In preparation for the **[REDACTED]**, we underwent the Reorganisation, as detailed in the section headed "History, Development and Reorganisation" in this document. Following the Reorganisation, our Company became the holding company of all the subsidiaries currently comprising our Group.

The historical financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and their interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

For more information on the basis of presentation and preparation of our historical financial information included herein, please refer to notes 2.1 and 2.2 to the Accountants' Report in Appendix I to this document.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Our Directors are required to make judgements, estimates and assumptions that affect our application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on our 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.

The estimates and underlying assumptions are reviewed by our management on an on-going 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. Details of revisions to accounting estimates and significant accounting policies adopted are disclosed in note 2.4 to the Accountants' Report in Appendix I to this document.

The following paragraphs discuss some of our critical accounting policies, estimates and judgements applied in preparing our historical financial information:

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which our Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, 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 between our Group and the customer at contract inception. When the contract contains a financing component which provides our Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Property management services

Revenue from the provision of property management services is recognised over and consumes scheduled period on a straight-line basis because the customer simultaneously receives the benefits provided by our Group.

Property engineering and landscape construction services

Revenue from the provision of property engineering and landscape construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service. Our Group transfers control of a service over time if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; and

(b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced

The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Other services

Revenue from other services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives the benefits provided by our Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Investment in associates

An associate is an entity in which our Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Our Group's investment in two associates stated in the consolidated statement of financial position at our Group's share of net assets under the equity method of accounting, less any impairment losses.

Our Group's share of the post-acquisition results and other comprehensive income of two associates are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, our Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between our Group and its associate is eliminated to the extent of our Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Share-based payments

Employees (including directors) of our 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 at the date on which they are granted. The fair value is computed based on their most recent post-money valuations.

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 performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and our Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either our Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs.

Our Group measures its investment properties at cost, including related transaction costs. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives in six to 35 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Significant Accounting Judgement and Estimates

The preparation of our Group's financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. For details of our significant accounting judgements and estimates, please refer to Note 3 to the Accountants' Report in Appendix I of this document.

Provision for expected credit losses on trade receivables

Our Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on our Group's historical observed default rates. Our Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products, consumer price index, deposit reserve ratio, inflation rate and rate of unemployment) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our Group's trade receivables and contract assets is disclosed in note 23 and note 24 to the Accountants' Report in Appendix I of this document.

SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Results of operations

The following table sets out the consolidated results of our Group during the Track Record Period, which are derived from, and should be read in conjunction with the Accountants' Report as set out in Appendix I to this document:

	FY2019	FY2020	FY2021	1H2021	1H2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	397,096	486,095	601,298	261,620	321,391
Cost of services	(330,249)	(383,241)	(487,156)	(211,952)	(254,399)
Gross profit	66,847	102,854	114,142	49,668	66,992
Other income and gains and expenses, net	4,531	7,810	7,292	3,817	2,778
Selling and distribution expenses	(1,395)	(2,468)	(4,703)	(1,287)	(4,032)
Administrative expenses	(29,584)	(45,044)	(54,528)	(29,343)	(37,859)
Finance costs	(3,807)	(10,666)	(11,299)	(6,931)	(4,077)
Share of profits and losses of associates	210	9,370	5,540	2,108	3,832
PROFIT BEFORE TAX	36,802	61,856	56,444	18,032	27,634
Income tax expense	(9,694)	(13,164)	(11,993)	(5,500)	(7,454)
PROFIT FOR THE YEAR/PERIOD	27,108	48,692	44,451	12,532	20,180
Attributable to:					
Owners of the parent	27,108	48,674	44,300	12,342	20,164
Non-controlling interests	—	18	151	190	16
	27,108	48,692	44,451	12,532	20,180

Non-HKFRS measures

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also present the adjusted profit for the years and adjusted net profit margin as non-HKFRS measures.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of **[REDACTED]** and share-based payment. We believe that these non-HKFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

The table below sets forth a reconciliation of our profit for the year/period under HKFRS to adjusted profit for the year/period (non-HKFRS measures) for the periods indicated by adding back the **[REDACTED]** and share-based payment. Our Directors consider that (i) the **[REDACTED]**, which are expenses related to the **[REDACTED]**; and (ii) share-based payment, which relates to the share awards that we granted to our employees for their contribution to us, is non-cash in nature and does not result in cash outflow. Therefore, by eliminating the impacts of such items in the calculation of adjusted profit for the year/period (non-HKFRS measures) and adjusted net profit margin for the year/period (non-HKFRS measures), this measure could better reflect our underlying operating performance and could better facilitate the comparison of operating performance from year to year and from period to period.

	FY2019	**FY2020**	**FY2021**	**1H2021**	**1H2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year	27,108	48,692	44,451	12,532	20,180
Adjusted for:					
— [REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
— Share-based payment	790	1,382	1,877	1,002	872
Adjusted profit for the year/period (Non-HKFRS measures)	27,898	53,631	55,158	21,656	23,575
Adjusted net profit margin for the year/period (Non-HKFRS measures)	7.0%	11.0%	9.2%	8.3%	7.3%

Although these financial measures are reconcilable to the line items in the consolidated financial statements, they should not be considered as measures comparable to items in the consolidated financial statements in accordance with the HKFRS. These measures may not be comparable to other similarly titled measures used by other companies.

DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we derived our revenue from four business segments in terms of their nature, namely (i) property management services; (ii) property engineering and landscape construction services; (iii) property investment; and (iv) other services. For FY2019, FY2020, FY2021 and 1H2022, the total revenue of our Group was approximately RMB397.1 million, RMB486.1 million, RMB601.3 million and RMB321.4 million, respectively. The following table set out the breakdown of our revenue by type of services during the Track Record Period:

	FY2019		FY2020		FY2021		1H2021		1H2022	
	Revenue	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Property management services	366,970	92.4	402,198	82.8	542,838	90.3	250,679	95.8	307,244	95.6
Property engineering and landscape construction services	16,866	4.2	74,863	15.4	49,301	8.2	7,052	2.7	9,358	2.9
Property investment	6,173	1.6	8,442	1.7	5,942	1.0	3,005	1.2	3,268	1.0
Other services*(Note)*	7,087	1.8	592	0.1	3,217	0.5	884	0.3	1,521	0.5
Total	397,096	100.0	486,095	100.0	601,298	100.0	261,620	100.0	321,391	100.0

Note: Other services mainly include (i) patient nursing and post-natal caring services; and (ii) sales of software supporting systems developed by us and daily server maintenance services.

The table below sets forth a breakdown of our total revenue by related parties and independent third parties of our Group during the Track Record Period:

	FY2019		FY2020		FY2021		1H2021		1H2022	
	Revenue	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Independent third parties	351,742	88.6	390,177	80.3	527,897	87.8	244,940	93.6	301,416	93.8
Our related parties	45,354	11.4	95,918	19.7	73,401	12.2	16,680	6.4	19,975	6.2
Total	397,096	100.0	486,095	100.0	601,298	100.0	261,620	100.0	321,391	100.0

During the Track Record Period, our revenue derived from independent third parties represented mainly the property management fees received from independent third parties. Revenue derived from related parties represented mainly the property management fees, property engineering and landscape construction fees received from Runhua Group and Hang Qian Group. During the Track Record Period, our revenue generated from the third party customers remained a stable growth from approximately RMB351.7 million in FY2019 to approximately RMB527.9 million in FY2021, which was in line with the increase in the number of non-residential properties (i.e. hospitals, public properties and commercial and other non-residential properties) under our management from 142 in FY2019 to 204 in FY2021. Our revenue generated from the third party customers increased from approximately RMB244.9 million for 1H2021 to approximately RMB301.4 million for 1H2022 mainly due to the increase in number of hospitals and public properties under our management.

We experienced a significant increase in revenue generated from our related parties from approximately RMB45.4 million in FY2019 to approximately RMB95.9 million in FY2020, mainly due to the growth of revenue contribution from five relatively sizeable property engineering and landscape construction projects, with the aggregate revenue contribution of approximately RMB50.7 million in FY2020, all of which were awarded by our related parties. The decrease in revenue generated from our related parties in FY2021 as compared with FY2020 was mainly due to certain relatively sizeable property engineering and landscape construction projects of our related parties were substantially completed and recognised most of their contract value before FY2021. The revenue generated from our related parties increased from approximately RMB16.7 million for 1H2021 to approximately RMB20.0 million for 1H2022 mainly due to the enlarged scope of cleaning and disinfection services performed by the existing staff, for automobile industrial parks requested by our related parties for the environmental hygiene management during COVID-19 pandemic in view of the high visitor flows of automobile sales stores, which led to an increase in revenue contribution in 1H2022 by approximately RMB2.1 million.

Property Management Services

For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from property management services amounted to approximately RMB367.0 million, RMB402.2 million, RMB542.8 million and RMB307.2 million, representing approximately 92.4%, 82.8%, 90.3% and 95.6%, respectively, of our total revenue for the same period. During the Track Record Period, all property management fees were charged on a lump sum basis. Under the lump sum basis, our customers pay fixed management fees to us while we bear all related costs and expenses involved. For details of the revenue models of a lump sum basis, please refer to the section headed "Business — Our Business Model — Revenue model" for further details.

By type of properties

The below table sets forth the breakdown of the number of managed projects under our property management service segment and our revenue generated from providing property management services by the type of properties during the Track Record Period:

	FY2019			FY2020			FY2021			1H2021			1H2022		
	Number of managed projects	**Revenue**	**% of total revenue from providing property management services**	**Number of managed projects**	**Revenue**	**% of total revenue from providing property management services**	**Number of managed projects**	**Revenue**	**% of total revenue from providing project management services**	**Number of managed projects**	**Revenue**	**% of total revenue from providing property management services**	**Number of managed projects**	**Revenue**	**% of total revenue from providing property management services**
		RMB'000			*RMB'000*			*RMB'000*			*RMB'000* (unaudited)			*RMB'000*	
Hospitals	30	143,776	39.2	26	144,715	36.0	39	215,941	39.8	29	98,786	39.4	38	129,569	42.2
Public properties	75	140,554	38.3	95	150,840	37.5	104	192,624	35.5	95	93,222	37.2	105	108,835	35.4
Commercial and other non-residential properties	37	42,865	11.7	49	64,519	16.0	61	86,112	15.9	52	38,051	15.2	66	44,300	14.4
Residential properties	20	39,775	10.8	20	42,124	10.5	22	48,161	8.8	20	20,620	8.2	22	24,540	8.0
Total	**162**	**366,970**	**100.0**	**190**	**402,198**	**100.0**	**226**	**542,838**	**100.0**	**196**	**250,679**	**100.0**	**231**	**307,244**	**100.0**

During the Track Record Period, there had been an increasing trend in our revenue generated from our property management service segment. For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from our property management service segment was approximately RMB367.0 million, RMB402.2 million, RMB542.8 million and RMB307.2 million, respectively, while the total number of projects under our property management service segment was 162, 190, 226 and 231, respectively. Such increase in number of managed projects was primarily attributable to our continuous effort to expand business and diversify the portfolios of our property management projects.

We have a comprehensive understanding of the daily operation and sufficient project experiences in the hospital and public sectors to provide high-quality services to the hospital and public properties. During the Track Record Period, majority of our revenue generated from property management services was derived from services provided to hospitals and public properties, among which the revenue from hospitals and public properties remained steady in FY2019 and FY2020; and the revenue from hospitals and public properties recorded an increase by approximately RMB71.2 million (or 49.2%) and RMB41.8 million (or 27.7%) in FY2021 as compared to FY2020, respectively. Such growth trend was mainly due to the increase in number of hospitals and public properties under our management from 26 and 95 in FY2020 to 39 and 104 in FY2021, respectively. The number of hospitals and public properties increased from 124 for 1H2021 to 143 for 1H2022, which led to a growth of revenue contribution in both hospital and public sectors as compared with 1H2021.

During the Track Record Period, our revenue generated from providing property management services to commercial and other non-residential properties was approximately RMB42.9 million, RMB64.5 million and RMB86.1 million, respectively. The increasing trend was mainly due to (i) the increase in number of commercial and other non-residential properties under our management from 37 in FY2019 to 49 in FY2020 and 61 in FY2021; and (ii) the increase in revenue recognised from certain existing projects resulted from the enlarged scale and scope of our value-added services, such as cleaning services for display automobile vehicles in automobile industrial parks as well as other customer services, requested by our customers. Comparing with 1H2021, our revenue generated from providing property management services to commercial and other non-residential properties in 1H2022 increased by approximately RMB6.2 million or 16.4% mainly due to (i) the revenue contribution of approximately RMB3.0 million from certain new projects, in particular a film studio, a medical industrial park and a medical equipment company; and (ii) the increase in number of individual automobile sales stores managed by us from five for 1H2021 to 13 for 1H2022, which generated an additional revenue to us of approximately RMB1.4 million.

We steadily increased our revenue generated from providing property management services to residential properties of approximately RMB39.8 million, RMB42.1 million and RMB48.2 million for FY2019, FY2020 and FY2021, respectively, which was in line with the number of residential properties under our management and the number of residential units handed over to the property owners and tenants. A majority of residential units in two residential properties were sold and delivered to purchasers in around the end of 2021 and early 2022, respectively, which led to an increase in revenue generated from residential properties from approximately RMB20.6 million in 1H2021 to approximately RMB24.5 million in 1H2022.

By geographic coverage

The below tables set forth the breakdown of the number of the managed projects under our property management service segment and our revenue generated from providing property management services by geographical locations during the Track Record Period:

	FY2019			FY2020			FY2021			1H2021			1H2022		
	Number of managed projects	Revenue	% of total revenue from project management services	Number of managed projects	Revenue	% of total revenue from project management services	Number of managed projects	Revenue	% of total revenue from providing project management services	Number of managed projects	Revenue	% of total revenue from providing property management services	Number of managed projects	Revenue	% of total revenue from providing property management services
		RMB'000			*RMB'000*			*RMB'000*			*RMB'000* (unaudited)			*RMB'000*	
Shandong Province															
- *Jinan region*	93	203,790	55.5	102	230,857	57.4	114	261,331	48.1	102	137,268	54.7	122	150,819	49.1
- *Other regions*	65	144,636	39.4	83	152,525	37.9	104	244,648	45.1	88	100,905	40.3	101	132,778	43.2
Beijing	3	18,265	5.0	4	18,006	4.5	5	21,975	4.1	5	10,052	4.0	5	13,086	4.3
Other regions(Note)	1	279	0.1	1	809	0.2	3	14,884	2.7	1	2,454	1.0	3	10,561	3.4
Total	162	366,970	100.0	190	402,198	100.0	226	542,838	100.0	196	250,679	100.0	231	307,244	100.0

Note: Other regions include (i) Shenzhen, Guangdong Province; (ii) Shijiazhuang, Hebei Province; (iii) Baoding, Hebei Province; and (iv) Nanjing, Jiangsu Province.

During the Track Record Period, our managed projects were primarily located in the Shandong Province, from which we derived revenue of approximately RMB348.4 million, RMB383.4 million, RMB506.0 million and RMB283.6 million, representing approximately 94.9%, 95.3%, 93.2% and 92.3% of our total revenue generated from our property management services, respectively. The increase in the number of our managed projects in Shandong Province reflected our dedicated effort to expand and enhance our client base in Shandong Province in line with our strategy of "Shandong Focus (精耕山東)", which strengthened our reputation within the same region and enabled our leverage of economies of scale through the efficient allocation of resources between the properties under our management which are geographically proximate to each other.

Our revenue generated from the properties located in Beijing and other regions increased from approximately RMB18.3 million and RMB0.3 million in FY2019 to approximately RMB22.0 million and RMB14.9 million in FY2021, respectively. Such increase was mainly due to our strategy to expand our geographical presence in other developed neighbouring regions outside Shandong Province.

Property engineering and landscape construction services

For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from property engineering and landscape construction services amounted to approximately RMB16.9 million, RMB74.9 million, RMB49.3 million and RMB9.4 million, representing approximately 4.2%, 15.4%, 8.2% and 2.9%, respectively, of our total revenue for the same period. Our revenue generated from our property engineering and landscape construction service segment increased from approximately RMB16.9 million in FY2019 to approximately RMB74.9 million in FY2020 primarily due to (i) five relatively sizeable property engineering and landscape construction projects commenced in FY2020 and contributed an aggregate revenue of approximately RMB50.7 million in FY2020, respectively; and (ii) the increase in the number of property engineering and landscape construction projects with revenue contribution from 47 in FY2019 to 59 in FY2020. The decrease in revenue generated from property engineering and landscape construction services in FY2021 was mainly due to certain relatively sizeable property engineering and landscape construction projects were substantially completed and recognised most of their contract value in FY2020. The increase in revenue generated from property engineering and landscape construction services from approximately RMB7.1 million in 1H2021 to RMB9.4 million in 1H2022 was mainly due to the increase in the revenue generated from the installation and/or repair of elevators from approximately RMB1.8 million for 1H2021 to approximately RMB3.1 million for 1H2022.

Property investment

For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from property investment amounted to approximately RMB6.2 million, RMB8.4 million, RMB5.9 million and RMB3.3 million, representing approximately 1.6%, 1.7%, 1.0% and 1.0%, respectively, of our total revenue for the same period. The revenue from our property investment during the Track Record Period was primarily driven by the number and occupancy rate of the properties leased for the provision of property investment.

Other services

For FY2019, FY2020, FY2021 and 1H2022, the revenue generated from our other services amounted to approximately RMB7.1 million, RMB0.6 million, RMB3.2 million and RMB1.5 million, respectively, representing approximately 1.8%, 0.1%, 0.5% and 0.5%, respectively, of our total revenue for the same period. The revenue generated from our other services segment decreased from approximately RMB7.1 million in FY2019 to RMB0.6 million in FY2020 primarily due to the further reduced sales volume of our software supporting systems. The increase in revenue generated from our other services segment to approximately RMB3.2 million in FY2021 was mainly due to the sales of the use rights of developed software supporting systems. The revenue generated from our other services increased from approximately RMB0.9 million for 1H2021 to approximately RMB1.5 million for 1H2022 mainly due to the growth of our patient nursing and post-natal caring business from approximately RMB0.4 million for 1H2021 to approximately RMB1.4 million for 1H2022.

