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Application Proof of

润华物业
RUNHUA PROPERTY

Runhua Intelligence Health Service Co., Ltd.

润华智慧健康服务有限公司

(the "**Company**")

(incorporated in the Cayman Islands with limited liability)

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IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Runhua Intelligence Health Service Co., Ltd.
润华智慧健康服务有限公司

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares [(subject to the [REDACTED])]**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED] [and the [REDACTED]])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED])**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on application and subject to refund)**
Nominal value	**:**	**US$0.0001 per Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor

[REDACTED]

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The **[REDACTED]** is expected to be determined by agreement between us and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) on or about **[REDACTED]** and, in any event, not later than **[REDACTED]**. The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**, unless otherwise announced. Investors applying for the **[REDACTED]** must pay, on application, the maximum **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%, subject to refund if the **[REDACTED]** is less than HK$**[REDACTED]** per **[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed between us and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) on or before **[REDACTED]** (Hong Kong time), the **[REDACTED]** (including the **[REDACTED]**) will not proceed and will lapse.

The **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), with our consent, may reduce the indicative **[REDACTED]** range stated in this document and/or reduce the number of **[REDACTED]** being offered pursuant to the **[REDACTED]** at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, notices of the reduction of the indicative **[REDACTED]** and/or the number of **[REDACTED]** will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at http://www.sdrhwy.cn not later than the morning of the last day for lodging applications under the **[REDACTED]**. Further details are set out in the sections headed "Structure and Conditions of the **[REDACTED]**" and "How to Apply for **[REDACTED]**" in this document. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document. The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. Such grounds are set out in the section headed "**[REDACTED]**" in this document. It is important that you refer to that section for further details.

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The **[REDACTED]** are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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IMPORTANT NOTICE TO [REDACTED]

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CONTENTS

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the **[REDACTED]**. *There are risks associated with any investment. Some of the particular risks in investing in the* **[REDACTED]** *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* **[REDACTED]**.

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 third and accounted for approximately 1.0% in the property management services market in Shandong Province.

We, through our operating subsidiaries and branches, provide a wide range of property management services and other services. 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 leasing services; and (iv) other services.

In respect of the 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 46 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 respect 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.

We are dedicated to the utilisation and development of digitalisation and operation automation systems and have employed technological solutions to strengthen our competitiveness, improve our service quality and customer satisfaction, reduce our reliance on manual labour, and reduce costs and expense to be incurred by providing our services. In March 2019, we launched an online information technology operation centre, namely OSCS Service Centre, serving the hospitals under our management by offering diversified and tailored hospital logistics services in aspects of cleaning management, centralised logistic management, clinical waste management, facilities management, patient companion and operation management, which are comprehensive and professional solutions to manage, support and optimise the entire operation process of the hospitals under our management. By utilising the OSCS Service Centre, we are able to facilitate our daily operation in hospital sector and provide 24-hour services to hospital staff and/or patients of the hospitals under our management.

Our Group achieved robust growth during the Track Record Period in terms of business scale and financial performance. Our revenue increased from RMB397.1 million in FY2019 to RMB486.1 million in FY2020, and further to RMB601.3 million in FY2021 and RMB321.4 million in 1H2022, representing a CAGR of 23.1% from FY2019 to FY2021. Our gross profit increased from RMB66.8 million in FY2019 to RMB102.9 million in FY2020, and further to RMB114.1 million in FY2021 and RMB67.0 million in 1H2022, which the gross profit margin was 16.8%, 21.2%, 19.0% and 20.8% for the corresponding period, respectively. Our Group obtains new property management agreements mainly by way of open tendering. For FY2019, FY2020, FY2021 and 1H2022, our tender success rate for securing property management agreements recorded approximately 28.4%, 32.5%, 48.1% and 40.7%, respectively; and the renewal rate of our property management agreements was approximately 87.4%, 90.6%, 90.8% and 87.4% for the corresponding year, respectively.

