
FUTURE PLANS AND [REDACTED]

FUTURE PLANS AND [REDACTED]

The principal business objective of our Group is to further strengthen our market position, increase our market share and capture the growth in the property management industry in the PRC. Please refer to the section headed “Business — Business Strategies and Future Plans” of this document for a detailed description of our future plans.

[REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range, and after deducting related [REDACTED] fees and estimated expenses in connection with the [REDACTED] and the [REDACTED] is not exercised, our Group estimates that the [REDACTED] to our Company from the [REDACTED] will be approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million). Our Directors presently intend to apply such [REDACTED] as follows:

- approximately [REDACTED]%, or HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), for making strategic investments and acquisitions to expand our property management business. We believe strategic investments and acquisitions can help us diversify our service offerings, enhance our geographic distribution, market shares and property portfolio, and realise economies of scale. In particular, we plan to acquire property management service providers with a focus on non-residential properties within the next one to three years that can maximise the expected return for us and minimise the risks and exposure associated with the acquisition. Therefore, we will conduct preliminary review and feasibility study on a potential target, and our Board to consider, assess and decide whether to proceed with a proposed acquisition. When assessing the acquisition opportunities, we will carefully consider a variety of factors with respect to the target, including but not limited to quality and scale of the properties under their management; cost and benefit of the acquisition, taking into account our corporate strategy and long-term plan; the synergy between our existing operations and potential targets in terms of technology, management expertise and business compatibility; socio-economic and demographic condition of and local regulatory environment and policies implemented in the region and province where the potential target is located; the joint venture partners (if any) and the joint venture structure (if applicable); our financial resources; financial data of the target and the possibility of enhancing the overall competitiveness and sustainability of our existing and future business.

Specifically, in selecting and assessing potential acquisition opportunities for property management services providers, we will consider the following selection criteria relating to the target companies:

- **Geographical location** — We primarily target property management service providers located in cities in Shandong Province with better economic development or industrial foundation, such as Jinan and Qingdao, and in Yangtze River Delta Region and Beijing-Tianjin-Hebei Region.
- **Business focus** — We primarily target medium sized property management service providers with a focus on providing property management services for non-residential properties, including hospitals, governmental buildings, tourist attractions, theatres, cultural venues, stadiums and exhibition halls and schools.

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- **Financial track record** — We consider the financial results and performance of the acquisition targets for the preceding financial year. We target property management service providers which had achieved revenue of at least RMB20.0 million, gross profit margin of at least 15% and net profit margin of at least 10% for the preceding financial year.
- **Management capability** — We target property management service providers with management teams with extensive industry knowledge and property management experience particularly in non-residential properties.

In view that our geographic presence has covered 15 of the 16 prefecture-level cities in Shandong Province and the organic expansion may require more our costs, time and risks, our Directors believe that such merger and acquisition of property management service providers could enable us to (i) enjoy fast growth through rapidly gaining access to new geographic markets and expanding our business portfolio in an efficient manner; (ii) obtain a greater market share in Shandong Province and experience better economies of scale; (iii) enhance our Group’s market influence and consolidate our leading position in Shandong Province; and (iv) diversify the portfolio of properties under management. According to the F&S Report, as of June 2022, there were around 100 companies in Shandong Province, 150 companies in Yangtze River Delta Region and 50 companies in Beijing Tianjin-Hebei Region, who meet our selection criteria. Our Directors also believe that our selection criteria are in line with the industry practice and there are sufficient number of suitable target companies available in the market for our expansion plan. In determining the amount of [REDACTED] to be used for making strategic investments and acquisitions, we have taken into account the following factors: (i) the expected growth and expansion of our Group; (ii) the additional revenue and net profit that can be brought to our Group through mergers and acquisitions; and (iii) the market valuation multiple, such as price-to-earnings ratio, of comparable PRC property management companies. Our Group expects to acquire property management service providers with net profit of at least RMB2.0 million per year and a price-to-earnings ratio of no more than 8 times. In allocating approximately HK\$[REDACTED] million for acquisitions of property management service providers with a focus on non-residential properties, it is estimated that our Group will acquire two to four property management service providers within the next three years to expand our property management business. Given (i) the availability of suitable target companies in the PRC market; (ii) being a comprehensive service provider in the residential and non-residential sectors, which provide us a unique advantage in integrating the property management business comparing with other property management companies; and (iii) the professional team with sufficient experience and expertise, by acquiring Tianjin Tianfu and establishing joint venture of Shandong Yongyuan, to carry out market research for potential acquisition and cooperation targets, we believe we are able to identify suitable target in the selected regions we plan to expand into. Shall the [REDACTED] be insufficient for our expansion plans, we will utilise our internal funds.