Cost of services

Our Group's cost of services primarily include staff costs, subcontracting costs, material and consumables and other cost of services. The following table sets out the breakdown of our cost of services for the periods indicated:

	FY2019		FY2020		FY2021		1H2021		1H2022	
	Cost of services	% of total cost of services	Cost of services	% of total cost of services	Cost of services	% of total cost of services	Cost of services	% of total cost of services	Cost of services	% of total cost of services
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Staff costs	269,111	81.5	268,360	70.0	266,251	54.7	123,574	58.3	154,576	60.8
Subcontracting costs	34,104	10.3	77,782	20.3	168,562	34.6	63,967	30.2	74,661	29.3
Materials and consumables	16,902	5.1	21,241	5.6	26,939	5.5	10,629	5.0	11,538	4.5
Others	10,132	3.1	15,858	4.1	25,404	5.2	13,782	6.5	13,624	5.4
Total	330,249	100.0	383,241	100.0	487,156	100.0	211,952	100.0	254,399	100.0

During the Track Record Period, staff costs constituted our largest cost component. Staff costs mainly consisted of salaries, bonus, benefits, social insurance, housing provident fund paid for our staff who are responsible to carry out our services. During the Track Record Period, our staff costs remained stable, primarily due to the implementation of various cost control measures, including making budget plans, adopting OSCS Service Centre and streamlining and standardising our property management services. Our staff costs slightly decreased from approximately RMB269.1 million in FY2019 to approximately RMB268.4 million in FY2020, primarily due to the social security concessions granted to our Group as a result of the supportive policies implemented by the relevant regulatory authorities in the PRC relating to COVID-19 pandemic in FY2020. Our staff costs remained relatively stable in FY2021 as compared with FY2020 due to (i) an increasing number of our employee headcount as a result of our business expansion and an increasing level of average salaries; offset by (ii) the cancellation of relief relating to the COVID-19 pandemic for social security payments from local government, which amounted to approximately RMB2.7 million in FY2020; and (iii) our manpower allocation measures by engaging several subcontractors, who are independent third parties to our Group, to replace the deployment of part-time workers, which provided timely and efficient alternative access to manpower resources and supported our business growth. Our staff costs increased from approximately RMB123.6 million in 1H2021 to approximately RMB154.6 million in 1H2022 due to the increase in number of frontline workers which was in line with our business growth.

Our subcontracting costs primarily represented costs of the subcontracting of tasks which required specific and specialised skills for the benefit of cost-efficiency. During the Track Record Period, subcontracting costs which constituted our second largest cost component increased from approximately RMB34.1 million in FY2019 to approximately RMB77.8 million in FY2020. The increase in our subcontracting costs was in line with our business growth, in particular our property engineering and landscape construction business. Also, we have engaged several subcontractors to replace the deployment of part-time workers for cleaning and security services since FY2021, which we incurred additional subcontracting costs of approximately RMB89.1 million to these subcontractors in FY2021. Therefore, our subcontracting costs increased significantly from approximately RMB77.8 million in FY2020 to approximately RMB168.6 million in FY2021. For details of the reasons for engaging subcontractors to replace our part-time workers, please see the section headed "Business - Our Suppliers" in this document. Our subcontracting costs increased from approximately RMB64.0 million in

1H2021 to approximately RMB74.7 million in 1H2022 due to the increase in number of workers provided by the subcontractors which was in line with our business growth.

Our material and consumables primarily represented the costs of materials purchased from our suppliers for the provision of our property management service, and property engineering and landscape construction service. Our other costs mainly consisted of property rental costs for the provision of our property investment, business development expenses, rental expenses, office expenses and other cost of services.

Sensitivity analysis on staff costs

The following sensitivity analysis illustrates the impact of hypothetical fluctuation of 5% and 10% in our staff costs, with other variables remaining constant, on our profit before income tax for the period indicated:

	FY2019	**FY2020**	**FY2021**	**1H2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Staff costs:				
+ 5%	(13,456)	(13,418)	(13,313)	(7,729)
+ 10%	(26,911)	(26,836)	(26,625)	(15,458)
- 5%	13,456	13,418	13,313	7,729
- 10%	26,911	26,836	26,625	15,458

Prospective investors should note that the above analysis on the historical financial results is based on assumptions and for reference only and should not be viewed as actual effect.

Gross profit and gross profit margin

The following table sets out a breakdown of our gross profit and gross profit margin by type of services during the Track Record Period:

	FY2019		**FY2020**		**FY2021**		**1H2021**		**1H2022**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Property management services	58,052	15.8	82,345	20.5	99,852	18.4	47,253	18.9	63,459	20.7
— Related parties	9,556	36.3	14,327	44.5	14,039	43.3	4,752	37.6	6,787	43.1
— Independent third parties	48,496	14.2	68,018	18.4	85,813	16.8	42,501	17.9	56,672	19.4
Property engineering and landscape construction services	4,465	26.5	16,236	21.7	10,874	22.1	1,180	16.7	2,721	29.1
— Related parties	3,177	26.9	12,725	20.4	9,226	23.7	69	2.0	743	18.4
— Independent third parties	1,288	25.6	3,511	28.4	1,648	15.8	1,111	31.1	1,978	37.2
Property investment	1,957	31.7	4,133	49.0	774	13.0	583	19.4	116	3.5
— Related parties	324	33.2	639	61.7	109	46.4	1	0.4	10	11.6
— Independent third parties	1,633	25.9	3,494	47.2	665	11.7	582	20.2	106	3.3
Other services	2,373	33.5	140	23.6	2,642	82.1	652	73.8	696	45.8
— Related parties	2,369	39.7	65	38.2	1,833	100.0	435	96.1	86	99.7
— Independent third parties	4	0.3	75	17.7	809	58.5	217	50.3	610	42.5
Total	66,847	16.8	102,854	21.2	114,142	19.0	49,688	19.0	66,992	20.8

For FY2019, FY2020, FY2021 and 1H2022, our overall gross profit was approximately RMB66.8 million, RMB102.9 million, RMB114.1 million and RMB67.0 million, respectively, whereas our overall gross profit margins were approximately 16.8%, 21.2%, 19.0% and 20.8%, respectively. The increase in overall gross profit was in line with the growing trend of our total revenue resulting from our business expansion; while the relatively higher overall gross profit margin in FY2020 and FY2021 was primarily attributable to the profitability improvement in our property management service segment as a result of cautiously selection of the potential projects to be tendered and our implementation of various cost control measures, including, among others, making budget plans, adopting OSCS Service Centre, streamlining and standardising our property management services and undertaking energy-saving measures.

Property management services

The following table sets out a breakdown of the gross profit and gross profit margin of our property management service by types of properties and types of customers during the Track Record Period:

	FY2019		**FY2020**		**FY2021**		**1H2021**		**1H2022**	
	Gross profit	**Gross profit Margin**	**Gross profit**	**Gross profit Margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Hospitals	15,689	10.9	22,567	15.6	28,687	13.3	13,650	13.8	21,113	16.3
Public properties	24,043	17.1	30,537	20.2	33,905	17.6	17,987	19.3	24,743	22.7
Commercial and other non-residential properties	10,330	24.1	20,811	32.3	24,984	29.0	10,807	28.4	12,865	29.0
– Related parties	7,689	34.3	13,466	45.8	11,698	42.5	4,449	38.3	6,655	43.6
– Independent third parties	2,641	12.9	7,345	20.9	13,286	22.7	6,358	24.1	6,210	21.4
Residential properties	7,990	20.1	8,430	20.0	12,276	25.5	4,809	23.3	4,738	19.3
– Related parties	1,867	48.1	862	30.9	2,340	47.2	303	29.9	132	26.3
– Independent third parties	6,123	17.1	7,568	19.2	9,936	23.0	4,506	23.0	4,606	19.2
Total	58,052	15.8	82,345	20.5	99,852	18.4	47,253	18.9	63,459	20.7

For FY2019, FY2020, FY2021 and 1H2022, the gross profit margin of our property management service segment was approximately 15.8%, 20.5%, 18.4% and 20.7%, respectively.

The increase in gross profit margin of our property management service segment from 15.8% in FY2019 to 20.5% in FY2020 was primarily due to (i) the increase in gross profit margin of the commercial and other non-residential properties under our management from 24.1% in FY2019 to 32.3% in FY2020, which was primarily due to the additional value-added property management services further requested by certain of our customers for which the the revenue generated from the additional value-added property management services of approximately RMB3.6 million in FY2020. We commenced to provide additional value-added property management services since 2020 in order to cope with the expectation of the customers in health protection and service experience after the outbreak of COVID-19. Such value-added property management services included cleaning services for display of automobile vehicles, guest and vehicle guidance services and showroom disinfection services and most of the additional value-added property management services were conducted by the existing deployed cleaning workers or hosting staff, which involved a relatively less labour to carry out; (ii) the increase in gross profit margin of the hospitals under our management from approximately 10.9% in FY2019 to approximately 15.6% in FY2020, which was primarily due to further reduced reliance on manual labour and increased cost efficiency benefited from the implementation of our OSCS Service Centre in certain additional hospitals under our management in FY2020 and the improved profitability of the abovementioned sizeable hospitals under our management by using OSCS Service Centre throughout FY2020; (iii) the increase in gross profit margin of the public properties under our management from approximately 17.1% in FY2019 to approximately 20.2% in FY2020, which was primarily due to the increase in contract value of service agreement for an university project during the negotiation of contract renewal, and relatively high gross profit margin recorded in a Shandong highway project commenced in FY2020, which we provided toll collection services; and (iv) the reduced labour costs benefited from the social security concessions granted to our Group as a result of the supportive policies implemented by the relevant regulatory authorities in the PRC relating to COVID-19 pandemic in FY2020.

The decrease in gross profit margin in property management services from approximately 20.5% in FY2020 to approximately 18.4% in FY2021 was mainly due to (i) the social security concessions of approximately RMB2.7 million granted in FY2020 only; (ii) our business expansion to the properties outside Shandong Province, which contributed an aggregate revenue of approximately RMB36.9 million but recorded relatively low overall gross profit margin of approximately 7.1%; and (iii) certain new military hospital projects, which we secured those property management agreements with a relatively competitive price for establishing business relationship with military customers, contributed an aggregate revenue of approximately RMB34.8 million but recorded an aggregate gross loss margin of approximately 0.8%.

In 1H2022, our gross profit margin in property management services improved to approximately 20.7% mainly due to (i) the improvement in control of cost overrun caused by loss-making projects from approximately RMB6.1 million for 1H2021 to approximately RMB1.2 million for 1H2022; and (ii) a relatively higher gross profit margin of Jinan Fangcang Hospital of approximately 62.7% due to higher disinfection standard required by the Government.

While the average property management fee we charged our related parties and third-party customers were within the industry range for similar projects according to the F&S Report, our gross profit margin generated from our related parties were generally higher than that from independent third parties.

For commercial and other non-residential properties, the difference in gross profit margin generated from our related parties and third parties customers is mainly attributable to the difference in the types of commercial and other non-residential properties which we provided our property management services. The following table sets out a breakdown of the gross profit and gross profit margin of our property management service by types of commercial and non-residential properties and background of customers during the Track Record Period:

	FY2019		FY2020		FY2021		1H2021		1H2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Related parties										
– Sales stores in automobile industrial parks	6,158	34.6	10,724	46.0	11,158	43.7	4,085	39.0	6,132	46.1
– Other non-residential properties	1,531	33.1	2,742	45.0	540	27.4	364	31.9	523	26.8
Subtotal	7,689	34.3	13,466	45.8	11,698	42.5	4,449	38.3	6,655	43.6
Independent third parties										
– Stores inside automobile industrial parks and individual automobile sales stores	334	43.9	458	51.9	809	42.6	328	53.8	657	32.3
– Other non-residential properties	2,297	11.7	6,887	20.1	12,476	22.0	6,030	23.4	5,553	20.6
Subtotal	2,641	12.9	7,345	20.9	13,286	22.7	6,358	24.1	6,210	21.4
Total	10,330	24.1	20,811	32.3	24,984	29.0	10,807	28.4	12,865	29.0

The revenue and gross profit from our related parties were mainly generated from providing property management services to the automobile sales stores in the automobile industrial parks managed by our related parties for well-known automotive brands, which generate higher gross profit margin as compared with other types of commercial properties, such as office buildings by independent third parties by the reasons of (i) the involvement of the provision of customer services required by the sales stores in automobile industrial parks which generally has higher requirement on service standards including client facing skills, physical appearance and age of our staff, and therefore, it allows us to charge a relatively higher price; (ii) the additional value-added property management services provided to related parties; and (iii) the flexibility in introducing cost-effective measures in the allocation of our labour resources in the automobile industrial parks mainly managed by our related parties. The F&S has compared, on a sample basis, the fees charged by our Group to our related party customers in the automobile industrial parks to those charged by other property management services providers to independent automobiles sales stores which are similar projects, and found them comparable. In addition, the gross profit generated from our related parties for the automobile sales stores in automobile industrial parks managed by our related parties was approximately RMB6.2 million, RMB10.7 million, RMB11.2 million and RMB6.1 million for FY2019, FY2020, FY2021 and 1H2022, respectively, representing the gross profit margin of approximately 34.6%, 46.0%, 43.7% and 46.1% for the corresponding periods, respectively; and the gross profit generated from independent third parties for the sales stores in automobile industrial parks managed by our related parties and individual automobile sales stores operated by independent third parties was approximately RMB0.3 million, RMB0.5 million, RMB0.8 million and RMB0.7 million for FY2019, FY2020, FY2021 and 1H2022, representing the gross profit margin of approximately 43.9%, 51.9%, 42.6% and 32.3% for the corresponding periods, respectively. In FY2020, the overall gross profit margin for automobile industrial parks increased due to (i) the social security concessions granted to our Group; and (ii) the provision of additional value-added property management services to our related parties. The gross profit margin generated from independent third parties in FY2019 and FY2020 was higher than the gross profit margin generated from our related parties mainly due to the fact that a project which mainly involved a government subdistrict office recorded a relatively high gross profit margin because the government authority offered a more favourable price to engage property management service provider through tendering due to the remote location of the subdistrict office and our Group deployed cleaning workers from the automobile sales stores nearby to carry out the cleaning services. Without considering such project, the gross profit margin generated from independent third parties for FY2019, FY2020, FY2021 and 1H2022 would be approximately 33.3%, 33.4%, 38.2% and 30.4%, respectively, which were similar to the gross profit margin of the projects conducted with the related parties, where no additional value-added property management services were provided, at approximately 34.6%, 32.0%, 31.2% and 39.3%, respectively. The relatively higher gross profit margin of approximately 38.2% from independent third parties without considering the project which mainly involved a government subdistrict office in FY2021 was mainly due to property management services provided to an automobile store of an ultra-luxury German automobile manufacturer specialising in high-performance sports cars, sport utility vehicles and sedans. In FY2021, we generated from such automobile store with revenue of approximately RMB325,000 and gross profit of approximately RMB190,000, representing gross profit margin of approximately 58.4%. In such automobile store, the ultra-luxury German automobile manufacturer where customers were generally high net-worth individuals, had requested a higher service standard and frequency of our property management services which enabled us to charge relatively higher property management fees. Furthermore, the cleaning workers deployed in the automobile industrial parks concurrently performed their duties among different stores which led to a relatively lower staff costs attributable to independent third-party customers. In 1H2022, we recorded a relatively higher gross profit margin of approximately 39.3% from our related parties for the property management services without taking into account additional value-added property management services mainly due to the enlarged scope of cleaning and disinfection services performed by the existing staff without incurrence of additional costs, as requested by our related parties for the environmental hygiene management during COVID-19 pandemic in view of the high visitor flows of automobile sales stores, which led to an increase in revenue by approximately RMB2.1 million in 1H2022.

Besides, we also provided the additional value-added property management services, including cleaning services for display of automobile vehicles, guest and vehicle guidance services and showroom disinfection services, which were tailored for automobile sales stores. Most of the additional value-added property management services were conducted by the existing deployed cleaning workers or hosting staff and we charged our customers based on the type and estimated frequency of services requested, which do not demand additional labour but we were able to charge additional fees on top of the typical property management services. As such, the customised services specialised for the automobile sales stores and required by our customers create more room for higher markup. During the Track Record Period, we provided such additional value-added property management services to certain automobile sales stores operated by our related parties only as most of the independent third-party customers in the automobile industrial parks were (i) automobile insurance companies, secondhand automobile brokers and subdistrict offices who did not request for additional value-added property management services; or (ii) individual automobile sales stores equipped with own service team which did not request us to provide additional value-added services. As confirmed by F&S, it is common for the property management service providers to offer additional value-added property management services required by the customers to the sales stores in the automobile industrial parks and the fees charged by our Group to the related parties for additional value-added property management services are comparable to other property management service providers. Apart from the above, the services required in automobile industrial parks were more comprehensive as compared to the office buildings under management; for example, cleaning, security, greening and gardening services for common area were usually not required for those office buildings.

Given our long-term and stable relationship with the Controlling Shareholders' Group Companies, please see the section headed "Relationship with our Controlling Shareholders" in this document, such familiarity allowed us to better budget the costs of our property management services to the Controlling Shareholders' Group Companies. During our provision of property management services to our related parties, we were generally allowed to share the resources, primarily including labour, between different automobile sales stores located in close proximity in the automobile industrial parks to optimise overall operating and service efficiency by better planning the work schedule and sharing the frontline workers among different automobile sales stores to reduce staff idle time as compared to other properties by independent third parties, the agreements with whom typically set out the frequency of performing our services and the stipulated number of on-site management personnel and workers to be deployed for each position. On the contrary, there is typically no similar detailed requirement in our agreements with related parties. As such, we typically have more flexibility in introducing cost-effective measures to optimise operating efficiency by reducing manual labour. Thus, we are able to achieve the economies of scale through providing our property management services in the automobile industrial parks of larger scale at a more cost-effective manner and improve our gross profit margin.