With years of steadfast practise and establishment, we have committedly endeavoured to provide comprehensive, sophisticated and specialised services to our customers by continuingly diversifying our services and enhancing our capabilities on serving different types of properties, and our Group has been accredited with GB/T19001-2016/ISO 9001:2015 (Quality management system certification), GB/T 20647.9-2006/ZMCC-TC-10-2018 (5-star service certification), GB/T24001-2016/ISO 14001:2015 (Environmental management system certificate), GB/T45001-2020/ISO45001-2018 (Occupational safety management system certificate), ISO 56002-2019 (Innovation management system certificate), ISO50001:2018 RB/T 107-2013 (Energy management system certificate), Jinan City Property Comprehensive Service Standardization Pilot Enterprise[Note 1] and Good Standardising Practice Certificate Grade AAA[Note 2].

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue from four business segments:

Property management services	We provide (a) typical property management services, such as (i) cleaning and disinfection services, including the regular cleaning and disinfection of common areas of our managed projects, waste management, pest control, floor waxing maintenance, regular greening and gardening maintenance on the greening areas in the properties under our management; (ii) security services, including 24-hour surveillance, patrolling, guarding, access control, crowd control, visitor handling, emergency handling and fire drilling; (iii) general repair and maintenance services, including daily inspection, repair and maintenance of facilities and equipment in common areas, fire facilities and safety signs, utilities facilities and security facilities; and (iv) customer services, including value-added services (including concierge services, ushering services, catering services, housekeeping services, vehicle cleaning services and delivery services), carpark management services, canteen management services, conference services, elevator operations services and chauffeur services; and (b) hospital logistics services, which are comprehensive and professional solutions to manage, support and optimise the entire operation process of the hospitals under our management;
Property engineering and landscape construction services	Our services include (i) the major maintenance services for building components and systems, interior renovation services, alteration and addition work of existing buildings and facilities and installation of elevators, in order to enhance the quality of the property management systems of our customers; and (ii) the sales, leasing and planting of trees, shrubs and flowers, modification of the shape and elevation of terrain used for landscaping, instalment of related equipment and landscape maintenance work during/after the provision of our landscape construction services;
Property leasing services	We rent out our investment properties to satisfy our customers' needs; and
Other services	Our 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.

Note:

1. Jinan City Property Comprehensive Service Standardization Pilot Enterprise was nominated by Jinan City Market Supervision Administration and approved by Shandong Provincial Market Supervision Administration, the official agency directly in charge of regulating areas such as market competition, monopolies, intellectual property, and drug safety.
2. Good Standardizing Practice Certificate Grade AAA was awarded by China Association of Standardisation (中國標準化協會), which is an association managed by the Standardization Administration of the PRC (國家標準化管理委員會).

The following table sets forth a breakdown of our revenue by type of services and our property management services by types of properties 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										
- *Hospitals*	143,776	36.2	144,715	29.8	215,941	35.9	98,786	37.8	129,569	40.3
- *Public properties*	140,554	35.4	150,840	31.0	192,624	32.1	93,222	35.6	108,835	33.9
- *Commercial and other non-residential properties*	42,865	10.8	64,519	13.3	86,112	14.3	38,051	14.5	44,300	13.8
- *Residential properties*	39,775	10.0	42,124	8.7	48,161	8.0	20,620	7.9	24,540	7.6
Sub-total	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 leasing services	6,173	1.6	8,442	1.7	5,942	1.0	3,005	1.2	3,268	1.0
Other services	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

The table below sets forth a breakdown of our gross profit and gross profit margin by type of services and our property management services by types of properties 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										
- *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
- *Residential properties*	7,990	20.1	8,430	20.0	12,276	25.5	4,809	23.3	4,738	19.3
Sub-total	58,052	15.8	82,345	20.5	99,852	18.4	47,253	18.9	63,459	20.7
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
Property leasing services	1,957	31.7	4,133	49.0	774	13.0	583	19.4	116	3.5
Other services	2,373	33.5	140	23.6	2,642	82.1	652	73.8	696	45.8
Total	66,847	16.8	102,854	21.2	114,142	19.0	49,668	19.0	66,992	20.8

During the Track Record Period, we experienced continuous growth in our revenue and gross profit. Our revenue growth is mainly attributable to (i) the increase in revenue generated from our property management services segment, in particular the increase in the total number of projects under our management as result of our successful business expansion; and (ii) the growth in our revenue generated from non-residential properties (i.e. hospitals, public properties and commercial and other non-residential properties) under our management in FY2020 and FY2021, which was mainly contributed by (a) the growth in number of properties under our management from 143 in FY2019 to 211 in FY2021; and (b) the increase in revenue and gross profit from certain existing projects resulted from the provision of the enlarged scale and scope of our value-added services for commercial properties, such as cleaning services for display automobile vehicles in automobile industrial parks as well as other customer services, further requested by our customers for which we were able to generate an additional revenue since FY2020 . The significant increase in revenue generated from our property engineering and landscape construction services was primarily contributed by five relatively sizeable projects that commenced in FY2020. For details, please see the section headed "Financial Information — Selected Items of the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" in this document.