However, many property management companies listed on the Stock Exchange are looking to acquire other property management companies to further expand their business scope and geographic reach. As a result, we may not be able to materialise our plan to acquire independent third-party property management companies with geographical influence and similar market positioning. Please refer to the section headed “Risk Factors — Risks relating to the industry in which we operate — We are in a highly competitive business with numerous competitors” in this document for details. If our future acquisition

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plan cannot materialise, we will place the unused [REDACTED] in short-term demand deposits with licensed financial institutions and continue exploring new acquisition targets.

- approximately [REDACTED]%, or HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), for developing, strengthening and implementing our information technologies, of which:
 - (a) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to improve our information technology system on the property management level, among which (i) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to integrate the functions we used for collection of operational data for the purpose of provision of property management services of various property types and develop an upgraded operational and decision analysis platform that would utilise updated technologies, such as Internet of Things (IoT), big data and cloud computing, to consolidate our property management system and accounting system and analyse key data in respect of human resource, procurement, project budgeting, cost control and financial reporting; (ii) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to collect the operation data and transfer them to the administrators, such that we can monitor and observe the real-time status and energy consumption levels of each of our managed properties and facilities through screens, computers, mobile application and other devices. Data can be stored and analysed in order to detect any potential equipment hazards and failures in advance and the new system will help us to achieve remote operation of the facilities in our managed projects from our operation centre; (iii) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to develop a visitor registration system to achieve visitors’ access control management and track on their sign-in and sign-out records for security purpose; (iv) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to upgrade our existing tender management system by linking up with our database and deploy marketing tools and materials such as presentation kits and management proposal templates for different types of properties and facilities through our database; and (v) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to develop a budgeting system to monitor and adjust the budget planning of each of our managed projects by monitoring the status of our budget implementation based on the details of project staffing and project execution progress as well as the amount of revenue recognised and expense incurred.
 - (b) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to improve our information technology system on the headquarter management level, among which (i) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to develop online payment functions for individual customers and outstanding payment alerts, to optimise our management capacity; (ii) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to integrate the operation data between our business departments and human resource department in order to monitor the availability of our human resources to ensure sufficient and timely allocation of resource to projects to minimise idle capacity and fully utilise our resources efficiently; (iii) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to upgrade our existing management system in aspect of human resource by achieving calculation of the salaries and overtime payments of our staff based on their time card records, and payroll automation; (iv) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to upgrade our existing management system in aspect of contract management by allowing our staff to review the amount of trade receivables of each contract to prepare our bills and/or demand letters through the upgraded system; and (v) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for daily maintenance of the existing and new information technology systems.

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The amount of [REDACTED] to be allocated for enhancing our information technology systems was estimated based on (i) the quotations obtained from third party system developers; (ii) the number of properties to be adopted the remote operation system for three commercial properties and one residential property and visitor registration system for five residential properties; and (iii) the functionality and scale of each of the systems being invested. In June 2021, we have invested approximately RMB264,000 to develop an energy consumption monitoring system as a trial for a residential property under our management and therefore, we can closely monitor and analyse the energy consumption and efficiency of such property, and develop energy consumption control and management solutions in order to reduce energy costs to be incurred and manpower to be involved. We plan to adopt the energy consumption monitoring system to additional two residential properties and seven commercial properties by using the [REDACTED].