Apart from the sales stores in automobile industrial parks, we also managed certain non-residential properties, mainly property selling centres, of our related parties. During the Track Record Period, the gross profit margin of these non-residential properties was approximately 33.1%, 45.0%, 27.4% and 26.8%. The relatively higher gross profit margin was due to a number of hosting staff deployed to serve the visitors of these property selling centres, which allowed us to charge a relatively higher management fee. The gross profit margin of these non-residential properties was heavily subject to the number of property selling activities held and hosting staff required.

For the residential properties under our management, we recorded a relatively higher gross profit margin from the services provided to our related parties than the independent third parties primarily due to the pre-delivery and other services fees (the "**Pre-delivery and Other Service Fees**"), including fees related to cleaning and trash handling services, property inspection services, security services and setup of facilities at the pre-delivery stage, and repairs and maintenance and/or rectification for minor construction defects, for the residential properties developed by our related parties which are generally higher-end residential properties that are newly developed.

For our related parties, most of the revenue generated for the residential properties was related to the Pre-delivery and Other Service Fees, which were determined by taking into account factors including the size and location of the residential property, the type of services required, the number and type of facilities to be installed or repaired, the number of workers to be deployed and the prevailing market price. During the Track Record Period, we received the Pre-delivery and Other Service Fees from our related parties of approximately RMB2.7 million, RMB2.1 million, RMB3.7 million and nil, representing approximately 68.8%, 76.8%, 75.5% and nil of the total revenue generated from our related parties for the provision of property management services to residential properties, respectively. The increase in FY2021 was mainly due to the Pre-delivery Service Fees of approximately RMB2.6 million recognised as revenue for setup of facilities for a newly developed residential property (the "**XTJD Residential Property**") rated at level five according to the "Property Service Charge Management Measures of Shandong Province" (山東省物業服務收費管理辦法). Due to the uncertainties in the PRC's economic environment in early 2022, our related parties have taken a more cost-saving approach by the cancellation of setup of new greening facilities for the XTJD Residential Property and another residential property in 1H2022. The overall gross profit margin of our related parties in residential properties is heavily reflected by the gross profit margin of pre-delivery and other services provided to our related parties. During the Track Record Period, the gross profit margin of property management services provided to our related parties was approximately 48.1%, 30.9%, 47.2% and 26.3%, respectively. The relatively higher gross profit margin for our related parties was due to the fact that the residential properties developed by our related parties were generally newly developed high-end residential properties, which were either a villa, an apartment or residential properties rated at level five according to the "Property Service Charge Management Measures of Shandong Province" (山東省物業服務收費管理辦法), and the respective tenants or residents require higher standard of living, our related parties, as property developers, would engage us to provide pre-delivery and other services by including common area inspection, repair and maintenance services and setup of certain facilities to further enhance the property delivery quality in order to increase the sales in property units. In particular, the relatively higher gross profit margin in FY2019 and FY2021 was mainly due to the fact that a villa project and the XTJD Residential Property were developed and delivered to the property buyers in FY2019 and FY2021, respectively. We also incurred a relatively lower labour costs for newly developed residential properties due to less frontline staff deployed at the early stage in result of low occupancy rate. According to the F&S Report, it is a market practice for property developers to provide fees to property management companies for managing newly developed properties at the early stage, and the fees and bases of property management fees and pre-delivery and other services were in line with market practice. The relatively lower gross profit margin of approximately 26.3% was due to the fact that we did not receive any Pre-delivery and Other Service Fees from our related parties in 1H2022.

During the Track Record Period, we only generated revenue from our related parties for property management fees of approximately RMB1.2 million, RMB0.6 million, RMB1.2 million and RMB0.5 million, representing approximately 31.2%, 23.2%, 24.5% and 100.0% of the total revenue generated from our related parties for the provision of property management services to residential properties, respectively. We managed four, four, five and six high-end residential properties developed by our related parties for the Track Record Period, respectively. Most of the units in the residential properties were sold to third parties and generated property management fees from the independent third parties (i.e. tenants or residents), and only small portion of the units were unsold or self-use by our related parties. The property management fees generated from our related parties primarily include property management fees from the units that were unsold, self-use or late delivered by our related parties. In each of the respective projects, the same monthly management fee per GFA was charged from our related parties and independent third parties.

In addition, all of the residential properties developed by our related parties were rated level five and the property management fees charged by us during the Track Record Period ranged from RMB2.05 per sq.m. to RMB2.36 per sq.m.; while most of the residential properties developed by independent third parties were rated level three and the property management fees charged by us during the Track Record Period for 20 out of the 22 residential properties developed by independent third parties were below RMB2.0 per sq.m.. The relatively higher property management fees for the residential properties developed by our related parties led to relatively higher gross profit margin as compared to those developed by independent third parties.

For the independent third parties, contrary to our related parties, substantially all of the revenue generated for the residential properties was related to the property management services. Apart from the abovementioned residential properties developed by our related parties, we also derived property management fees from independent third parties through managing a number of residential properties which were developed by independent third parties. In general, those residential properties were aged low-to-middle end properties in Shandong, and they were rated among level three to level five according to the "Property Service Charge Management Measures of Shandong Province" (山東省物業服務收費管理辦法). Therefore, we could only charge relatively lower property management fees for those residential properties. Since the residential properties developed by the independent third parties were generally aged and delivered to property buyers prior to the Track Record Period, it only received a small amount of the Pre-delivery and Other Service Fees from independent third parties for certain newly developed small-sized residential properties and staff quarters of hospitals amounted to approximately RMB80,000, RMB80,000, RMB66,000 and nil, respectively. For these two reasons, we derived a significantly lower gross profit margin from the provision of property management services to independent third parties than related parties.

Due to the nature of our business and operations, it is not feasible and not practicable to quantify and single out the gross profit margin of property management services for residential properties without taking into account the Pre-delivery and Other Service Fees primarily due to the fact that (i) our frontline staff were responsible for carry out both property management services and part of the pre-delivery and other services, such as cleaning and trash handling services, repairs and maintenance and/or rectification for minor construction defects. It is therefore not entirely feasible to quantify the cost of services by making reference to an objective and divisible scale or standard of measurement; and (ii) the proportion of revenue generated from related parties and independent third parties for property management services and pre-delivery and other services were significantly different. In particular, the calculation will not be fair and comparable by without taking into account the revenue generated from the pre-delivery and other services. In view of the above, it would be impracticable to define the accurate gross profit margin of property management services for residential properties.

Property engineering and landscape construction services

For the property engineering and landscape construction services, our Group recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. Generally, the fluctuation of gross profit margin of property engineering and landscape construction services was primarily attributable to the deviation of profitability of each project, which might vary from our estimated gross profit margin subject to any unexpected changes in our cost estimation.

For FY2019, FY2020, FY2021 and 1H2022, the gross profit margin of our property engineering and landscape construction services was approximately 26.5%, 21.7%, 22.1% and 29.1%, respectively. The relatively lower gross profit margin of our property engineering and landscape construction services in FY2020 was mainly due to certain sizeable projects recorded a lower gross profit margin than our average gross profit margin primarily attributable to the scope and complexity of the work involved in these projects. The relatively higher gross profit margin of property engineering and landscape construction services in 1H2022 was mainly due to the increase in the revenue and gross profit generated from the installation and/or repair of elevators in 1H2022.

Property investment

For FY2019, FY2020, FY2021 and 1H2022, we recorded gross profit margin of our property investment segment of approximately 31.7%, 49.0%, 13.0% and 3.5%, respectively. The gross profit margin of our property investment segment increased from approximately 31.7% in FY2019 to 49.0% in FY2020 primarily due to the reduced rental costs of approximately RMB1.8 million of our leased property rented from PRC state-owned enterprises by virtue of COVID-19 concessions granted by the PRC government in FY2020.

The gross profit margin of property investment decreased from approximately 49.0% in FY2020 to 13.0% in FY2021 due to the fact that (i) the COVID-19 concessions of approximately RMB1.8 million granted in FY2020; (ii) an investment property rented from our related party was repossessed for property development; and (iii) we rented a property in December 2021 with a monthly rental cost of approximately RMB1.2 million for property investment but was vacant.

For 1H2022, the gross profit margin of property investment was at a relatively lower level of approximately 3.5% due to the fact that we recorded a gross loss caused by a sizeable investment property with the gross floor area of 38,327.16 sq.m. located in Jinan City rented by us for a lease period of six years from December 2021 to December 2027 (the "**Lease Period**") with an annual rent of approximately RMB14.0 million. We started to lease out a limited part of the investment property to tenants with a sublease period ranging from one to five years (the "**Sublease Period**") since April 2022. According to HKFRS 16 "Leases", our Group recognises the lease payments associated with the lease of the sizeable investment property as right-of-use assets and amortised as cost and it recognises lease receipts from operating leases as income on a straight-line basis. The costs of the sizeable investment property comprised the amortisation of right-of-use assets, depreciation of leasehold improvements and operation costs, the costs in relation to the area of such investment property that has yet to be subleased were recognised in administrative expenses rather than the cost of services. The gross loss was recorded in 1H2022 as the rental income was less than the matched cost when the straight line basis is applied for recognition of rental income and rental cost, which was mainly attributable to the fact that considering the Lease Period (i.e. six years) is longer than the Sublease Period (i.e. one to five years), the amortisation cost of right-of-use assets has considered the subsequent growth in rental costs for a period of six years and amortised equally in the six years, while the shorter Sublease Period has only considered the subsequent growth in rental income for a period of one to five years and recognised equally in the one to five years based on the contract period as stipulated in the respective contracts. The difference in the length of the Lease Period and the Sublease Period has led to a relatively higher lease cost per sq.m. recognised as compared to the matched lease income per sq.m. recognised in 1H2022. In addition, our Group also recorded the one-off operating costs for such sizeable investment property, such as the cleaning expenses, the consumable materials and low value office furniture in 1H2022, which also contributed to the gross loss from such sizeable investment property in 1H2022.

The relatively high gross profit margin from related parties in property investment was mainly due to the fact that the properties leased to our related parties were owned by our Group; while some of the properties leased to independent third parties were investment properties we rented from others and we had to bear the rental costs, which leads to a relatively lower gross profit margin. As advised by the property valuer, the rental fees we charged for the properties of related parties leased to third parties and the properties leased to related parties are in line with the market yield of the relevant property sector in the region.

Other services

For FY2019, FY2020, FY2021 and 1H2022, the gross profit margin of our other services was approximately 33.5%, 23.6%, 82.1% and 45.8%, respectively. The gross profit margin of our other services decreased from 33.5% in FY2019 to 23.6% in FY2020 primarily due to the reduced sales of the use rights of software supporting systems. The gross profit margin of our other services increased significantly in FY2021 due to the sales for the renewals of the use rights of software supporting systems which the relevant research and development costs were fully incurred before FY2021.

The relatively high gross profit margin from related parties in other services mainly reflected the relatively high gross profit margin of the sales of the use rights of software supporting systems; while the patient nursing and post-natal caring services provided to independent third parties involved a number of staff to carry out our services, which generated a relatively low gross profit margin as compared to the sales of the use rights of software supporting systems.

Other income and gains and expenses, net

Our other income and gains and expenses primarily consisted of government grants, bank interest income, interest income from loans to related parties and others. The following table sets forth a breakdown of our other income and gains and expenses during the Track Record Period:

	FY2019	**FY2020**	**FY2021**	**1H2021**	**1H2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Government grants	2,883	1,634	4,467	1,386	1,792
Bank interest income	728	493	433	184	602
Interest income from loans to a related party	—	5,656	2,089	2,089	—
Interest income from an entrust loan	875	—	—	—	—
Interest income from financial asset	—	27	68	158	175
Interest from Tianjin Tianfu Management	—	—	—	—	110
Others	45	—	235	—	99
Total	4,531	7,810	7,292	3,817	2,778

Government grants related to income during the Track Record Period represented the employment subsidies, tax relief for the veterans, input tax credit policy, and tax relief of value-added tax granted by the PRC government. Interest income from loans to a related party during the Track Record Period primarily represented interest income generated from the loans which were provided by our Group to Runhua Group Company. For details of the loans, please refer to the paragraph headed "Description of Selected Items in our Consolidated Statements of Financial Position — Prepayments, other receivables and other assets" in this section.

Our PRC Legal Advisers advised that according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) promulgated on 6 August 2015, revised on 19 August 2020 and 29 December 2020, and became effective on 1 January 2021, our provision of interest-bearing loans to a related party was legal and valid. However, according to the General Lending Provisions (《貸款通則》), a departmental rule promulgated by the PBOC in 1996, only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. As advised by our PRC Legal Advisers, the PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities.

As at the Latest Practicable Date, the loans to Runhua Group Company were fully settled. In addition, our Directors confirmed that we have not received any notice or been penalised for extending interest-bearing loans to Runhua Group Company. In June 2021, we have also obtained a confirmation from the business management department of PBOC Jinan branch, after referring to the administrative law enforcement files of the business management department of PBOC Jinan branch, from 1 January 2018 to the date of this confirmation, there were no illegal activities of Shandong Runhua found within the scope of responsibility of the business management department of PBOC Jinan branch, and no administrative penalty imposed on Shandong Runhua. As the competent credit department, it has not imposed any penalty on any lending between enterprises that are not mainly engaged in lending.

As advised by our PRC Legal Advisers, the possibility that the PBOC would impose a penalty on us pursuant to the General Lending Provisions is remote by having considered that as at the Latest Practicable Date, (i) we have not received any notice or been penalised for extending interest-bearing loans; (ii) the loans to Runhua Group Company were fully settled; (iii) no record of companies being penalised for extending interest-bearing loans by the PBOC was found based on the public information on the PBOC's website; (iv) the business management department of PBOC Jinan branch confirmed that no penalty or fine has been imposed for the lending activities between enterprises.

Administrative Expenses

Our administrative expenses mainly comprised staff costs, business development expenses, travelling, office and communication expenses, share-based payments, depreciation and amortisation expenses, **[REDACTED]** and other administrative expenses. The following table sets out the breakdown of our administrative expenses during the Track Record Period:

	FY2019		FY2020		FY2021		1H2021		1H2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Staff cost	18,755	63.4	28,346	62.9	29,378	53.9	12,467	42.5	17,010	44.9
Business development expense	4,646	15.7	7,019	15.6	8,936	16.4	5,091	17.3	4,097	10.8
Travelling, office and communication expenses	3,753	12.7	3,623	8.0	3,197	5.9	1,403	4.8	1,711	4.5
Share-based payments	790	2.7	1,382	3.1	1,877	3.4	1,002	3.4	872	2.3
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Depreciation and amortisation expenses	896	3.0	927	2.1	1,092	2.0	642	2.2	8,845	23.4
Other administrative expenses	744	2.5	190	0.4	1,218	2.2	616	2.1	2,801	7.4
Total	29,584	100.0	45,044	100.0	54,528	100.0	29,343	100.0	37,859	100.0

Staff costs

Staff costs represented salaries, bonus, benefits, social benefits, housing provident fund paid to our administrative staff. As the largest component of our administrative expenses, staff costs amounted to approximately RMB18.8 million, RMB28.3 million, RMB29.4 million and RMB17.0 million, representing approximately 63.4%, 62.9%, 53.9% and 44.9% of our total administrative expenses for FY2019, FY2020, FY2021 and 1H2022, respectively.

Business development expense

For FY2019, FY2020, FY2021 and 1H2022, our business development expense amounted to approximately RMB4.6 million, RMB7.0 million, RMB8.9 million and RMB4.1 million, representing approximately 15.7%, 15.6%, 16.4% and 10.8% of our total administrative expenses. The increasing trend was in line with the expansion of our business scale during the Track Record Period.

Travelling, office and communication expenses

Travelling, office and communication expenses mainly include primarily travelling expenses, catering expenses, rental and rates, business administrative expenses, postal fees, telecommunication expenses and utilities for administrative purposes. For FY2019, FY2020, FY2021 and 1H2022, our travelling, office and communication expense amounted to approximately RMB3.8 million, RMB3.6 million, RMB3.2 million and RMB1.7 million, representing approximately 12.7%, 8.0%, 5.9% and 4.5% of our total administrative expenses.

Share-based payments

Share-based payments represented expenses recognised in relation to the capital contribution to Shandong Runhua made by Jinan Anlan in January 2016, Jinan Lutong in March 2017, and Jinan Anlan and Jinan Lutong in March 2020, respectively. For FY2019, FY2020, FY2021 and 1H2022, our share-based payments amounted to approximately RMB0.8 million, RMB1.4 million, RMB1.9 million and RMB0.9 million, representing approximately 2.7%, 3.1%, 3.4% and 2.3% of our total administrative expenses. For details, please refer to Note 30 to the Accountants' Report included in Appendix I to this document.

Depreciation and amortisation expenses

Our depreciation and amortisation expenses amounted to approximately RMB0.9 million, RMB0.9 million, RMB1.1 million and RMB8.8 million for FY2019, FY2020, FY2021 and 1H2022, respectively. The significant increase in 1H2022 was primarily due to the fact that a sizeable investment property with gross floor area of 38,327.16 sq.m. located in Jinan City was delivered to us in December 2021 and we only started to lease out a limited part of the investment property to tenants since April 2022. Considering that such investment property has only commenced leasing since April 2022, amortisation expense of right-of-use assets in relation of the area that has yet to be leased out of approximately RMB8.3 million was recognised in administrative expenses instead of cost of services in 1H2022 in accordance with HKFRS16.