Our gross profit experienced an upward year-over-year growth during the Track Record Period. While the increase in gross profit was in line with the growing trend of our total revenue during the same period, the relatively higher overall gross profit margin in FY2020 and FY2021 was primarily attributable to (i) the profitability improvement in our property management service segment as a result of cautious selection of the potential projects to be tendered; (ii) increased cost efficiency from adopting our OSCS Service Centre in hospitals under our management; (iii) our effort to raise the contract value of our service agreement during the negotiation of contract renewal; and (iv) certain COVID-19 concessions granted by the PRC government in FY2020. For details, please see the section headed "Financial Information — Selected Items of the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin" in this document.

During the Track Record Period, all of our customers from hospital and public sectors were independent third parties. For commercial and other non-residential properties and residential properties, we offered our services to both related parties and independent third parties. The table below sets forth a breakdown of our revenue, gross profit and gross profit margin of the commercial and other non-residential properties and residential properties by type of customer for the Track Record Period:

	FY2019			**FY2020**			**FY2021**			**1H2021**			**1H2022**		
	Revenue	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**
	RMB$'000	*RMB$'000*	*%*	*RMB$'000*	*RMB$'000*	*%*	*RMB'000*	*RMB$'000*	*%*	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*%*	*RMB'000*	*RMB'000*	*%*
Commercial and other non-residential properties															
-Related parties	22,432	7,689	34.3	29.408	13,466	45.8	27,494	11,698	42.5	11,617	4,449	38.3	15,259	6,655	43.6
-Independent third parties	20,433	2,641	12.9	35,111	7,345	20.9	58,618	13,286	22.7	26,434	6,358	24.1	29,040	6,210	21.4
Residential properties															
-Related parties	3,878	1,867	48.1	2,785	862	30.9	4,963	2,341	47.2	1,012	303	29.9	501	132	26.3
-Independent third parties	35,897	6,123	17.1	39,339	7,568	19.2	43,198	9,936	23.0	19,608	4,506	23.0	24,039	4,606	19.2

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 during the Track Record Period.

In relation to commercial and other non-residential properties, the relatively higher gross profit margin generated from our related parties is mainly attributable to (i) the difference in the types of commercial and other non-residential properties where a relatively higher gross profit margin was generated from providing property management services to automobile industrial parks, a major type of commercial and other non-residential properties managed by our related parties, as compared to office buildings and car parks, which were major types of commercial and other non-residential properties for our property management services provided to independent third parties; (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.

In respect of residential properties, the relatively higher gross profit margin generated from our related parties is mainly due to the service fees for pre-delivery services, including cleaning and trash handling services, property inspection services, securities services, repairs and maintenance, setup of facilities and/or rectification for minor construction defects, for the residential properties developed by the related parties which are generally higher-end residential properties that are newly developed. For details, please refer to the section headed "Financial Information — Selected Items of the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross profit and gross profit margin" in this document.