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- approximately [REDACTED]%, or HK\$[REDACTED] million (equivalent to approximately RMB16.0 million), for improving staff motivation mechanism to attract, cultivate and retain talents, among which:
 - (a) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to recruit appropriate talents for strengthening our on-site management teams and facilitating the development of our business in the market we planned to enter into in order to cope with our business development and future expansion, in particular:

<u>Position</u>	<u>Preferred experience and/or qualification</u>	<u>Annual salary for each staff</u> <i>RMB'000</i>	<u>Number of staff to be recruited</u>	<u>Approximate</u> <i>HK\$'000</i> <u>[REDACTED]</u>
Head of regional branch office (Yangtze River Delta Region)	-Qualified as a senior property manager; and -Minimum 5 years of property management experience in Yangtze River Delta Region	150	1	[REDACTED]
Head of regional branch office (Shandong Province)	-Qualified as a senior property manager; and -Minimum 5 years of property management experience in Shandong Province	120	2	[REDACTED]
Project Manager (Beijing)	-Qualified as a property manager; and -Minimum 5 years of property management experience in Beijing	120	2	[REDACTED]
Project Manager (Shandong Province)	-Minimum 3 years of property management experience, including acting as property manager for over one year	96	10	[REDACTED]
Supervisor	-College degree or above; or -Minimum 2 years' experience in military or property management industry	54	35	[REDACTED]
Marketing personnel	-Bachelor's degree or above; and -Minimum 1 year of experience in property management industry	100	3	[REDACTED]
Quality control officer	-College degree or above; and -Minimum 2 years of experience in property management industry	100	3	[REDACTED]
		Total:	56	[REDACTED]

- (b) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to enhance our training programmes by developing a promotion assessment programme to provide career development opportunities to our employees and promote them internally as well as sponsor them to attend professional qualification trainings conducted by external organisations or professionals, in relation to the overall property management knowledge and skill.

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If the [REDACTED] is set at the high- or low-end of the indicative [REDACTED] range, being HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], respectively (assuming the [REDACTED] is not exercised), the [REDACTED] from the [REDACTED] will decrease or increase by approximately HK\$[REDACTED] million, respectively, and our Directors intend to adjust the above allocation of the [REDACTED] on a pro-rata basis. To the extent our [REDACTED] are either more or less than expected, we will adjust the allocation of the [REDACTED] for the above purposes on a pro rata basis.

If the [REDACTED] is exercised in full, we estimate that the additional [REDACTED] from the [REDACTED] to be received by us, after deducting [REDACTED] fees and estimated expenses payable by us, will be approximately (i) HK\$[REDACTED] million, assuming the [REDACTED] is fixed at the high-end of the indicative [REDACTED] range, being HK\$[REDACTED] per Share; (ii) HK\$[REDACTED] million, assuming the [REDACTED] is fixed at the mid-point of the indicative [REDACTED] range, being HK\$[REDACTED] per Share; and (iii) HK\$[REDACTED] million, assuming the [REDACTED] is fixed at the low-end of the indicative [REDACTED] range, being HK\$[REDACTED] per Share. Any additional [REDACTED] received by us from the exercise of the [REDACTED] will also be allocated to the above purposes on a pro-rata basis.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we will only deposit the [REDACTED] into short-term interest-bearing accounts at licensed banks and/or financial institutions as defined under the Securities and Futures Ordinance/ the applicable laws in the relevant jurisdiction for non-Hong Kong based deposits. Should there be any material change in the intended use of the [REDACTED] from the [REDACTED] as described above, our Group will make appropriate announcement(s) in due course.

[REDACTED]

The following table sets forth the key milestones, timeframe and the total estimated investment for each of our [REDACTED]. Shall the [REDACTED] be insufficient for our expansion plans, we will utilise our internal funds:

Major categories	% of total [REDACTED]	Amount <i>HK\$'million</i>	Implementation activities	% of total [REDACTED]	Timeframe		
					2023 <i>HK\$'million</i>	2024 <i>HK\$'million</i>	2025 <i>HK\$'million</i>
<i>Business expansion</i>	[REDACTED]	[REDACTED]	Strategic acquisitions for property management companies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>Upgrading information technology</i>	[REDACTED]	[REDACTED]	(i) Integrating the functions we used for collection of operational data for the purpose of provision of property management services of various property types and develop an upgraded operational and decision analysis platform	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(ii) Developing remote operation of the facilities in our managed projects from our operation centre	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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Major categories	% of total [REDACTED]	Amount <i>HK\$ million</i>	Implementation activities	% of total [REDACTED]	Timeframe		
					2023 <i>HK\$ million</i>	2024 <i>HK\$ million</i>	2025 <i>HK\$ million</i>
			(iii) Developing a visitor registration system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(iv) Upgrading our existing tender management system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(v) Developing a budgeting system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(vi) Developing online payment functions for individual customers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(vii) Integrating the operation data between our business departments and human resource department	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(viii) Upgrading our existing management system in aspect of human resource	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(ix) Upgrading our existing management system in aspect of contract management	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(x) Performing daily maintenance of the existing and new information technology systems	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>Strengthening our manpower</i>	[REDACTED]	[REDACTED]	(i) Recruiting appropriate talents	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	(ii) Enhancing our training programmes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total:					[REDACTED]	[REDACTED]	[REDACTED]

BASIS AND ASSUMPTIONS

Our future plans and business strategies are based on the following general assumptions:

- there will be no material change in the funding requirement for each of our future plans described in this document from the amount as estimated by our Directors;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- the [REDACTED] will be completed in accordance with and as described in the section headed “Structure and Conditions of the [REDACTED]” in this document;

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- there will be no material changes in existing accounting policies from those stated in the audited consolidated financial statements of our Group for FY2019, FY2020, FY2021 and 1H2022;
- our operations including our future plans will not be interrupted by any force majeure, unforeseeable factors, extraordinary items or economic changes in respect of inflation, interest rate and tax rate in the PRC;
- there will be no material changes in the bases or rates of taxation applicable to our activities;
- we will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this document;
- we will continue our operation including but not limited to retaining our key staff and maintaining our customers and suppliers in the same manner as we had operated during the Track Record Period;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political or market conditions in which we operate; and
- there will be no disasters, natural, political or otherwise, which would materially disrupt our businesses or operations.

FUNDING NEEDS

We believe our existing cash balance alone is not sufficient to meet all of our business plans set out above, and to support our daily operations at the same time. In particular, our cash and cash equivalent as at 30 June 2022 amounted to approximately RMB48.5 million, while our interest-bearing bank and other borrowings amounted to approximately RMB85.7 million. Should all of our future business plans be funded by our own cash balance, we would not have a sufficient level of financial resource to support our daily operation while maintaining an adequate cash cushion for budget fund or contingency purposes. Our Directors had considered the viability of using debt financing as a means of raising capital for our future business plans and had decided that it would be in the best interest of our Group to implement our future plans by using a portion of the [REDACTED] from the [REDACTED] because:

- (i) as at 30 June 2022, our interest-bearing bank and other borrowings amounted to approximately RMB85.7 million, and it is necessary for us to closely monitor our gearing in order to avoid putting ourselves at liquidity risk;
- (ii) for 1H2022, our finance costs amounted to approximately 14.8% of our profit before tax and further increase in our interest expenses may adversely affect our financial performance;
- (iii) we do not hold significant property or fixed assets which could be provided as collaterals for debt financing purposes, the interest rates involved in debt financing would generally be higher and we may be exposed to less favourable terms, which usually require our Controlling Shareholder to provide a guarantee or other collaterals; and

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- (iv) unlike the characteristics of debt financing as aforementioned, equity financing would not divert capital from our business to repay the loan regardless of our business performance. Our Group can retain the flexibility and capability for business development and dividend payment to create a greater value for our Shareholders.

Further, shall we elect to adopt debt financing to support our business growth in the future, a [REDACTED] status could (i) allow us to obtain financing at better terms as compared to those offered to private companies; and (ii) minimise the need to engage third party guarantee companies or our Controlling Shareholders when we apply for bank loans in the future. Therefore, the [REDACTED] is necessary and beneficial to our sustainable long-term growth.