Selling and Distribution Expenses

Our selling and distribution expenses primarily included marketing expenses, material consumption expenses, travelling expenses, advertisement expenses, repair and maintenance expenses and other selling and distribution expenses. The following table sets out the breakdown of our selling and distribution expenses during the Track Record Period:

	FY2019		FY2020		FY2021		1H2021		1H2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Marketing expenses	172	12.3	95	3.8	2,518	53.5	—	0.0	1,305	32.4
Material consumption expenses	222	15.9	1,224	49.6	985	20.9	397	30.8	1,892	46.9
Travelling expenses	721	51.7	363	14.7	682	14.5	274	21.3	—	0.0
Advertisement expenses	151	10.8	31	1.3	295	6.3	540	42.0	694	17.2
Repair and maintenance expenses	101	7.3	446	18.1	102	2.2	27	2.1	40	1.0
Other selling and distribution expenses	28	2.0	309	12.5	121	2.6	49	3.8	101	2.5
Total	1,395	100.0	2,468	100.0	4,703	100.0	1,287	100.0	4,032	100.0

Finance Costs

Our finance costs represented interest expenses incurred from interest-bearing borrowings, other loans and lease liabilities, which amounted to approximately RMB3.8 million, RMB10.7 million, RMB11.3 million and RMB4.1 million, respectively, for FY2019, FY2020, FY2021 and 1H2022.

The following table sets out the breakdown of our finance costs during the Track Record Period:

	FY2019	FY2020	FY2021	1H2021	1H2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on interest-bearing bank and other borrowings	2,241	7,450	9,740	6,184	2,372
Interest on other loans	500	2,008	—	—	—
Interest on lease liabilities	1,066	1,208	1,559	747	1,705
	3,807	10,666	11,299	6,931	4,077

Share of Profits and Losses of Associates

For FY2019, FY2020, FY2021 and 1H2022, our share of profits and losses of associates were approximately RMB0.2 million, RMB9.4 million, RMB5.5 million and RMB3.8 million, respectively. It primarily represented the financial performance of Tianjin Tianfu, an associate invested by us in November 2019. For details, please refer to the section headed "History, Development and Reorganisation — Major Acquisition during the Track Record Period" in this document.

As of the Latest Practicable Date, Tianjin Tianfu was owned as to (i) 41% by us; (ii) 30% by Tianjin Development Zone Jintaida Building Decoration Co., Ltd., a private entity established in the PRC, which is owned as to approximately 95.6% by Mr. Wang Hongjun, an independent third party with investment in various businesses (including financial, technology and trading industries) in Tianjin; (iii) 19% by Tianjin Taida Asset Operation Management Co., Ltd.* (天津泰達資產運營管理有限公司), which is ultimately owned by Tianjin State-owned Assets Supervision and Administration Commission (天津市國有資產監督管理委員會); and (iv) 10% by

Tianjin Zhongtian Tongxin Management Partnership, an entity wholly-owned by members of the senior management and core members of Tianjin Tianfu. Our Directors confirmed that save for the investment of Tianjin Tianfu, none of our Group, Directors or Shareholders, or their respective close associates, had any other relationship with the other shareholders of Tianjin Tianfu.

Tianjin Tianfu is a property management company established in the PRC with limited liability on 8 September 1995. During the Track Record Period, it principally offered property management services to diversified types of properties, such as hospitals, commercial and office buildings, industrial parks, schools, public facilities and residential properties, which are located in Tianjin and its customers primarily comprised of property developers, property owners, property owners' associations, residents and tenants. As at 31 December 2019, 2020 and 2021 and 30 June 2022, there were 92, 93, 111 and 114 properties under its management with the aggregate total GFA of approximately 5.2 million sq.m., 39.4 million sq.m., 40.4 million sq.m. and 15.2 million sq.m.. The significant increase in the GFA under management in FY2020 was because Tianjin Tianfu secured a new property management project in FY2020 for a sizeable industrial park with the GFA of approximately 34.0 million sq.m.. As at 30 June 2022, Tianjin Tianfu had 563 employees for carrying out its business. For FY2019, FY2020, FY2021 and 1H2022, Tianjin Tianfu remained a stable growth in its revenue of approximately RMB363.7 million, RMB402.3 million, RMB341.3 million and RMB152.1 million, respectively, which was in line with the increasing trend of the property management services market in Tianjin.

Income Tax Expense

Income tax expense comprises current income tax expense and deferred income tax expense. The following table sets forth our income tax expense during the Track Record Period:

	FY2019	**FY2020**	**FY2021**	**1H2021**	**1H2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax	10,802	12,453	11,473	7,055	9,882
Deferred income tax	(1,108)	711	520	(1,555)	(2,428)
Total tax charge for the year	9,694	13,164	11,993	5,500	7,454

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the enterprise income tax rate of our Group's PRC subsidiaries is 25%, unless subject to tax deduction or exemption. During the Track Record Period, the statutory PRC Enterprise income tax for our Group's PRC subsidiaries was 25%. Nevertheless, our PRC subsidiary, Kaidi Network, received the certificate of "High and New Technology Enterprise" in 2020 under which it is entitled to a preferential PRC income tax rate of 15% for three years. Certain subsidiaries of our Group are qualified as small low-profit enterprises in the PRC in 2019 and were entitled to a preferential income tax rate of 10% for three years.

For FY2019, FY2020, FY2021 and 1H2022, our income tax expense were approximately RMB9.7 million, RMB13.2 million, RMB12.0 million and RMB7.5 million, respectively, our effective tax rate was approximately 26.3%, 21.3%, 21.2% and 27.0%, respectively.

Our effective tax rate of 21.3% for FY2020 and 21.2% for FY2021 were lower than the 25% statutory tax rate applicable to our PRC subsidiaries primarily to the adjustment of the profits attributable to associates of approximately RMB2.3 million for FY2020 and RMB1.4 million for FY2021, which were not taxable.

A reconciliation of the statutory tax rate applicable to our Group to the effective tax rates is as follows:

	FY2019	FY2020	FY2021	1H2021	1H2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before tax	36,802	61,856	56,444	18,032	27,634
Tax at the statutory tax rate (25%)	9,200	15,464	14,111	4,508	6,909
Tax adjustments on:					
Effect of preferential tax rate of subsidiaries	(740)	(886)	(2,281)	(338)	(1,539)
Expenses not deductible for tax	1,217	973	1,769	1,310	1,084
Profits attributable to associates	(53)	(2,343)	(1,386)	(527)	(958)
Super deductible allowance for research and development expenses	—	(83)	(103)	—	(25)
Income not subject to tax	—	—	(17)	—	(10)
Tax losses utilised from previous periods	—	—	(132)	(16)	(31)
Tax losses and temporary differences not recognised	70	39	32	563	1,751
Adjustments in respect of current tax of previous periods	—	—	—	—	273
Tax charge at our Group's effective rate	9,694	13,164	11,993	5,500	7,454

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any unresolved tax issue or dispute with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

FY2020 compared to FY2019

Revenue

Our total revenue increased by approximately RMB89.0 million or 22.4% from approximately RMB397.1 million for FY2019 to approximately RMB486.1 million for FY2020. Such increase was primarily contributed by (i) the increase in our revenue of our property engineering and landscape construction service segment of RMB58.0 million or 343.2% from approximately RMB16.9 million in FY2019 to approximately RMB74.9 million in FY2020; and (ii) the increase in our revenue of our property management service segment of approximately RMB35.2 million or 9.6% from approximately RMB367.0 million in FY2019 to approximately RMB402.2 million in FY2020. For details, please refer to the paragraph headed "Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" in this section.

Cost of services

Our cost of services increased by approximately RMB53.0 million or 16.1%, from approximately RMB330.2 million for FY2019 to approximately RMB383.2 million for FY2020. Such increase was primarily due to the increase in subcontracting costs of approximately RMB43.7 million and material and consumables of approximately RMB4.3 million which was in line with the increase in our revenue generated from property engineering and landscape construction service.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB36.1 million or 54.0%, from approximately RMB66.8 million for FY2019 to approximately RMB102.9 million for FY2020. Our gross profit margin increased from approximately 16.8% for FY2019 to approximately 21.2% for FY2020 primarily contributed by (i) the increase in gross profit margin of the commercial and non-residential properties under our management from 24.1% in FY2019 to 32.3% in FY2020, which was primarily due to the additional value added property management services, such as cleaning services for display automobile vehicles in automobile industrial parks and additional customer services, further requested by certain of our customers provided to their respective automobile for which we were able to charge higher fees; (ii) the increase in gross profit margin of the hospitals under our management from 10.9% in FY2019 to 15.6% in FY2020, which was primarily due to further reduced reliance on manual labour and increased cost efficiency benefited from the implementation of our OSCS Service Centre in certain hospitals under our management in FY2020 and the improved profitability of the abovementioned sizeable hospitals under our management by using OSCS Service Centre throughout FY2020; (iii) the increase in gross profit margin of the public properties under our management from 17.1% in FY2019 to 20.2% in FY2020, which was primarily due to the increase in contract value of agreement for an university project during the negotiation of contract renewal, and relatively high gross profit margin recorded in a Shandong highway project commenced in FY2020, which we provided toll collection services; and (iv) the reduced labour costs benefited from the social security concessions granted to our Group as a result of the supportive policies implemented by the relevant regulatory authorities in the PRC in FY2020. For details, please refer to the paragraph headed "Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin" in this section.

Other income and gains and expenses, net

Our other income and gains and expenses, net increased by approximately RMB3.3 million or 73.3% from RMB4.5 million for FY2019 to RMB7.8 million for FY2020. The increase in other income and gains and expenses was primarily due to the increase in interest income by approximately RMB5.7 million generated from the provision of loans to Runhua Group Company, a connected person of our Group during FY2020 of an aggregate of approximately RMB124.8 million as at 31 December 2020 with an interest rate of 7.00%-9.5%, partially offset by the decrease of government grants by approximately RMB1.2 million.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB1.1 million or 78.6% from RMB1.4 million for FY2019 to RMB2.5 million for FY2020. The increase in selling and distribution expenses was primarily due to the increase in our material consumption expenses of approximately RMB1.0 million.

Administrative expenses

Our administrative expenses increased by approximately RMB15.4 million or 52.0% from RMB29.6 million for FY2019 to RMB45.0 million for FY2020. The increase in administrative expenses was primarily due to the increase in staff costs of approximately RMB9.6 million as additional administrative personnel were hired by us to support our expansion of our business and the incurrence of **[REDACTED]** of approximately RMB**[REDACTED]** million for the preparation of the **[REDACTED]**.

Finance costs

Our finance costs increased by approximately RMB6.9 million or 181.6% from RMB3.8 million for FY2019 to RMB10.7 million for FY2020. The increase in finance costs was primarily due to (i) the increase in interest expenses arising from the increase in our interest-bearing bank and other borrowings, in which our Group obtained a loan of RMB21.0 million from an independent third party during FY2020; and (ii) the increase in interest on other loans, where our Group obtained a loan of RMB60.3 million from certain employees of our Group in October 2019 with loan period of one year. For details, please refer to the paragraphs headed "Description of Selected Items in our Consolidated Statements of Financial Position — Interest-bearing bank and other borrowings" and "Description of Selected Items in our Consolidated Statements of Financial Position — Other payables and accruals" in this section.

Share of profits and losses of associates

Share of profits and losses of associates increased by approximately RMB9.2 million or 46.0 times from RMB0.2 million for FY2019 to RMB9.4 million for FY2020. We recorded a significant increase in share of profits and losses of associates from FY2019 to FY2020 as we recorded share of profits from Tianjin Tianfu only after our Group acquired equity interests in Tianjin Tianfu on 30 November 2019.

Income tax expense

Our income tax expense increased by approximately RMB3.5 million or 36.1% from RMB9.7 million for FY2019 to RMB13.2 million for FY2020, which was in line with the growth in profit before tax for FY2020 as compared to FY2019.

Profit for the year and net profit margin

As a result of the foregoing, our net profit increased by approximately RMB21.6 million or 79.7% from RMB27.1 million for FY2019 to RMB48.7 million for FY2020, and our net profit margin increased from 6.8% for FY2019 to 10.0% for FY2020.

FY2021 compared to FY2020

Revenue

Our total revenue increased by approximately RMB115.2 million or 23.7% from approximately RMB486.1 million for FY2020 to approximately RMB601.3 million for FY2021. Such increase was primarily contributed by the increase in our revenue of our property management service segment by approximately RMB140.6 million or 35.0% from approximately RMB402.2 million for FY2020 to approximately RMB542.8 million for FY2021, which was partially offset by the decrease in the revenue generated from property engineering and landscape construction service segment. For details, please refer to the paragraph headed "Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" in this section.

Cost of services

Our cost of services increased by approximately RMB104.0 million or 27.1% from approximately RMB383.2 million for FY2020 to approximately RMB487.2 million for FY2021. Such increase was primarily due to (i) our business expansion and an increasing level of average salaries; (ii) increase in subcontracting costs of approximately RMB90.8 million mainly for the replacement of our own part-time workers; and (iii) the social security concessions of approximately RMB2.7 million granted in FY2020 only.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB11.2 million or 10.9% from approximately RMB102.9 million for FY2020 to approximately RMB114.1 million for FY2021, which was in line with the growth of our business.

Our gross profit margin decreased from approximately 21.2% for FY2020 to 19.0% for FY2021. Such decrease was mainly due to the decrease in gross profit margin of our property management services in result of (i) the social security concessions of approximately RMB2.7 million granted in FY2020 only; (ii) our business expansion to the properties outside Shandong Province, which contributed an aggregate revenue of approximately RMB36.9 million but recorded relatively low overall gross profit margin of approximately 7.1%; and (iii) certain new military hospital projects, which we secured those property management agreements with a relatively competitive price for establishing business relationship with military customers, contributed an aggregate revenue of approximately RMB34.8 million but recorded an aggregate gross loss margin of approximately 0.8%.

Other income and gains and expenses, net

Our other income and gains and expenses, net slightly decreased by approximately RMB0.5 million or 6.4% from approximately RMB7.8 million for FY2020 to approximately RMB7.3 million for FY2021. The decrease in other income and gains and expenses, net was primarily due to the decrease in interest income by approximately RMB3.6 million generated from the provision of loans to Runhua Group Company since the loans were fully collected in March 2021.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB2.2 million or 88.0% from approximately RMB2.5 million for FY2020 to approximately RMB4.7 million for FY2021. The increase in selling and distribution expenses was mainly due to the marketing expenses of approximately RMB2.5 million incurred to cope with our business expansion.

Administrative expenses

Our administrative expenses increased by approximately RMB9.5 million or 21.1% from RMB45.0 million for FY2020 to RMB54.5 million for FY2021. The increase in administrative expenses was primarily due to (i) the incurrence of additional **[REDACTED]** of approximately RMB**[REDACTED]** million for the preparation of the **[REDACTED]**; and (ii) the increase in business development expenses of approximately RMB1.9 million in result of our efforts in business development, which was in line with our business growth in FY2021, and reduced business development activities in FY2020 impacted by the outbreak of COVID-19.

Finance costs

Our finance costs slightly increased by approximately RMB0.6 million or 5.6% from approximately RMB10.7 million for FY2020 to RMB11.3 million for FY2021. The increase was mainly due to the increase in interest on interest-bearing bank and other borrowings by RMB2.3 million, partially offset by the repayment of employment loans led to the decrease in interest on other loans by RMB2.0 million.

Share of profits and losses of associates

Share of profits and losses of associates decreased from approximately RMB9.4 million for FY2020 to RMB5.5 million for FY2021 mainly attributable to the decrease in net profits of Tianjin Tianfu in FY2021 due to (i) the social security concessions relating to the COVID-19 pandemic granted in FY2020 only; and (ii) the decrease in revenue due to the temporary price adjustment for public properties as required by the government customers.

Income tax expense

Our income tax expense decreased by approximately RMB1.2 million or 9.1% from approximately RMB13.2 million for FY2020 to approximately RMB12.0 million for FY2021, which was due to the decrease in profit before tax for FY2021 as compared to FY2020.

Profit for the year and net profit margin

As a result of the foregoing, in particular, the **[REDACTED]** incurred for the purpose of the **[REDACTED]**, our profit and total comprehensive income of the period decreased from approximately RMB48.7 million for FY2020 to RMB44.5 million for FY2021, representing a decrease of approximately RMB4.2 million or 8.6%, and our net profit margin decreased from 10.0% for FY2020 to 7.4% for FY2021.

1H2022 compared to 1H2021

Revenue

Our total revenue increased by approximately RMB59.8 million or 22.9% from approximately RMB261.6 million for 1H2021 to approximately RMB321.4 million for 1H2022. Such increase was primarily contributed by our overall business growth in 1H2022, especially the increase in revenue generated from property management services by approximately RMB56.5 million. For details, please refer to the paragraph headed "Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" in this section.

Cost of services

Our cost of services increased by approximately RMB42.4 million or 20.0% from approximately RMB212.0 million for 1H2021 to approximately RMB254.4 million for 1H2022. Such increase was in line with our overall business growth in 1H2022.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB17.3 million or 34.8% from approximately RMB49.7 million for 1H2021 to approximately RMB67.0 million for 1H2022, which was in line with the growth of our business.

Our gross profit margin increased from approximately 19.0% for 1H2021 to 20.8% for 1H2022. Such increase was mainly due to (i) the improvement in control of cost overrun caused by loss-making projects from RMB6.1 million for 1H2021 to RMB1.2 million for 1H2022; and (ii) a relatively higher gross profit margin of Jinan Fangcang Hospital of approximately 62.7% due to higher disinfection standard required by the Government.

Other income and gains and expenses, net

Our other income and gains and expenses, net decreased by approximately RMB1.0 million or 26.3% from approximately RMB3.8 million for 1H2021 to approximately RMB2.8 million for 1H2022. The decrease in other income and gains and expenses, net was primarily due to the settlement of loans to Runhua Group Company in FY2021 and therefore no interest income from loans to a related party was recognised in 1H2022.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB2.7 million or 207.7% from RMB1.3 million for 1H2021 to RMB4.0 million for 1H2022. The increase in selling and distribution expenses was due to (i) the increase in marketing expenses of approximately RMB1.3 million to cope with our business growth in 1H2022; and (ii) the increase in material consumption expenses of approximately RMB1.9 million for the employees who were required to be quarantined for COVID-19.

Administrative expenses

Our administrative expenses increased by approximately RMB8.6 million or 29.4% from RMB29.3 million for 1H2021 to RMB37.9 million for 1H2022. The increase in administrative expenses was primarily due to (i) the increase in depreciation and amortisation expenses by approximately RMB8.2 million mainly attributable to a sizeable investment property with gross floor area of 38,327.16 sq.m. located in Jinan City leased to us in December 2021, which recorded amortisation expenses of right-of-use assets of approximately RMB8.3 million; and (ii) the increase in staff costs by approximately RMB4.5 million which was in line with our business growth.