Since our establishment, we have been primarily focusing on the provision of our services in Shandong Province and upholding our strategy of "Shandong Focus (精耕山東)". Over the years, we have gradually expanded our geographic presence from Jinan to cover 15 of the 16 prefecture-level cities in Shandong Province and other cities in the PRC, such as Beijing and Shenzhen. For details, please see the section headed "Business — Property Management Services" in this document. The table below sets forth the breakdown of our revenue generated from providing property management services by graphical locations 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 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 property management services
		RMB'000			*RMB'000*			*RMB'000*		*RMB'000* (unaudited)			*RMB'000*		
Shandong Province															
- *Jinan region* . .	94	203,790	55.5	105	230,857	57.4	119	261,331	48.1	105	137,268	54.7	127	150,819	49.1
- *Other regions* .	65	144,636	39.4	84	152,525	37.9	106	244,648	45.1	89	100,905	40.3	104	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	163	366,970	100.0	194	402,198	100.0	233	542,838	100.0	200	250,679	100.0	239	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, all of our property management fees were charged on a lump sum basis. Under the lump sum basis model, our customers pay us the "all-inclusive" fee for our property management services and at the same time, we bear all related costs and expenses involved in the provision of our services. We generally charge our customers with property management fees for our property management services, which are mainly calculated without reference to the GFA of the properties under our management but based on a fixed agreed price with reference to the stipulated number of employees and workers to be deployed for each position. During the Track Record Period, we charged customers for a public property, certain commercial properties and all residential properties based on the GFA of the managed properties.

The table below sets forth a breakdown of revenue by revenue-bearing GFA and non-revenue-bearing GFA:

	FY2019		FY2020		FY2021		1H2021		1H2022	
	Revenue	% of total revenue from providing property management services	Revenue	% of total revenue from providing property management services	Revenue	% of total revenue from providing property management services	Revenue	% of total revenue from providing property management services	Revenue	% of total revenue from providing property management services
	RMB$'000		*RMB$'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Non-revenue-bearing GFA										
- Hospitals	143,776	39.2	144,715	36.0	215,941	39.8	98,786	39.4	129,569	42.2
- Public properties	123,237	33.6	134,240	33.4	177,456	32.7	84,999	33.9	100,785	32.8
- Commercial and other non-residential properties	39,118	10.6	61,652	15.3	81,363	15.0	35,220	14.0	42,233	13.7
Sub-total	306,131	83.4	340,607	84.7	474,760	87.5	219,005	87.3	272,587	88.7
Revenue-bearing GFA										
- Public properties	17,317	4.8	16,600	4.1	15,168	2.8	8,223	3.3	8,051	2.6
- Commercial and other non-residential properties	3,747	1.0	2,867	0.7	4,749	0.8	2,831	1.1	2,066	0.7
- Residential properties	39,775	10.8	42,124	10.5	48,161	8.9	20,620	8.3	24,540	8.0
Sub-total	60,839	16.6	61,591	15.3	68,078	12.5	31,674	12.7	34,657	11.3
Total	366,970	100.0	402,198	100.0	542,838	100.0	250,679	100.0	307,244	100.0

For details of revenue-bearing GFA and non-revenue-bearing GFA, please refer to the section headed "Business — Property Management Services — Our managed properties' GFA" in this document.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths position us well in the property management industry in the PRC and differentiate us from our competitors: (i) we have established strong presence in the property management industry in Shandong Province and built up stable business relationship with our major customers in result of our satisfying service and market reputation in the industry; (ii) our expertise and experience in managing hospitals and public properties allow us to strengthen our property management capabilities to cater for the customers' high-standard requirement of specialised services and thus position ourselves as an established service provider in hospital sector as well as public sector; (iii) we have a diversified customer base which encourages us to continuously develop our property portfolio and types of services and thus expand our revenue streams; (iv) we achieved operational and cost efficiency improvement through our standardised property management methodologies as well as utilisation of advanced information technology in our daily operation, and improved customer satisfaction; (v) we have stringent quality control and high safety standard and environmental impact control; and (vi) we have an experienced and competent management team. Please refer to the section headed "Business — Competitive Strengths" in this document for further details.

OUR BUSINESS STRATEGIES

We strive to become one of the leading property management service providers in the PRC. We plan to achieve our objectives by implementing the following strategies: (i) further expand our business scale, increase our market share and bolster our geographic presence in Shandong Province and tap into other developed neighbouring regions; (ii) develop advanced information technology and mobile application functions to optimise our business model to increase our cost effectiveness; (iii) continue to improve staff motivation mechanism to attract, cultivate and retain talents; and (iv) enhance project execution efficiency and service quality by acquiring suitable new automated cleaning machineries and equipment. Please refer to the section headed "Business — Business Strategies and Future Plans" in this document for further details.