Finance costs

Our finance costs decreased by approximately RMB2.8 million or 40.6% from approximately RMB6.9 million for 1H2021 to RMB4.1 million for 1H2022. The decrease was mainly due to the settlement of certain bank borrowings in 2021 and the decrease in interest-bearing bank and other borrowings from approximately RMB142.1 million as at 31 December 2020 to approximately RMB41.1 million as at 31 December 2021 and further to approximately RMB21.1 million as at 30 June 2022.

Share of profits and losses of associates

Share of profits and losses of associates increased from approximately RMB2.1 million for 1H2021 to RMB3.8 million for 1H2022 mainly attributable to the increase in profit and total comprehensive income for the period of Tianjin Tianfu from approximately RMB5.1 million for 1H2021 to approximately RMB9.3 million for 1H2022.

Income tax expense

Our income tax expense increased by approximately RMB2.0 million or 36.4% from approximately RMB5.5 million for 1H2021 to approximately RMB7.5 million for 1H2022, which was due to the increase in profit before tax for 1H2022 as compared to 1H2021.

Profit for the year and net profit margin

As a result of the foregoing, our profit and total comprehensive income of the period increased from approximately RMB12.5 million for 1H2021 to RMB20.2 million for 1H2022, representing a increase of approximately RMB7.7 million or 61.6%, and our net profit margin increased from 4.8% for 1H2021 to 6.3% for 1H2022.

DESCRIPTION OF SELECTED ITEMS IN OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth a summary of the consolidated statement of financial position as of the dates indicated:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property and equipment	14,345	15,570	18,464	29,229
Investment properties	34,038	45,848	63,904	99,069
Right-of-use assets	—	—	1,285	332
Other intangible assets	1,313	3,322	2,995	2,798
Investment in associates	125,219	131,509	127,674	131,507
Deferred tax assets	4,520	3,869	3,260	5,708
Equity investments designated at fair value through other comprehensive income	4,981	—	—	—
Prepayments, other receivables and other assets	792	—	—	—
Total non-current assets	**185,208**	**200,118**	**217,582**	**268,643**
CURRENT ASSETS				
Biological assets	3,820	—	—	—
Inventories	2,480	210	123	149
Trade receivables	52,783	73,254	85,028	140,720
Contract assets	3,971	—	8,729	8,035
Prepayments, other receivables and other assets	46,572	137,779	21,344	23,981
Financial assets at fair value through profit or loss	—	—	—	12,014
Financial assets at amortised cost	—	—	9,900	—
Restricted deposits	—	1,582	11,894	5,245
Cash and cash equivalents	34,775	119,323	112,080	48,523
Total current assets	**144,401**	**332,148**	**249,098**	**238,667**

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES				
Trade payables	9,127	42,465	42,696	30,840
Other payables and accruals	147,560	131,217	106,897	105,980
Interest-bearing bank and other borrowings	50,000	142,050	41,140	21,140
Lease liabilities	2,184	3,085	6,718	10,916
Tax payable	7,043	8,263	7,592	9,290
Total current liabilities	**215,914**	**327,080**	**205,043**	**178,166**
NET CURRENT ASSETS/ (LIABILITIES)	**(71,513)**	**5,068**	**44,055**	**60,501**
TOTAL ASSETS LESS CURRENT LIABILITIES	**113,695**	**205,186**	**261,637**	**329,144**
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	—	66,860	55,680	64,580
Lease liabilities	18,641	28,268	47,638	84,754
Deferred tax liabilities	69	129	40	60
Total non-current liabilities	18,710	95,257	103,358	149,394
NET ASSETS	**94,985**	**109,929**	**158,279**	**179,750**
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	—	—	1	1
Reserves	94,985	109,911	158,115	179,570
	94,985	109,911	158,116	179,571
Non-controlling interests	**—**	**18**	**163**	**179**
Total equity	**94,985**	**109,929**	**158,279**	**179,750**

Property and Equipment

Our property and equipment primarily consisted of buildings, electronic devices and furniture, fixtures and equipment. As at 31 December 2019, 2020 and 2021 and 30 June 2022, our property and equipment amounted to approximately RMB14.3 million, RMB15.6 million, RMB18.5 million and RMB29.2 million, respectively.

Our property and equipment increased from RMB14.3 million as at 31 December 2019 to RMB15.6 million as at 31 December 2020, primarily due to the addition of furniture, fixtures and equipment, motor vehicles and electronic devices during FY2020. Our property and equipment further increased to RMB18.5 million as at 31 December 2021 primarily due to the addition of furniture, fixtures and equipment and electronic devices during FY2021. Our property and equipment further increased to RMB29.2 million as at 30 June 2022 was primarily due to the addition of leasehold improvement. For details, please refer to Note 13 to the Accountants' Report included in Appendix I to this document.

Investment properties

Our investment properties primarily represented commercial properties located in the PRC that were or intended to be leased or subleased to third parties under operating leases for the provision of our property leasing services. As at 31 December 2019, 2020 and 2021 and 30 June 2022, our investment properties amounted to approximately RMB34.0 million, RMB45.8 million, RMB63.9 million and RMB99.1 million, respectively.

Our investment properties increased from approximately RMB34.0 million as at 31 December 2019 to approximately RMB45.8 million as at 31 December 2020, to approximately RMB63.9 million as at 31 December 2021 and then increased to approximately RMB99.1 million as at 30 June 2022 primarily due to the increase in properties being or intended to be leased or sub-leased to third parties.

Investments in associates

On 26 September 2019, Shandong Runhua entered into an agreement to acquire the equity interests in Tianjin Tianfu (the "**Tianfu Agreement**") and another supplemental agreement (the "**Supplemental Agreement**") simultaneously after completion of the competitive public bidding process. Pursuant to the Tianfu Agreement with the original shareholder of Tianjin Tianfu, Shandong Runhua acquired 51% equity interests in Tianjin Tianfu from the original shareholder of Tianjin Tianfu at an aggregate purchase price of RMB130,149,000. According to the Supplemental Agreement with the original shareholder and Tianjin Tianfu, Shandong Runhua agreed to transfer 10% of the equity interests out of 51% in Tianjin Tianfu to the then management of Tianjin Tianfu at a cash consideration of RMB5,911,000. Therefore, our Group effectively acquired a 41% equity interest in Tianjin Tianfu.

Pursuant to the articles of association of Tianjin Tianfu, the board of its shareholders exercises the highest authority, and the daily-operation-related resolutions of Tianjin Tianfu should be approved with more than two-thirds of the voting rights held by its shareholders (i.e. more than 66.7% voting rights). In view that the voting rights in Tianjin Tianfu held by Shandong Runhua was less than two-thirds or 66.7% of the voting rights to exert control on Tianjin Tianfu, it was regarded that Shandong Runhua only had significant influence rather than control on Tianjin Tianfu and the investment in Tianjin Tianfu was classified as an associate and not a subsidiary of our Group.

The investments in associates mainly represent our 41% interests in Tianjin Tianfu, which is a property management company located in Tianjin. We recorded investments in associates of approximately RMB125.0 million, RMB131.5 million, RMB127.7 million, RMB131.5 million as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively. The following table illustrates the summarised financial information in respect of Tianjin Tianfu and reconciled to the carrying amount in our financial position:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	139,535	158,097	171,361	190,548
Non-current assets, excluding goodwill	116,731	101,727	89,003	81,365
Goodwill on acquisition of the associate	84,245	84,245	84,245	84,245
Non-current liabilities	28,266	23,454	21,881	18,055
Current liabilities	128,566	121,092	132,559	138,584
Net assets	183,679	199,523	190,169	199,519
Net assets, excluding goodwill	99,434	115,278	105,924	115,274
Reconciliation to our Group's interest in the associate:				
Proportion of our Group's ownership	41%	41%	41%	41%
Group's share of net assets of the associate, excluding goodwill	40,768	47,264	43,429	47,262
Goodwill on acquisition	84,245	84,245	84,245	84,245
Carrying amount of the investment	125,013	131,509	127,674	131,507

During the Track Record Period, the movement of the carrying amount of the investment in associates reflected the share of the profit of Tianjin Tianfu which was offset by the dividend declared and paid by Tianjin Tianfu. For the one month ended 31 December 2019, FY2020, FY2021 and 1H2022, the net profit of Tianjin Tianfu amounted to approximately RMB0.5 million, RMB22.9 million, RMB11.8 million and RMB9.3 million, respectively, while the dividend declared by Tianjin Tianfu amounted to nil, RMB2.9 million, RMB5.8 million and nil for the corresponding period, respectively. Our Group acquired 41% interest in Tianjin Tianfu in November 2019. The net profit of approximately RMB0.5 million for the one month ended 31 December 2019 represented the post-acquisition profit of Tianjin Tianfu. The relatively higher profit in FY2020 was mainly due to the social security concessions relating to the COVID-19 pandemic granted in FY2020.

For further details of the acquisition of equity interest in Tianjin Tianfu and the financial performance of Tianjin Tianfu, please refer to Note 17 and the section headed III. Supplementary Financial Information of Tianjin Tianfu of the Accountants' Report in Appendix I to this document.

Biological assets

Our biological assets primarily represented the plants and saplings to be sold for our property engineering and landscape construction projects. As a 31 December 2019, our biological assets amounted to approximately RMB3.8 million. We disposed all of our plants and saplings in FY2020. As a result, there was no biological assets recognised as at 31 December 2020 and 2021 and 30 June 2022.

Trade receivables

Our trade receivables are mainly fees receivable from our property management services, and property engineering and landscape construction services. For our property management and other services, our fee is generally payable to us within 120 days. For our property engineering and landscape construction services, we generally issue our invoices to our customers based on the project progress. We do not grant any credit terms to the customers under our property investment. In general, our customers settle the payments to us by bank transfer. Our Group does not hold any collateral or other credit enhancements over our trade receivable balances. Our trade receivables are non-interest-bearing.

The following table sets forth our trade receivables as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables due from independent third parties	52,869	74,658	87,134	142,926
Trade receivables due from related parties	1,730	538	94	800
Impairment of trade receivables	(1,816)	(1,942)	(2,200)	(3,006)
Total	52,783	73,254	85,028	140,720

Before impairment, as at 31 December 2019, 2020 and 2021 and 30 June 2022, our trade receivables due from independent third parties amounted to approximately RMB52.9 million, RMB74.7 million, RMB87.1 million and RMB142.9 million, respectively. Our trade receivables due from independent third parties was primarily associated with property management fees arising from our property management services. The increase in trade receivables from 31 December 2019 to 31 December 2020 was primarily attributable to (i) the increase in our revenue and scale of business operations; and (ii) the longer settlement period of our customers as a result of the outbreak of COVID-19. The increase in trade receivables from 31 December 2020 to 31 December 2021 was primarily due to (i) the increase in our revenue and scale of business operations; and (ii) the delay of payments of a portion of our property management customers from the sector of public properties which were due on 31 December 2021. The relatively larger trade receivables as at 30 June 2022 was mainly due to the fact that certain customers in public sector have the habit of settling their accounts prior to the year end.

Before impairment, as at 31 December 2019, 2020 and 2021 and 30 June 2022, our trade receivables due from related parties amounted to approximately RMB1.7 million and RMB0.5 million, RMB0.1 million and RMB0.8 million, respectively. Our trade receivables due from related parties decreased from RMB1.7 million as at 31 December 2019 to RMB0.5 million as at 31 December 2020, primarily due to the prompt settlement from our related parties of our service fees. Our trade receivables due from related parties decreased from approximately RMB0.5 million as at 31 December 2020 to RMB0.1 million as at 31 December 2021 primarily due to the reduced property engineering services and landscape construction services provided to our related parties and the prompt settlement from our related parties of our service fees. Our trade receivables due from related parties increased from approximately RMB0.1 million as at 31 December 2021 to approximately RMB0.8 million as at 30 June 2022 was mainly due to the growth in property management business for commercial properties of our related parties, which we generally granted a credit period to our customers.

The following table sets out an ageing analysis of our trade receivables, based on invoice date as at 31 December 2019, 2020 and 2021:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	52,715	73,159	85,122	141,734
1 to 2 years	310	420	433	482
Over 2 years	1,574	1,617	1,673	1,510
Total	54,599	75,196	87,228	143,726

The following table sets out the average turnover days of our trade receivables during the Track Record Period:

	FY2019	**FY2020**	**FY2021**	**1H2022**
Trade receivables turnover days*(Note)*	44.6	47.4	48.0	64.1

Note: Trade receivables turnover days for a year equals the average of the opening and closing trade receivables divided by total revenue for the same year and multiplied by the number of days in the relevant year (i.e. 365 days for FY2019 and FY2021, 366 days for FY2020 and 181 days for 1H2022).

For FY2019, FY2020, FY2021 and 1H2022, our average trade receivables turnover days were 44.6 days, 47.4 days, 48.0 days and 64.1 days, respectively. The increase in our average trade receivables turnover days from FY2019 to FY2020 was primarily as a result of longer settlement period for the trade receivables due to the longer settlement period of our customers impacted by the outbreak of COVID-19. The increase in our average trade receivables turnover days from FY2020 to FY2021 was primarily due to the delay of payments of a portion of our property management customers from the sector of public properties which were due on 31 December 2021. The increase in our average trade receivables turnover days from FY2021 to 1H2022 was primarily due to the fact that we generally granted credit terms to the customers in non-residential sector and based on our past experience, Government and public institutions took a relatively longer time to settle the management fees. Also, in view of the background and historical settlement pattern of the customers in non-residential sector, our property management team usually facilitates the outstanding fee collection process and the Government and public institutions customers will settle the fees prior to the year end, which led to the collection rate for 1H2022 lower than those for FY2019, FY2020 and FY2021 and similar to that of 63.3 days for 1H2021. Our trade receivables as at 31 December 2019, 2020 and 2021 and 30 June 2022 were generally within the credit period granted.

As at 31 October 2022, we had successfully collected approximately RMB108.6 million or 75.6% of the outstanding balance of our trade receivables (before provision for impairment) as at 30 June 2022.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the impairment of trade receivables amounted to approximately RMB1.8 million, RMB1.9 million, RMB2.2 million and RMB3.0 million, respectively. The impairment analysis was performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates were based on aging on invoices for groupings of various customer segments with similar loss patterns. In determining the recoverability of trade receivables, we consider the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions. During the Track Record Period, the expected credit loss rate on trade receivables was ranged from 0.01% to 0.72%, 75.71% to 100% and 100% of the trade receivables ageing within one year, one to two years and over two years, respectively. For details, please refer to the Note 23 of the Accountants' Report in Appendix I to this document. The trade receivables as at 30 June 2022, mainly aged within one year and were related to a number of independent customers who are Government and public institutions and/or have a good trade record with us and based on the historical settlement pattern, these customers would generally settle their fee by the end of the year. Based on our past experience and the ageing analysis of the trade receivables as at 30 June 2022, our Directors are of the view that there is no recoverability issue and sufficient provision has been made in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

Prepayments, other receivables and other assets

During the Track Record Period, our prepayments, other receivables and other assets comprised deposits and other receivables, prepayments to suppliers, value added tax recoverable, entrusted loan to a third party, loans to a related party and **[REDACTED]**. The following table sets out the breakdown of our prepayments, other receivables and other assets as at the dates indicated:

	As at 31 December			**As at 30 June**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables	16,174	11,055	11,912	13,522
Prepayments to suppliers	375	470	2,019	2,232
Value added tax recoverable	23	241	—	—
Entrusted loan to a third party	30,000	—	—	—
Loans to a related party	—	124,840	—	—
Deferred **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Dividends due from an associate	—	—	3,618	3,618
Total	46,572	137,779	21,344	23,981

Our deposits and other receivables primarily represented tender deposit for our tender submission and performance bonds. Our entrusted loan to a third party represented the provision of an entrusted loan to a third party of our Group. Our loans to a related party represented the provision of loans to Runhua Group Company, a connected person of our Group.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, our prepayments, other receivables and other assets amounted to approximately RMB46.6 million, RMB137.8 million, RMB21.3 million and RMB24.0

million, respectively. The general increase in our prepayments, other receivables and other assets from 31 December 2019 to 31 December 2020 was primarily due to the provision of loans to Runhua Group Company, a connected person of our Group, during FY2020 which amounted to an aggregate of approximately RMB124.8 million as at 31 December 2020.

The entrusted loan of RMB30.0 million was provided by our Group in July 2019 through a trust arrangement (the "**Entrusted Loan Arrangement**"), pursuant to which Shandong Runhua entrusted RMB30.0 million to National Trust Limited* (國民信托有限公司) (the "**Trustee**"), one of the 68 licensed trust financial institutions regulated by the China Banking and Insurance Regulatory Commission, with the registered capital of RMB1 billion and its principal business activities included the provision of trustee services, investment fund management services and financial consultancy services across the PRC. The trustee as lender provided an equivalent amount of loan on behalf of Shandong Runhua to an Independent Third Party established in the PRC and engaged in the property management business in the PRC before its deregistration (the "**Independent Borrower**"). The Entrusted Loan Arrangement was arranged by the Trustee in accordance with our Group's investment criteria and pursuant to our Group's request for wealth management purpose. The Independent Borrower was recommended by the Trustee to our Group to participate in the Entrusted Loan Arrangement as borrower. Our Group accepted such Entrusted Loan Arrangement primarily for its preferable annual interest rates of 8.33%. Other than the the Entrusted Loan Arrangement, as at the Latest Practicable Date, each of the Independent Borrower, the Trustee and their respective ultimate beneficial owners does not have any past or present relationship (including, but not limited to, business, employment, family, financing, trust or otherwise) with our Group, our Shareholders, our Directors or senior management, or any of their respective associates. Our Directors confirmed that save for the Entrusted Loan Arrangement, we did not enter into any other similar entrusted loan arrangement during the Track Record Period. Our PRC Legal Advisers are of the opinion that the entrusted loan arrangement is in compliance with relevant laws and regulations in the PRC.