OUR CUSTOMERS

Our customers include hospitals, governmental bodies, private enterprises, property owners, property developers and tenants. Most of them were located in Shandong Province. During the Track Record Period, the majority of our revenue was generated from customers who are independent third parties. We also provided our services to our Group's related parties. The table below sets forth a breakdown of our total revenue and gross profit by types of customers for 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

Apart from our related parties, we have maintained a stable relationship with most of our top five customers during the Track Record Period ranging from seven years to 18 years. The sales to our top five customers for FY2019, FY2020, FY2021 and 1H2022 accounted for approximately 32.1%, 33.7%, 25.5% and 21.3% of our total revenue, respectively, while the sales to our largest customer accounted for approximately 8.2%, 13.1%, 7.0% and 5.3% of our total revenue of the corresponding years, respectively. Please refer to the section headed "Business — Our Customers" in this document for further details.

OUR SUPPLIERS

During the Track Record Period, our suppliers primarily included (i) vendors of materials, consumables, equipment and uniforms needed for our daily operations; (ii) subcontractors providing cleaning, security and property engineering and landscape construction services; (iii) consultants in property engineering and landscape construction projects for tender preparation and contract negotiation; and (iv) property owners of properties used as our branch offices and for our property leasing business.

For our property engineering and landscape construction projects, we normally engage subcontractors to carry out all site works under close supervision and management by our engineering team and we oversee and supervise the works conducted by our subcontractors to ensure their conformity to contractual specifications and that projects are completed on time and within budget.

In FY2021, we have engaged several subcontractors, who are independent third parties to our Group, to replace the deployment of part-time workers and provide timely and efficient alternative access to manpower resources and support our business growth. For details of deployment of subcontractors instead of our own part-time workers, please refer to the section headed "Business – Our Suppliers – Our subcontractors – Potential increase in subcontracting fees after the Track Record Period" in this document.

For FY2019, FY2020, FY2021 and 1H2022, the total purchases from our Group's largest supplier amounted to approximately 9.9%, 7.3%, 22.3% and 17.4% of our Group's total purchase amount, respectively, while the total purchases from our Group's five largest suppliers amounted to approximately 27.2%, 21.6%, 49.6% and 49.4% of our Group's total purchase amount, respectively. Please refer to the section headed "Business — Our Suppliers" in this document for further details.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated statements as at and for FY2019, FY2020, FY2021 and 1H2022, extracted from the Accountants' Report set out in Appendix I to this document. The below summary should be read in conjunction with the consolidated financial information in Appendix I, including the notes and the information set forth in the section headed "Financial Information" in this document.

Highlight of our consolidated statements of profit or loss

	FY2019	FY2020	FY2021	1H2021	1H2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	397,096	486,095	601,298	261,620	321,391
Cost of services	(330,249)	(383,241)	(487,156)	(211,952)	(254,399)
- Staff costs	(269,111)	(268,360)	(266,251)	(123,574)	(154,576)
- Subcontracting costs	(34,104)	(77,782)	(168,562)	(63,967)	(74,661)
- Materials and consumables	(16,902)	(21,241)	(26,939)	(10,629)	(11,538)
- Others	(10,132)	(15,858)	(25,404)	(13,782)	(13,624)
Gross profit	66,847	102,854	114,142	49,668	66,992
Profit before income tax	36,802	61,856	56,444	18,032	27,634
Profit for the year	27,108	48,692	44,451	12,532	20,180

During the Track Record Period, our revenue increased from RMB397.1 million in FY2019 to RMB601.3 million in FY2021, primarily due to an increase in the revenue from provision of property management services, which was mainly driven by the increase in the number of properties under our management due to our continued and successful business expansion. Our gross profit for FY2019, FY2020 and FY2021 was RMB66.8 million, RMB102.9 million and RMB114.1 million, respectively. The overall increase in our gross profit was primarily in line with the aforementioned growth in our revenue.

Non-GAAP measures

We recognised non-recurring items in the Track Record Period. To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also present the adjusted profit before tax, adjusted profit for the years and adjusted net profit margin as non-GAAP measures.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of non-recurring **[REDACTED]** and share-based payment, which is considered not indicative for evaluation of the actual performance of our business. We believe that these non-GAAP 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.

	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
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 before tax	37,592	66,795	67,151	27,210	31,029
Adjusted profit for the year	27,898	53,631	55,158	21,710	23,575
Adjusted net profit margin for the year	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.