The loans to Runhua Group Company consisted of a total of 8 unsecured loans with aggregated loan principal of RMB125.0 million. The principals of such eight loans ranged from RMB5.0 million to RMB30.0 million, with drawdown dates ranged from January 2020 to December 2020, with annual interest rates ranged from 7.0% to 9.5%, each with loan period of one year and was provided as requested by Runhua Group Company for its operational use. Such loans to Runhua Group Company were non-trade in nature and have been settled as at the Latest Practicable Date. For details, please refer to the paragraph headed "Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other income and gains and expenses, net" in this section.

The entrusted loan to a third party and loans to Runhua Group Company were provided by us mainly for their respective interest incomes. The entrusted loan to a third party was fully collected in January 2020, and the loans to Runhua Group Company were fully collected in March 2021, which formed the primary cause of the decrease of our prepayments, other receivables and other assets from 31 December 2020 to 31 December 2021. The decrease in deposits and other receivables from approximately RMB16.2 million as at 31 December 2019 to approximately RMB11.1 million as at 31 December 2020 was primarily due to the settlement of approximately RMB5.9 million consideration receivable by Tianjin Tianfu's directors and other employees for their acquisition of 10% equity interest in Tianjin Tianfu. For further details of such acquisition of equity interest in Tianjin Tianfu, please refer to Note 17 of the Accountants' Report in Appendix I to this document.

As at 31 October 2022, we had successfully collected/utilised approximately RMB3.9 million or 24.7% of the outstanding balance of our prepayments, other receivables and other assets as at 30 June 2022; while we had utilised all of the outstanding prepayments to our suppliers as at 30 June 2022.

Financial assets at fair value through profit or loss

As at 30 June 2022, we had financial assets at fair value through profit or loss of approximately RMB12.0 million for the purpose of better cash management. Our financial assets at fair value through profit or loss represent wealth management products purchased from Agricultural Bank of China. The wealth management products we purchased were principal guaranteed with variable rate of return on investments and redeemable on demand. Such wealth management products came with an expected interest rates ranging from 3.2% to 3.3% per annum and the credit rating is R2 based on the product introduction. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

As part of our treasury management, we invest in certain principal-protected short-term wealth management products from reputable commercial banks in the PRC to better utilise excess cash when our cash sufficiently covers our ordinary course of business. We have implemented a series of internal control policies and rules setting forth overall principles as well as detailed approval process of our investment activities. We adopt a prudent approach in selecting wealth management products. Our accounting and finance department is responsible for selecting wealth management products by taking into account the duration, expected returns and risks of the wealth management products, which is reviewed and approved by our general manager.

To control our risk exposure, we have in the past sought, and may continue in the future to seek, investments that provide short-term guaranteed principal as well as other low-risk financial products that provide higher investment returns than demand deposits at commercial banks in the PRC. In addition, we mainly invest in financial products offered by reputable commercial banks and financial institutions in the PRC. We generally select wealth management products with terms of no longer than three months or with flexible redemption conditions. After making an investment, we closely monitor the performance and fair value of the wealth management products we invested in. We timely adjust our exposure based on a number of factors, including, among others, prevalent market conditions, investment performance and our expectation of investment gains as set forth in the initial investment plans. Our accounting and finance department is primarily responsible for selecting wealth management products by taking into account the duration, expected returns and risks of the wealth management products, which is reviewed and approved by our general manager, and taking action when identifying any adverse change to our investments. Our Board reviews the performance of our investment activities on a quarterly basis. Our Group will ensure its investments in wealth management products comply with Chapter 14 of the Listing Rules after the **[REDACTED]**.

Trade payables

Our trade payables mainly consisted of amount payable to our subcontractors and suppliers. As at 31 December 2019, 2020 and 2021 and 30 June 2022, our trade payables amounted to approximately RMB9.1 million, RMB42.5 million, RMB42.7 million and RMB30.8 million, respectively.

Our trade payables increased from approximately RMB9.1 million as at 31 December 2019 to RMB42.5 million as at 31 December 2020 primarily due to the increase in amount payables for material purchase and subcontracting services for our property engineering and landscape construction projects as at 31 December 2020, which increase was in line with the growth of our property engineering and landscape construction business during that period. Our trade payables remained stable at approximately RMB42.5 million as at 31 December 2020 and RMB42.7 million as at 31 December 2021. Our trade payables decreased to approximately RMB30.8 million as at 30 June 2022 primarily due to the completion of certain sizeable property engineering and landscape construction projects in 1H2022 and hence we settled the relevant trade payables for these projects prior to 30 June 2022.

During the Track Record Period, our trade payables are non-interest-bearing and normally settled on terms of within 90 days. The table below sets forth our trade payable turnover days during the Track Record Period:

	FY2019	FY2020	FY2021	1H2022
Trade payables turnover days*(Note)*	11.4	24.6	31.9	26.2

Note: Trade payables turnover days for a period equals the average of the opening and closing trade payables divided by cost of services for the same year and multiplied by the number of days in the relevant year (i.e. 365 days for FY2019 and FY2021, 366 days for FY2020 and 181 days for 1H2022).

The increase in trade payables turnover days from 11.4 days for FY2019 to 24.6 days for FY2020 was primarily attributable to increase in amount payables for material purchases and subcontracting services for our property engineering and landscape construction projects, which increase was in line with the growth of our property engineering and landscape construction business during that period. Our trade payables turnover days increased from 24.6 days for FY2020 to 31.9 days for FY2021 primarily due to our capacity to negotiate for a prolonged payment schedule with our suppliers. The decrease in trade payables turnover days in 1H2022 was primarily due to the completion of certain sizeable property engineering and landscape construction projects in 1H2022.

The following table sets forth a summary of ageing of our trade payables as at 31 December 2019, 2020 and 2021 and 30 June 2022 based on invoice date:

	As at 31 December			As at
	2019	2020	2021	30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	7,059	40,576	37,592	23,570
3 to 6 months	544	64	91	410
6 months to 1 year	1,032	56	107	6,138
Over 1 year	492	1,769	4,906	722
Total	9,127	42,465	42,696	30,840

As at 31 October 2022, approximately RMB24.0 million, or approximately 77.8%, of our trade payables as at 30 June 2022 was subsequently settled.

Other payables and accruals

The following table sets forth a breakdown of our other payables and accruals as at 31 December 2019, 2020 and 2021 and 30 June 2022:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	13,270	25,761	21,968	26,543
Deposits	17,581	17,648	11,003	11,276
Other loans	60,300	—	—	—
Loan from a Controlling Shareholder	4,700	—	—	—
Staff payroll and welfare payables	46,378	52,904	54,284	52,221
Payables to the then equity holder of subsidiaries	—	22,720	1,620	1,620
Other tax payable	4,022	8,400	6,702	5,698
Receipts on behalf of customers and others	1,112	1,831	5,311	8,117
Advance from an associate	—	—	3,618	—
Accrued liabilities	197	510	1,185	—
Amounts due to Tianjin Tianfu management	—	701	701	—
Amounts due to a related party	—	742	505	505
Total	147,560	131,217	106,897	105,980

During the Track Record Period, our contract liabilities comprised mainly the advance payments made by our customers while the services are yet to be provided, which primarily included the prepayment of property management fees from our customers. As at 31 October 2022, all of our contract liabilities as at 30 June 2022 has been subsequently recognised as revenue. Our deposits primarily represented receipt of renovation deposit repayable to the customers of our property management services in the residential property sector and receipt of rental deposits repayable to the customers of our property investment. Our other loans represented loans obtained from certain employees of our Group for operating activities of our Group. The loan from a Controlling Shareholder represented a loan obtained from our Controlling Shareholder, Mr. Luan, for operating activities of our Group. Staff payroll and welfare payables primarily represented salaries, bonus, benefits, social benefits payable to our staff. Payables to the then equity holder of the subsidiaries represented payment by our Group to the equity holder of our subsidiaries during the Reorganisation. Our other tax payable represented value added tax and other tax charges. Our receipts on behalf of customers and others mainly represented the funds received from residents to pay off maintenance and repair work as well as utilities bills on behalf of the landlords. Our accrued liabilities represented estimated potential liabilities arising from loss-making contracts. Our advance from an associate represented amounts yet to be returned to Tianjin Tianfu due to its over-payment of dividend. Such over-payment was caused by the fact that a total dividend of approximately RMB9.4 million for the years between 2016 and 2020 was declared by Tianjin Tianfu to us in December 2021, of which approximately RMB5.8 million should be paid to us in December 2021 and the remaining dividend of approximately RMB3.6 million will be settled by December 2022 in view of cash availability of Tianjin Tianfu at the material time. However, the responsible staff of Tianjin Tianfu mistakenly paid us a total amount of RMB9.4 million in December 2021 and we returned the over-paid RMB3.6 million to Tianjin Tianfu in January 2022.

Our other payables and accruals amounted to approximately RMB147.6 million, RMB131.2 million, RMB106.9 million and RMB106.0 million as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively. Our other payables and accruals decreased from approximately RMB147.6 million as at 31 December 2019 to approximately RMB131.2 million as at 31 December 2020 primarily due to the combined effects of (i) the increase in our contract liabilities of approximately RMB12.5 million primarily as a result of the increase of short-term advances received from the customers in relation to the provision of property engineering and landscape construction services; (ii) our payments to the then equity holder of our subsidiaries which amounted to approximately RMB22.7 million recorded as at 31 December 2020 as part of the Reorganisation; and (iii) the full settlement of our loans from employees of approximately RMB60.3 million during FY2020. The loans from employees carried fixed interest rates ranged from 2% to 5% per annum with loan period of one year, and were provided by more than a hundred employees of our Group. The loans from employees were obtained by our Group for our operating activities, and were fully settled on 9 October 2020. Our other payables and accruals further decreased from approximately RMB131.2 million as at 31 December 2020 to RMB106.9 million as at 31 December 2021 primarily due to the decrease in payables to the then equity holder of our subsidiaries of approximately RMB21.1 million from approximately RMB22.7 million to approximately RMB1.6 million. Our other payables and accruals remained relatively stable at approximately RMB106.9 million and RMB106.0 million as at 31 December 2021 and 30 June 2022, respectively.

As at 31 December 2020 and 2021 and 30 June 2022, we had amounts due to a related party of approximately RMB0.7 million, RMB0.5 million and RMB0.5 million, respectively, which were trade in nature and are expected to be settled prior to the **[REDACTED]**.

Interest-bearing Bank and Other Borrowings

We obtain loans from banks and other third parties as part of our cash management. As at 31 December 2019, 2020 and 2021 and 30 June 2022, our interest-bearing bank borrowing and other borrowings amounted to approximately RMB50.0 million, RMB208.9 million, RMB96.8 million and RMB85.7 million, respectively.

As at 31 December 2019, our interest-bearing bank borrowings amounted to RMB50.0 million, of which (i) RMB40.0 million were due and settled within one year with an interest rate of 5.4% to 5.7%; and (ii) RMB10.0 million were due and settled within one year with an interest rate of 5.7% and were guaranteed by Mr. Luan and entities controlled by Mr. Luan.

As at 31 December 2020, our current interest-bearing bank borrowing amounted to RMB121.1 million, of which (i) approximately RMB80.0 million represented loans which were guaranteed by Mr. Luan and entities controlled by Mr. Luan and were due within one year with an interest rate between 5.4% and 6%; (ii) RMB30.0 million represented loans which were guaranteed by an entity controlled by Mr. Luan, secured by properties owned by our Group and due within one year with an interest rate of 5.655%; and (iii) approximately RMB11.1 million represented the current portion of our long term bank loans with interest at floating rates of loan prime rate calculated by reference to the relevant bank's benchmark interest rate per annum which were guaranteed by the entities controlled by Mr. Luan. As at 31 December 2020, our non-current interest bearing bank borrowing amounted to approximately RMB66.9 million with interest at floating rates of loan prime rate calculated by reference to the relevant bank's benchmark interest rate per annum which were guaranteed by entities controlled by Mr. Luan.

As at 31 December 2020, our other loan represented a borrowing of RMB21.0 million with interest rate of 7.0% from Shandong Yitong Commercial Factoring Company Limited* (山東易通商業保理有限公司), an independent third-party established as a limited liability company in the PRC and principally engaging in the business of commercial factoring services, for which our Group pledged RMB44,038,000 of its trade receivables as security.

As at 31 December 2021, our current interest-bearing bank borrowings amounted to RMB41.1 million, of which (i) approximately RMB10.0 million represented loans which were guaranteed by our Group and secured with certificates of deposit owned by our Group which amounted to RMB10.0 million and were due within one year with an interest rate of 5.67%; (ii) approximately RMB20.0 million represented loans which were guaranteed by the entities controlled by Mr. Luan, secured with properties owned by our Group and were due within one year with an interest rate of 5.655%; and (iii) approximately RMB11.1 million represented current portion of our long term bank loans with interest at floating rates of loan prime rate calculated by reference to the relevant bank's benchmark interest rate per annum which were guaranteed entitles controlled by Mr. Luan. As at 31 December 2021, our non-current interest bearing bank borrowing amounted to approximately RMB55.7 million with interest at floating rates of loan prime rate calculated by reference to the relevant bank's benchmark interest rate per annum which were guaranteed by entities controlled by Mr. Luan.

As at 30 June 2022, our interest-bearing bank borrowings of (i) approximately RMB10.0 million, which represented loans guaranteed by our Group and was due within one year with an interest rate of 5.6%; (ii) approximately RMB20.0 million, which was guaranteed by our Group and secured with RMB4.0 million certificates of deposit owned by us, was due within two years with an interest rate of 5.67%; and (iii) approximately RMB55.7 million with interest at floating rates of loan prime rate calculated by reference to the relevant bank's benchmark interest rate per annum, which was guaranteed by the entities controlled by Mr. Luan.

Our Directors confirmed that as of the Latest Practicable Date, all guarantees provided by Mr. Luan and his controlled entities have been matured or released, and our Directors believe that we will be able to be financially independent from our Controlling Shareholders after the **[REDACTED]**.

Lease liabilities

During the Track Record Period, our lease liabilities primarily represented our outstanding lease payments in respect of our leased properties for providing our property investment. As at 31 December 2019, 2020 and 2021 and 30 June 2022, our lease liabilities amounted to approximately RMB20.8 million, RMB31.4 million, RMB54.4 million and RMB95.7 million, respectively.

Our lease liabilities increased from RMB20.8 million as at 31 December 2019 to RMB31.4 million as at 31 December 2020, further increased to RMB54.4 million as at 31 December 2021 and then increased to RMB95.7 million was primarily due to the addition of leased properties for providing our property investment.

Tax Payable

Our tax payable represents income tax payable for our subsidiaries in PRC. Our tax payable amounted to RMB7.0 million as at 31 December 2019, RMB8.3 million as at 31 December 2020, RMB7.6 million as at 31 December 2021 and RMB9.2 million as at 30 June 2022.

LIQUIDITY AND FINANCIAL RESOURCES

During the Track Record Period, we have funded our cash requirements principally from our business operations and loans obtained from banks and other third-party. During the Track Record Period, our principal uses of cash have been for the funding of required working capital, recurring expenses and other capital requirements to support the expansion of our operations. In the foreseeable future, we believe our liquidity requirements will be satisfied by using funds from a combination of internally generated cash, a portion of **[REDACTED]** from the **[REDACTED]** and other funds raised from capital or debt markets from time to time.

Cash flows

The following table sets out a summary of our consolidated statements of cash flows for the period indicated:

	FY2019	FY2020	FY2021	1H2021	1H2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating cash flows before movements in working capital	45,138	63,162	75,042	28,027	43,597
Changes in working capital	(4,258)	51,260	(32,378)	(55,386)	(66,273)
Bank interest income	728	493	433	184	602
Income tax paid	(4,114)	(11,233)	(12,146)	(10,725)	(8,184)
Net cash flows from / (used in) operating activities	37,494	103,682	30,951	(37,900)	(30,258)
Net cash flows from / (used in) financing activities	91,459	67,988	(158,402)	(109,291)	(14,363)
Net cash flows (used in) / from investing activities	(159,470)	(87,122)	130,108	125,154	(28,836)
Net (decrease) / increase in cash and cash equivalents	(30,517)	84,548	2,657	(22,037)	(73,457)
Cash and cash equivalents at beginning of year	65,292	34,775	119,323	119,323	121,980
Cash and cash equivalents at the end of year	34,775	119,323	121,980	97,286	48,523

Net cash generated from operating activities

During the Track Record Period, net cash generated from operating activities consisted primarily of our profit before taxation for the year, adjusted to (i) exclude the effect of non-cash or non-operating items, such as depreciation of property and equipment, depreciation of investment properties depreciation of right-of-use assets, amortisation of other intangible assets, equity-settled share award expenses, finance costs, share of profits and losses of associates, fair value gains on biological assets, COVID-19 related rent concessions from lessors, net gain or loss on disposal of items of property and equipment, provision for or reversal of impairment of trade receivables and interest income; and (ii) include changes in working capital; and (iii) include the payment of income tax.

For FY2019, our net cash generated from operating activities amounted to approximately RMB37.5 million, which was primarily attributed to our profit before taxation of approximately RMB36.8 million, as adjusted for (i) non-cash or non-operating items, which primarily comprised depreciation of property and equipment of approximately RMB2.4 million, depreciation of investment properties of approximately RMB2.8

million, finance costs of approximately RMB3.8 million; (ii) changes in working capital, which primarily comprised an increase in trade receivables of approximately RMB8.6 million, an increase in prepayments, other receivables and other assets of approximately RMB6.9 million, and an increase in other payables and accruals of approximately RMB13.8 million; and (iii) payment of income tax of approximately RMB4.1 million.

For FY2020, our net cash generated from operating activities amounted to approximately RMB103.7 million, which was primarily attributed to our profit before taxation of approximately RMB61.9 million, as adjusted for (i) non-cash or non-operating items, which primarily comprised share of profits of associates of approximately RMB9.4 million, depreciation of investment properties of approximately RMB3.7 million, finance costs of approximately RMB10.7 million and interest income from loans to a related party of approximately RMB5.7 million; (ii) changes in working capital, which primarily comprised an increase in trade receivables of approximately RMB20.6 million, a decrease in prepayments, an increase in trade payables of approximately RMB33.3 million and a increase in other payables and accruals of approximately RMB25.6 million and (iii) payment of income tax of approximately RMB11.2 million.

For FY2021, our net cash generated from operating activities amounted to approximately RMB31.0 million, which was primarily attributed to our profit before taxation of approximately RMB56.4 million, as adjusted for (i) non-cash or non-operating items, which primarily comprised finance costs of approximately RMB11.3 million, share of profits and losses of associates of approximately RMB5.5 million, depreciation of property and equipment of approximately RMB3.3 million, depreciation of right-of-use assets of RMB3.7 million and depreciation of investment properties of approximately RMB5.9 million; (ii) changes in working capital, which primarily comprised the increase in contract assets of approximately RMB8.7 million, decrease in other payables and accruals of approximately RMB6.8 million, the increase in trade receivables of RMB12.0 million and the increase in prepayments, other receivables and other assets of approximately RMB4.8 million; and (iii) payment of income tax of approximately RMB12.1 million.

For 1H2021 and 1H2022, our net cash used in operating activities amounted to approximately RMB37.9 million and RMB30.3 million, respectively, which was primarily attributed to the increase in trade receivables of approximately RMB35.2 million and RMB56.5 million for 1H2021 and 1H2022 caused by the fact that we generally granted credit terms to the customers in non-residential sector who are Government and public institutions, since they took a relatively longer time to settle the management fees and they generally settle their fees by the end of the year in accordance with their historical settlement pattern, therefore, our cash inflow was relatively weak in the first half of the year resulting in our net operation cash outflow for 1H2021 and 1H2022. In order to improve our operating cash flows in the first half of the year, our management will review the status of outstanding collection fees more frequently and urge our property management team to facilitate the process for settlement of trade receivables by the customers, especially those in non-residential sector, once the trade receivables become due. For the details of fluctuation of our trade receivables and trade payables, please refer to the paragraph headed "Description of Selected Items in Our Consolidated Statements of Financial Position" in this section. Going forward, we intend to improve our net operating cash outflows position through (i) collecting payments from customers in a timely manner, especially during the first half of a year so as to shorten our trade receivables turnover days; (ii) strengthening our cost control efforts by enhancing our cooperation with suppliers to secure more favourable credit terms where applicable; and (iii) preparing the cashflow forecast by our accounting and finance department on quarterly basis and reviewing by our Directors on a quarterly basis to closely monitor and evaluate our cashflow position.

Net cash generated from/ (used in) investing activities

During the Track Record Period, our cash used in investing activities consisted primarily of acquisition of an associate, purchases of items of property and equipment, purchases of intangible assets and loans to a related party and a third party. During the Track Record Period, our cash generated from investing activities primarily comprised the interest from loans to related companies, proceeds from disposal of financial assets at fair value through other comprehensive income, proceeds from disposal of investment properties and repayment of loans from third party.

For FY2019, our net cash used in investing activities was approximately RMB159.5 million, primarily attributable to the loan grant to a third party of RMB30.0 million and the acquisition of an associate of RMB124.8 million.

For FY2020, our net cash used in investing activities was approximately RMB87.1 million, primarily attributable to the loans to a related party of approximately RMB124.8 million, and was partially offset by the repayment of loans from a third party of RMB30.0 million, proceeds from disposal of financial assets at fair value through other comprehensive income of approximately RMB5.0 million and interest received from loans to related companies of approximately RMB5.7 million.

For FY2021, our net cash generated from investing activities was approximately RMB130.1 million, primarily attributable to repayment of loans from a related party of approximately RMB124.8 million, partially offset by the purchases of items of property and equipment of approximately RMB6.4 million.

For 1H2022, our net cash used in investing activities amounted to approximately RMB28.8 million, which was primarily attributed to the purchases of financial assets at fair value through profit or loss of approximately RMB12.0 million, purchases of items of property and equipment of approximately RMB13.8 million and return of advance payment to an associate of approximately RMB3.6 million.

Net cash generated from/(used in) financing activities

During the Track Record Period, our cash used in financing activities primarily comprised repayment of interest-bearing borrowings, repayment of other loans, deemed distribution to the then shareholders, interest paid and dividends paid to the then equity holder of the subsidiaries. Our cash generating from financing activities primarily comprised new interest-bearing borrowings and other loans.

For FY2019, our net cash generated from financing activities was approximately RMB91.5 million, primarily attributable to the new interest-bearing borrowings of approximately RMB50.0 million and other loans of approximately RMB60.3 million, which were partially offset by the repayment of interest-bearing borrowings of approximately RMB19.0 million.

For FY2020, our net cash generated from financing activities was approximately RMB68.0 million, primarily attributable to the new interest-bearing borrowings of approximately RMB208.9 million, which was partially offset by the repayment of interest-bearing borrowings of approximately RMB50.0 million, repayment of employees' loans of approximately RMB60.3 million, interest paid of approximately RMB10.7 million and dividends paid to the then equity holder of the subsidiaries of approximately RMB10.0 million.

For FY2021, our net cash used in financing activities was approximately RMB158.4 million, primarily attributable to the repayment of interest-bearing bank and other borrowings of approximately RMB222.1 million, partially offset by the new interest-bearing bank and other borrowings of RMB110.0 million.

For 1H2022, our net cash used in financing activities amounted to approximately RMB14.4 million, which was primarily attributed to the repayment of interest-bearing bank and other borrowings of approximately RMB41.1 million, partially offset by the new interest-bearing bank and other borrowings of approximately RMB30.0 million.

Capital Expenditure

The table below sets forth the amount of capital expenditures incurred by our Group during the Track Record Period:

	FY2019	**FY2020**	**FY2021**	**1H2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions of property and equipment	4,842	4,234	6,368	13,793
Additions of investment properties	2,567	15,511	26,666	—
Additions of other intangible assets	999	2,388	59	—
Additions of investment in associates	124,803	—	—	—
Total	133,211	22,133	33,093	13,793

Our capital expenditure decreased from approximately RMB133.2 million for FY2019 to approximately RMB22.1 million for FY2020, primarily due to our acquisition of a material associate, i.e. Tianjin Tianfu, from a third party in November 2019. Our capital expenditure increased from RMB22.1 million for FY2020 to RMB33.1 million for FY2021 primarily due to the additions of investment properties during FY2021.

Net current assets/liabilities

The following table sets forth a breakdown of our current assets, current liabilities, and net current assets or net current liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
CURRENT ASSETS					
Biological assets	3,820	—	—	—	—
Inventories	2,480	210	123	149	151
Trade receivables	52,783	73,254	85,028	140,720	164,177
Contract assets	3,971	—	8,729	8,035	20,100
Prepayments, other receivables and other assets	46,572	137,779	21,344	23,981	23,654
Financial assets at fair value through profit or loss	—	—	—	12,014	21,036
Finanical assets at amortised cost	—	—	9,900	—	—
Restricted deposits	—	1,582	11,894	5,245	1,233
Cash and cash equivalents	34,775	119,323	112,080	48,523	23,520
Total current assets	144,401	332,148	249,098	238,667	253,871
CURRENT LIABILITIES					
Trade payables	9,127	42,465	42,696	30,840	34,323
Other payables and accruals	147,560	131,217	106,897	105,980	100,973
Interest-bearing bank and other borrowings	50,000	142,050	41,140	21,140	23,140
Lease liabilities	2,184	3,085	6,718	10,916	16,993
Tax payable	7,043	8,263	7,592	9,290	12,833
Total current liabilities	215,914	327,080	205,043	178,166	188,262
NET CURRENT (LIABILITIES) / ASSETS	(71,513)	5,068	44,055	60,501	65,609

We recorded net current assets of approximately RMB5.1 million, RMB44.1 million, RMB60.5 million and RMB65.6 million as at 31 December 2020, 31 December 2021, 30 June 2022 and 31 October 2022 respectively, and recorded net current liabilities of approximately RMB71.5 million as at 31 December 2019.

We recorded net current liabilities of approximately RMB71.5 million as at 31 December 2019 primarily due to the acquisition of the equity interests of Tianjin Tianfu in FY2019 with our own resources. Our financial position improved from net current liability of approximately RMB71.5 million as at 31 December 2019 to net current assets of approximately RMB5.1 million as at 31 December 2020 primarily due to our non-current interest-bearing bank loans of approximately RMB66.9 million obtained during FY2020 and our net profit of approximately RMB48.7 million recorded in FY2020. Such improvement of our net current financial position was primarily reflected in the increase in cash and cash equivalents of approximately RMB84.5 million and increase in prepayments, other receivables and other assets of approximately RMB91.2 million, partially offset by the increase in current interest-bearing bank borrowings of approximately RMB92.1 million and increase of trade payables of approximately RMB33.4 million.

Our net current assets increased from approximately RMB5.1 million as at 31 December 2020 to approximately RMB44.1 million as at 31 December 2021 primarily due to (i) the increase in trade receivables due to the increase in revenue and scale of business operations and the delay of payments of a portion of our Group's property management customers from the sector of public properties which were due on 31 December 2021; and (ii) the decrease in interest-bearing bank and other borrowings from RMB142.1 million as at 31 December 2020 to RMB41.1 million as at 31 December 2021. Our net current assets then remained relatively stable at approximately RMB48.2 million as at 31 January 2022.

Our net current assets increased from approximately RMB44.1 as at 31 December 2021 to approximately RMB60.5 million as at 30 June 2022 primarily due to the additional financial assets at fair value through profit or loss of approximately RMB12.0 million and the increase in trade receivables of RMB55.7 million, partially offset by the decrease in cash and cash equivalents of approximately RMB63.6 million caused by the net cash used in the operating activities and decrease in the restricted deposits of approximately RMB6.6 million.

Our net current assets increased from approximately RMB60.5 million as at 30 June 2022 to approximately RMB65.6 million as at 31 October 2022 primarily due to the increase in trade receivables of RMB23.5 million and contract assets of RMB12.0 million, partially offset by the decrease in cash and cash equivalents of RMB25.0 million.

For details of the reasons for the abovementioned changes, please refer to the paragraphs headed "Description of Selected Items in our Consolidated Statements of Financial Positions" and "Liquidity and Financial Resources — Cash flows" in this section.

Financial resources

During the Track Record Period, our principal sources of fund have been our debt capital and cash generated from our business operations. Our primary liquidity requirements are to finance our working capital and fund the growth of our operations. We currently do not expect any significant changes in the mix and the relative costs of our capital resources. Subsequent to the **[REDACTED]**, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt and equity financings, and the **[REDACTED]** of the **[REDACTED]**, details of which please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

Working Capital Sufficiency

Our Directors believe that after taking into account the financial resources presently available to us, including cash flows from operations, cash and cash equivalents available, other internal resources, banking facilities and the estimated **[REDACTED]** from the **[REDACTED]**, we have sufficient working capital for our working capital requirements for at least the next twelve months from the date of this document.

KEY FINANCIAL RATIOS

The following table sets out key financial ratios of our Group during the periods indicated:

Financial metrics	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2019	2020	2021	2022
Return on equity*(Note 1)*	28.5%	44.3%	28.0%	N/A
Return on assets*(Note 2)*	8.2%	9.1%	9.5%	N/A
Current ratio*(Note 3)*	0.7	1.0	1.2	1.3
Quick ratio *(Note 4)*	0.6	1.0	1.2	1.3
Gearing ratio*(note 5)*	121.1%	190.0%	61.2%	47.7%
Net debt to equity ratio*(note 6)*	84.5%	81.5%	Net cash	20.7%
Interest coverage*(note 7)*	10.7	6.8	6.0	7.8

Notes:

1. Return on equity is calculated based on the net profit attributable to owners of the parent for the relevant period divided by the total equity at the end of the relevant period and multiplied by 100%. Return on equity for 1H2022 is not meaningful as it is not comparable to the annual figures.

2. Return on assets is calculated based on the net profit attributable to owners of the parent for the relevant period divided by the total assets at the end of the relevant period and multiplied by 100%. Return on assets for 1H2022 is not meaningful as it is not comparable to the annual figures.

3. Current ratio is calculated based on the total current assets at the end of the relevant period divided by the total current liabilities at the end of the respective period.

4. Quick ratio is calculated based on the total current assets (less inventory and biological assets) at the end of the relevant period divided by the total current liabilities at the end of the respective period.

5. Gearing ratio is calculated based on the total interest-bearing debt (i.e. our loans from employees, interest-bearing bank borrowings and other loan) divided by the total equity as at the end of the relevant period.

6. Net debt to equity ratio is calculated based on the total interest-bearing debt net of cash and cash equivalents divided by the total equity as at the end of the relevant period.

7. Interest coverage is calculated based on the profit before finance costs and income tax expenses for the relevant period, divided by finance costs for the relevant period.

Return on Equity

Our return on equity increased from 28.5% for FY2019 to 44.3% for FY2020. This was primarily due to the increase in our net profit of approximately 79.7% outweighing the increase in our total equity of approximately 15.7%. Such increase in our net profit and total equity was mainly contributed by the increase in our revenue and gross profit as discussed in the paragraph headed "Review of Historical Results of Operations" in this section.

Our return on equity decreased from 44.3% for FY2020 to 28.0% for FY2021. This was primarily due to the combined effect of the decrease in our net profit of approximately 8.7% and the increase of our total equity of approximately 44.0%. Our net profit performance for FY2021 is discussed in the paragraph headed "Review of Historical Results of Operations" in this section.

Return on Total Assets

Our return on assets increased from 8.2% for FY2019 to 9.1% for FY2020. This was primarily due to the increase in our net profit of approximately 79.7% outweighing the increase in our total assets of approximately 61.5%. Such increase was mainly due to the increase in our net profit contributed by the increase in our revenue and gross profit as discussed in the paragraph headed "Review of Historical of Results of Operations" in this section, while such increase was partially offset by the increase in our total assets, in particular the trade receivables of approximately RMB20.5 million, prepayments, other receivables and other assets of approximately RMB91.2 million and cash and cash equivalents of approximately RMB84.5 million as at 31 December 2020.

Our return on assets increased from 9.1% for FY2020 to 9.5% for FY2021. This was primarily due to the decrease in our total assets of approximately 12.3% outweighing the decrease in our net profit of approximately 8.7%. Such decrease in our total assets was primarily attributable to the repayment of our interest-bearing bank and other borrowings of approximately RMB222.1 million during FY2021. For details of our net cash used in financing activities, please refer to the section headed "Liquidity and Financial Resources — Cash Flows — Net Cash Generated From / (Used In) Financing Activities" in this section. Our net profit performance for FY2021 is discussed in the paragraph headed "Review of Historical Results of Operations" in this section.

Current Ratio

Our current ratio increased from 0.7 times as at 31 December 2019 to 1.0 times as at 31 December 2020. This was primarily due to the increase in our total current assets of approximately 130.0% outweighing the increase in our total current liabilities of approximately 51.5%. Such increase in our total current assets was mainly due to the increase in our cash and cash equivalents of approximately RMB84.5 million and the increase in our prepayments, other receivables and other assets of approximately RMB91.2 million primarily due to the provision of loans to Runhua Group Company, a connected person of our Group, during FY2020 which amounted to an aggregate of approximately RMB124.8 million as at 31 December 2020 with an interest rate of 7.0% to 9.5%.

Our current ratio increased from 1.0 times as at 31 December 2020 to 1.2 times as at 31 December 2021. This was primarily due to the decrease of our total current liabilities of approximately 37.3% outweighing the decrease of our total current assets of approximately 25.0%. Such increase in net current assets was primarily attributable to (i) the increase in trade receivables due to the increase in revenue and scale of business operations and the delay of payments of a portion of our Group's property management customers from the sector of public properties which were due on 31 December 2021; and (ii) the decrease in interest-bearing bank and other borrowings from RMB142.1 million as at 31 December 2020 to RMB41.1 million as at 31 December 2021.

Our current ratio slightly increased from 1.2 times as at 31 December 2021 to 1.3 times as at 30 June 2022. This was primarily due to the decrease in our total current liabilities of approximately 13.1% outweighing the decrease in our total current assets of approximately 3.7%.

Quick Ratio

The amount of our inventories and biological assets were relatively insignificant and, hence, our quick ratios as at 31 December 2019, 2020 and 2021 and 30 June 2022 were similar to our current ratios.

Gearing Ratio

Our gearing ratio increased from 121.1% as at 31 December 2019 to 190.0% as at 31 December 2020, which was mainly due to the increase in the interest-bearing debt of approximately RMB104.4 million as at 31 December 2020.

Our gearing ratio decreased from 190.0% as at 31 December 2020 to 61.2% as at 31 December 2021 primarily due to the decrease in our interest-bearing debt of approximately 37.1% and the increase of total equity of approximately 44.0%.

Our gearing ratio further decreased from 61.2% as at 31 December 2021 to 47.7% as at 30 June 2022 primarily due to the decrease in our interest-bearing debt of approximately 11.5% and the increase of total equity of approximately 13.6%.

Net Debt to Equity Ratio

We recorded net debt to equity ratio of 84.5% as at 31 December 2019 and such ratio slightly decreased to 81.5% as at 31 December 2020 as the percentage increase of total interest-bearing debt net of cash and cash equivalent of approximately 11.7% was slightly lower than the percentage increase in total equity of approximately 15.7% from 31 December 2019 to 31 December 2020.

No debt to equity ratio was calculated as at 31 December 2021 because our Group was in net cash position.

Our net debt to equity ratio recorded at 20.7% as at 30 June 2022 primarily due to the decrease in the cash and cash equivalents from RMB112.1 million as at 31 December 2021 to RMB48.5 million as at 30 June 2022.

Interest Coverage

Our interest coverage ratio decreased from 10.7 times for FY2019 to 6.8 times for FY2020. Such decrease in our interest coverage was principally attributable to the increasing trend of finance costs of approximately RMB3.8 million and RMB10.7 million for FY2019 and FY2020, respectively, which were in line with the increase in the amount of interest-bearing bank and other borrowings.