Highlight of certain items of our consolidated statements of financial position

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	185,208	200,118	217,582	268,643
Current assets	144,401	332,148	249,098	238,667
Total assets	329,609	532,266	466,680	507,310
Current liabilities	215,914	327,080	205,043	178,166
Non-current liabilities	18,710	95,257	103,358	149,394
Net current (liabilities)/assets	(71,513)	5,068	44,055	60,501
Net assets	94,985	109,929	158,279	179,750

We recorded net current liabilities of RMB71.5 million as at 31 December 2019, primarily because of the acquisition of the equity interests in Tianjin Tianfu, which was satisfied by using our internal resources. Please refer to the section headed "Financial Information — Description of Selected Items in our Consolidated Statements of Financial Position" in this document for further discussion on our net current liabilities and the section headed "History, Development and Reorganisation" in this document for details of the acquisition of equity interests in Tianjin Tianfu.

Our financial position improved from net current liabilities 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 (i) the increase in cash and cash equivalents of approximately RMB84.5 million as a result of the increase in profit before taxation in line with our business growth and repayment of an entrusted loan to a third party in January 2020; and (ii) the increase in prepayments, other receivables and other assets of approximately

RMB91.2 million as a result of loans to Runhua Group. For details, please refer to the section headed "Financial Information — Description of selected items in our consolidated statements of financial position" in this document.

Highlight of our consolidated statements of cash flows

	FY2019	**FY2020**	**FY2021**	**1H2021**	**1H2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash flows from operating activities	37,494	103,682	30,951	(37,900)	(30,258)
Net cash flows (used in)/from investing activities	(159,470)	(87,122)	130,108	125,154	(28,836)
Net cash flows from/(used in) financing activities	91,459	67,988	(158,402)	(109,291)	(14,363)
Net (decrease)/increase in cash and cash equivalents	(30,517)	84,548	2,657	(22,037)	(73,457)
Cash and cash equivalents at the 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

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, amortisation of 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; (ii) include changes in working capital; and (iii) include the payment of income tax.

In FY2019, we recorded a net cash outflow of RMB30.5 million mainly due to the acquisition of the equity interests in Tianjin Tianfu, which was satisfied by using our internal resources. Please refer to the section headed "Financial Information — Description of Selected Items in our Consolidated Statements of Financial Position" in this document for further discussion on our net cash outflows and the section headed "History, Development and Reorganisation" in this document for details of the acquisition of equity interests in Tianjin Tianfu.

For FY2020, our net cash flows from operating activities recorded approximately RMB103.7 million, which was relatively higher than that in FY2019 and FY2021. Such fluctuation was mainly because certain property engineering and landscape construction projects, especially two sizeable projects, commenced the on-site works and recorded costs for subcontracting services and materials and consumables in around the end of FY2020 but we settled the relevant payments to the relevant suppliers in FY2021.

In 1H2022, we recorded a net cash outflow of RMB73.5 million primarily due to the changes in working capital, which primarily comprised the increase in trade receivables of approximately RMB56.5 million and the decrease in trade payables of approximately RMB11.9 million. For the details of fluctuation of our trade receivables and trade payables, please refer to the section headed "Financial Information — Description of Selected Items in Our Consolidated Statements of Financial Position" in this document.

Key financial ratios

The following table sets forth the major financial ratios as of the dates and for the years indicated:

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

Note: For the definition of the financial ratios, please see the section headed "Financial Information — Key Financial Ratios" in this document.

Our gearing ratio was 121.1%, 190.0%, 61.2% and 47.7% as at 31 December 2019, 2020 and 2021 and 1H2022, respectively. The increasing trend in our gearing ratio from FY2019 to FY2020 was mainly due to the increase in the interest-bearing debt from FY2019 to FY2020 as part of our cash management to support our daily operations. To reduce the recurring interest expenses of our Group, we settled certain bank borrowings in 2021 and the interest-bearing debt decreased from approximately RMB208.9 million as at 31 December 2020 to approximately RMB96.8 million as at 31 December 2021 and approximately RMB85.7 million as at 30 June 2022, which led to a decrease in gearing ratio from 190.0% as at 31 December 2020 to 61.2% as at 31 December 2021 and 47.7% as at 30 June 2022. For details of our indebtedness during the Track Record Period, please refer to the section headed "Financial Information — Indebtedness" in this document.