Our interest coverage ratio decreased from 6.8 times for FY2020 to 6.0 times for FY2021 primarily due to the decrease in net profit as discussed in the paragraph headed "Review of Historical Results of Operations" in this section.

Our interest coverage ratio increased from 6.0 times for FY2021 to 7.8 times for 1H2022 primarily due to the reasons discussed in the paragraph headed "Review of Historical Results of Operations" in this section regarding the fluctuation of our revenue and net profits during 1H2022.

INDEBTEDNESS

The table below sets forth our outstanding indebtedness as at 31 December 2019, 2020 and 2021, 30 June 2022 and 31 October 2022:

	As at 31 December			As at 30 June	As at 31 October
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
CURRENT INDEBTEDNESS					
Loans from employees	60,300	—	—	—	—
Loan from a Controlling Shareholder	4,700	—	—	—	—
Interest-bearing bank borrowings(Note)	50,000	121,050	41,140	21,140	23,140
Other loans	—	21,000	—	—	—
Lease liabilities	2,184	3,085	6,718	10,916	16,993
NON-CURRENT INDEBTEDNESS					
Interest-bearing bank borrowings	—	66,860	55,680	64,580	61,580
Lease liabilities	18,641	28,268	47,638	84,754	80,653
TOTAL	135,825	240,263	151,176	181,390	182,366

Note: In August 2022, we entered into a supplemental agreement with Jinan Rural Commercial Bank to change the maturity of a bank loan amounting to RMB20,000,000. The original maturity of such loan was in February 2024. Pursuant to the supplemental agreement, such loan was scheduled to be due in August 2022, February 2023, August 2023 and February 2024 with amount of RMB1,000,000, RMB1,000,000, RMB1,000,000 and RMB17,000,000, respectively. We have repaid RMB1,000,000 in August 2022 as scheduled.

Loans from employees

In September 2019, we entered into an agreement (the "**Tianfu Agreement**") and a supplemental agreement simultaneously to acquire equity interests in Tianjin Tianfu upon the completion of the competitive bidding process. Pursuant to the Tianfu Agreement, we acquired 51% equity interests in Tianjin Tianfu through a competitive bidding process for a total cash consideration of RMB130,149,109, which we were required to settle the consideration by October 2019. In view that (i) we have to maintain enough working capital for staff costs, subcontracting charges, material costs, other administrative expenses and finance costs for our daily operations; and (ii) commercial banks or other financial institutions usually need longer approval process for loans, we obtained loans provided by certain employees of our Group of RMB60.3 million on 10 October 2019 (the "**Employee Loan**") which was used for the operating activities of our Group. The Employee Loan carried fixed interest rates ranged from 2% to 5% per annum with loan period of one year, and were provided by more than a hundred employees of our Group. Among the RMB60.3 million aggregated amount of such loans, approximately RMB15.9 million of which were provided by our Directors and senior management who are listed in the section headed "Directors and Senior Management" in the document. The below table sets out the details of the loans provided by our Directors and senior management:

Name	Position	Amount of the loan
		RMB'000
Mr. Yang Liqun	Executive Director	5,150
Mr. Fei Zhongli	Executive Director and chief executive officer	3,500
Mr. Zhang Yuqiang	Deputy general manager	2,460
Ms. Li Yanyan	Deputy general manager	3,000
Mr. Li Yi	Deputy general manager	900
Ms. Chen Jie	Deputy general manager	900
	Total:	15,910

The funding of the loans from employees were primarily sourced from the employee's personal and family savings. The loans from employees were obtained by our Group for our operating activities, and were fully settled on 9 October 2020. Our Group decided to obtain such loans from employees instead of external commercial banks or financial institutions primarily because (i) the usually longer approval process of commercial banks or other financial institutions; (ii) additional requirement of pledges and/or guarantees which may be imposed by commercial banks or other financial institutions; and (iii) the higher finance costs which may be incurred by the external financial institutions, all of which were not preferred by our Group at the time of borrowing. Our Directors are of the view that the terms of such loans from employees were more favourable than the terms of the then existing loans offered by commercial banks. In January 2020, our Group collected the repayment of an entrust loan of RMB30.0 million. Furthermore, we were granted a bank loan of RMB50.0 million in February 2020 and the loan of RMB78.0 million for the acquisition of Tianjin Tianfu was eventually approved in June 2020. Due to the sufficient working capital at the material time, we advanced a total of eight loans amounting to RMB125.0 million to Runhua Group Company in FY2020.

Interest-bearing bank and other borrowings

We had outstanding interest-bearing bank and other borrowings of RMB50.0 million, RMB208.9 million RMB96.8 million, RMB85.7 million and RMB84.7 million as at 31 December 2019, 2020 and 2021, 30 June 2022 and 31 October 2022, respectively.

As at 31 December 2019, our interest-bearing bank borrowings amounted to RMB50.0 million, of which (i) RMB40.0 million were due and settled within one year with an interest rate of 5.4% to 5.7%; and (ii) RMB10.0 million were due and settled within one year with an interest rate of 5.7% and were guaranteed by Mr. Luan and entities controlled by Mr. Luan.

As at 31 December 2020, our current interest-bearing bank borrowing amounted to RMB121.1 million, of which (i) approximately RMB80.0 million represented loans which were guaranteed by Mr. Luan and entities controlled by Mr. Luan and were due within one year with an interest rate between 5.4% and 6%; (ii) RMB30.0 million represented loans which were guaranteed by an entity controlled by Mr. Luan, secured by pledge of properties and due within one year with an interest rate of 5.655%; and (iii) approximately RMB11.1 million represented the current portion of our long term bank loans with interest at floating rates of loan prime rate calculated by reference to the relevant bank's benchmark interest rate per annum which were guaranteed by the entities controlled by Mr. Luan. As at 31 December 2020, our non-current interest bearing bank borrowing amounted to approximately RMB66.9 million with interest at floating rates of loan prime rate calculated by reference to the relevant bank's benchmark interest rate per annum which were guaranteed by entities controlled by Mr. Luan.

As at 31 December 2020, our other loans represented borrowings of RMB21.0 million which were due within one year with interest rate of 7.0% from Shandong Yitong Commercial Factoring Company Limited* (山東易通商業保理有限公司), an independent third-party established as a limited liability company in the PRC and principally engaging in the business of commercial factoring services, for which our Group pledged RMB44,038,000 of its trade receivables as security.

As at 31 December 2021, our current interest-bearing bank borrowings amounted to RMB41.1 million, of which (i) approximately RMB10.0 million represented loans which were guaranteed by our Group and secured with certificates of deposit which amounted to RMB10.0 million owned by our Group and were due within one year with an interest rate of 5.67%; (ii) approximately RMB20.0 million represented loans which were guaranteed by the entities controlled by Mr. Luan, secured with properties owned by our Group and were due within one year with an interest rate of 5.655%; and (iii) approximately RMB11.1 million represented current portion of our long term bank loans with interest at floating rates of loan prime rate calculated by reference to the relevant bank's benchmark interest rate per annum which were guaranteed entitles controlled by Mr. Luan. As at 31 December 2021, our non-current interest bearing bank borrowing amounted to approximately RMB55.7 million with interest at floating rates of loan prime rate calculated by reference to the relevant bank's benchmark interest rate per annum which were guaranteed by entities controlled by Mr. Luan. For further details of our interest-bearing bank and other borrowings, please refer to Note 28 to the Accountants' Report in Appendix I to this document.

As at 30 June 2022, our interest-bearing bank borrowings of (i) approximately RMB10.0 million, which represented loans guaranteed by our Group and was due within one year with an interest rate of 5.6%; (ii) approximately RMB20.0 million, which was guaranteed by our Group and secured with RMB4.0 million certificates of deposit owned by us, was due within two years with an interest rate of 5.67%; and (iii) approximately RMB55.7 million with interest at floating rates of loan prime rate calculated by reference to the relevant bank's benchmark interest rate per annum, which was guaranteed by the entities controlled by Mr. Luan.

As at 31 October 2022, our interest-bearing bank borrowings of (i) approximately RMB10.0 million, which represented loans guaranteed by our Group and was due within one year with an interest rate of 5.6%; (ii) approximately RMB19.0 million, which was guaranteed by our Group and secured with RMB4.0 million certificates of deposit owned by us, was due within two years with an interest rate of 5.67%; and (iii) approximately RMB55.7 million with interest at floating rates of loan prime rate calculated by reference to the relevant bank's benchmark interest rate per annum, which was guaranteed by our Group.

As at 31 October 2022, we had total banking facilities of RMB128.0 million, of which the unutilised banking facilities amounted to RMB43.3 million.

Our Directors confirmed that as at the Latest Practicable Date, all guarantees provided by Mr. Luan and his controlled entities have been matured or released, and our Directors believe that we will be able to be financially independent from our Controlling Shareholders after the **[REDACTED]**.

During the Track Record Period and up to the Latest Practicable Date, there was no breach of any covenant in our bank borrowings or other borrowings, and we did not experience any delay or default in repayment of bank borrowings or other borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As of the Latest Practicable Date, there was no material covenant on any of our outstanding debt that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in future, nor do we have any plans for material external debt financing.

Saved as disclosed in the paragraph headed "Indebtedness" in this section, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as at 31 October 2022, being the latest practicable date for our indebtedness statement.

Lease liabilities

Our lease liabilities amounted to RMB20.8 million, RMB31.4 million, RMB54.4 million, RMB95.7 million and RMB97.6 million as at 31 December 2019, 2020 and 2021, 30 June 2022 and 31 October 2022, respectively.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they are not aware of any circumstances which would give rise to the disclosure obligation under Rules 13.12 to 13.19 of the Listing Rules.

PROPERTY INTERESTS AND VALUATION

The table below sets forth the reconciliation between the net book value of certain of our property interests as at 30 June 2022 as extracted from the Accountants' Report as set out in the Appendix I to this document and the fair value as at 31 October 2022 as stated in "Appendix III — Property Valuation Report" to this document:

	RMB'000
Net book value of the property interests as at 30 June 2022	97,594[(i)]
Less: Depreciation on the property for the four months ended 31 October 2022	(5,336)
Add: Valuation surplus	27,778
Valuation of the subject property interests as at 31 October 2022 set out in Appendix III to this document	120,036[(ii)]

Notes:

(i) Such amount represented the net book value of the same property interests as in Appendix III — Property Valuation Report and excluded the net book value of the property located at No. 2, Danfeng Street, Gongshanghe Road East, Tianqiao District, Jinan City, of approximately RMB1.5 million, which was below 1% of our total assets and did not include in the scope of valuation report as set out in Appendix III — Property Valuation Report.

(ii) Such amount represented the valuation of our Group's property interest as at 31 October 2022, which comprised market values of RMB18.7 million and reference values of RMB101.3 million per Appendix III — Property Valuation Report.

RELATED PARTY TRANSACTIONS

Our related party transactions were conducted during the Track Record Period in accordance with terms as agreed between us and the respective related parties. Save for the related party loans provided by our employees as further disclosed under the section headed "Related Party Transactions — Loans from Related Parties" in this section, our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical result not reflective of our future performance. All the related party transactions, which are non-trade in nature, had been or will be settled prior to the **[REDACTED]**. For our basis of determination of related parties of our Group, please refer to Note 2.4 and 33(a) to the Accountants' Report in Appendix I to this document. During the Track Record Period, we had the following material transactions with our related parties:

Provision of Services to Related Parties

For FY2019, FY2020, FY2021 and 1H2022, we recorded revenue from provisions of services to related parties in the amount of approximately RMB45.4 million, RMB95.9 million, RMB73.4 million and RMB20.0 million, respectively, which were primarily generated from (i) the provision of our property management services to the automobile sales stores and residential units operated by the entities controlled by Mr. Luan or Mr. HQ Luan; and (ii) the provision of our property engineering services and landscape construction services to the residential properties developed by the entities controlled by Mr. HQ Luan. For details, please refer to the Note 33 to the Accountants' Report in Appendix I to this document. Our Directors have confirmed that these transactions were conducted on normal commercial terms and on arm's length basis.

For details of our pricing strategy and settlement terms, please refer to the section headed "Business — Sales and Marketing" in this document. In relation to the gross profit margin of the services provided to our related parties and independent third party customers, please refer to the paragraph headed "Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin" in this section.

Loans from Related Parties

During FY2019, we obtained loans from employees of our Group of RMB60.3 million with an annual interest rate of 2.0% to 5.0% on 10 October 2019 which was used for the operating activities of our Group, of which approximately RMB20.0 million was provided by key management personnel of our Group which were related parties of our Group. Such interest rate was determined with reference to the annual interest rate of 5.69% charged by independent commercial bank. During FY2019 and FY2020, we incurred interest expense of approximately RMB0.1 million and RMB0.7 million from the related parties arose from such loan from employee, respectively. Such loan from employees had a loan period of one year, and was fully settled on 9 October 2020. We also obtained an interest-free loan of RMB4.7 million from Mr. Luan for the operating activities of our Group on 10 October 2019 and fully settled such loan on 9 October 2020.

Loans to Related Parties

During FY2020, we provided loans to Runhua Group Company, a connected person of our Group, during FY2020 which amounted to an aggregate of approximately RMB124.8 million as at 31 December 2020 with an annual interest rate of 7% to 9.5%. During FY2020 and FY2021, we received interest income of approximately RMB5.7 million and RMB2.1 million from Runhua Group Company arose from such loan, respectively. Such interest rate was determined with reference to the annual interest rate of 6.525% charged by independent commercial bank. The loans to Runhua Group Company were fully collected in March 2021. For details of our loans to Runhua Group Company, please refer to the section headed "Financial Information — Description of Selected Items in our Consolidated Statements of Financial Position — Prepayments, other receivables and other assets" in this document.

Acquisitions from Related Parties

During FY2020, (i) we acquired 100% equity interests in Kaidi Network, a connected person of our Group, with a consideration of approximately RMB3.9 million; and (ii) Runhua Development as purchaser entered into equity transfer agreements on 10 November 2020 separately with each of Jinan Lutong, Jinan Anlan, Mr. Luan, Ms. Liang, Mr. HQ Luan and MedEvolve Company Limited for the acquisition of an aggregate of 100% equity interest in Shandong Runhua for an aggregated consideration of approximately RMB21.1 million as part of the Reorganisation. For further details of our Reorganisation, please refer to the section headed "History, Development and Reorganisation — Reorganisation" in this document.

Services and Purchases from Related Parties

For FY2019, FY2020, FY2021 and 1H2022, we received services and had purchases from our related parties in the aggregate amount of approximately RMB2.4 million, RMB6.4 million, RMB2.4 million and RMB0.9 million, respectively, which were primarily receipt of labour services, purchases of fixed assets and receipt of leasing services from related parties. Based on the valuation report and fair rent letters from the independent property valuer for the properties rented from our related parties, the valuation examination reports from independent pricing consultants for the construction services provided by our related parties and the similar quotations obtained from independent third parties, our Directors have confirmed that the terms and pricing of these transactions were comparable to those offered by independent third parties and within the market rate for similar transactions.

For further details of our related party transactions, please refer to Note 33 to the Accountants' Report in Appendix I to this document.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. We do not engage in trading activities involving non-exchange traded contracts. In the course of our normal business, we do not enter into transactions involving, or otherwise form relationships with, uncombined entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any material contingent liabilities.

CAPITAL COMMITMENTS

During the Track Record Period, we did not have any capital commitments.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk

Our Group trades only with recognised and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant. For the credit quality and the maximum exposure to credit risk based on our Group's credit policy, please refer to Note 37 to the Accountants' Report as set out in Appendix I to this document.

Liquidity Risk

Our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of our Group to finance the operations and mitigate the effects of fluctuations of cash flows. For the maturity profile of our Group's financial liabilities as at 31 December 2019, 2020 and 2021 and 30 June 2022 based on the contractual undiscounted payments, please refer to Note 37 to the Accountants' Report as set out in Appendix I to this document.

Capital Management

The primary objectives of our Group's capital management are to safeguard our Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Our Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, our Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Our Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDEND AND DIVIDEND POLICY

Since the incorporation of our Company and during the Track Record Period and, no dividend has been and had been declared or paid by our Company.

During the Track Record Period, we did not have any dividend policy in place and we do not expect to formulate any specific dividend policy in the near future. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Companies Act, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our PRC operating subsidiaries may also be subject to any restrictive covenant in bank credit facilities or loan agreements, convertible bond instruments or other agreements that they or we may enter into in the future.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

As at 30 June 2022, the distributable reserves of our Group amounted to RMB156.9 million.

[REDACTED] EXPENSES

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]** range), excluding any discretionary incentive fee which may be paid, and that **[REDACTED]** will not be exercised, we expect to incur estimated total **[REDACTED]** of approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), including **[REDACTED]** of approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million) and non-**[REDACTED]** related expenses of approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), which consist of (a) fees paid and payable to legal advisers and Reporting Accountants of approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million); and (ii) other fees and expenses, including sponsor fees, of approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million). Among the estimated aggregate amount of our estimated **[REDACTED]**, (i) approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million) is expected to be charged to our consolidated statements of profit or loss, of which approximately RMB**[REDACTED]** million was recognised as our profit or loss during the Track Record Period; and (ii) approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million) is directly attributable to the issue of the **[REDACTED]** in the **[REDACTED]** and is expected to be accounted for as a deduction from equity upon **[REDACTED]** in accordance with relevant accounting standards. Our Group's result of operations for the year ending 31 December 2022 will be affected by such expenses in relation to the **[REDACTED]**. Our Directors would like to emphasise that such expenses are current estimate for reference only, and the final amount to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the subsequent changes in variables and assumptions. Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]** range), the **[REDACTED]** as a percentage of **[REDACTED]** is approximately **[REDACTED]**%.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

Please refer to the paragraph headed "Unaudited **[REDACTED]** Adjusted Net Tangible Assets" in Appendix II to this document for our unaudited **[REDACTED]** adjusted consolidated net tangible assets.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 30 June 2022, the date of the latest audited financial information of our Group, and up to the date of this document.