OUR SHAREHOLDERS INFORMATION

Immediately following the completion of the **[REDACTED]** and **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued pursuant to the **[REDACTED]** Share Option Scheme), by virtue of the Concert Parties Confirmatory Deed, Mr. Luan, Mr. HQ Luan, Ms. Liang and Springrain Investment (a company owned as to 59.85%, 37.10% and 3.05% by Mr. Luan, Mr. HQ Luan and Ms. Liang respectively) will be together interested in approximately 54.90% of the issued share capital of the Company. As they will together continue to control more than 30% of the issued share capital of the Company, they will be regarded as a group of Controlling Shareholders under the Listing Rules.

On 18 June 2021, Mr. Luan, Mr. HQ Luan and Ms. Liang entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in excising their rights as shareholders of Shandong Runhua before entering into the agreement, and agreed to continue the same going forward and if they fail to reach a consensus for a certain resolution, Mr. Luan has the final decision-making power. On the same day, Mr. Luan, Mr. HQ Luan and Ms. Liang further entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. They have undertaken to continue to act in concert directly or indirectly through the companies controlled by them. They have also agreed to, among others, vote unanimously at all meetings of the shareholders of each member of our Group, discuss and reach consensus with each other before proposing to such meetings, and act in concert in respect of the business operations, governance and other key matters of our Group which shall be decided by the shareholders of each of the members of our Group. If they fail to reach a consensus for a certain resolution, Mr. Luan has the final decision-making power.

During the Track Record Period, we derive a part of our revenue from certain companies controlled by our Controlling Shareholders (except for the interest in our Group), being (i) Runhua Group, which comprises Runhua Group Company, which is ultimately owned as to approximately 52% by Mr. Luan, and its subsidiaries, (ii) Hang Qian Group, which comprises Hang Qian Holdings, which is ultimately and wholly-owned by Mr. HQ Luan, and its subsidiaries, (iii) Runhua Insurance, a company ultimately owned as to approximately 50.42% by Mr. Luan and approximately 21.57%, 21.19% and 6.19% by Mr. HQ Luan and two limited liability partnerships (whose managing partner is Mr. HQ Luan), respectively, and (iv) Shandong Zhixin, a company is ultimately owned as to approximately 90% by Ms. Liang. For details, please see the section headed "Relationship with our Controlling Shareholders" in this document.

Our Group has entered into transactions with Runhua Group, Hang Qian Group and Runhua Insurance, which will constitute continuing connected transactions under the Listing Rules upon **[REDACTED]**. We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details, please see the section headed "Connected Transactions" in this document.

[REDACTED] INVESTMENT

On 12 August 2020, the shareholders of Shandong Runhua resolved to increase the registered capital of Shandong Runhua from RMB50 million to RMB50.5 million, with additional capital contribution of RMB0.5 million by MedEvolve Company Limited. On 20 October 2020, MedEvolve Company Limited injected a total sum of HK$1,270,000 in Shandong Runhua (approximately RMB1,096,772) in Shandong Runhua, of which RMB0.5 million was regarded as the registered capital of Shandong Runhua. Pursuant to the Reorganisation, on 26 October 2020, our Company allotted 2,000,000 Shares to Archery Capital Management Limited, a company incorporated in the BVI and wholly owned by Mr. Xie, representing 0.99% of the entire issued shares of our Company as at 26 October 2020. For details relating to the **[REDACTED]** Investment and the background of the **[REDACTED]** Investor, please see the section headed "History, Development and Reorgnisation — **[REDACTED]** Investment" in this document.

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[[REDACTED] per [REDACTED]
Market capitalisation of our Share(1)	HK$ **[REDACTED]** million	HK$ **[REDACTED]** million
Unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share(2)	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

(1) The calculation of market capitalisation is based on **[REDACTED]** Shares expected to be in issue immediately upon completion of the **[REDACTED]** and **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account of any Shares which may be issued pursuant to the **[REDACTED]** Share Option Scheme).

(2) The unaudited **[REDACTED]** adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in Appendix II to this document.

[REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the indicative **[REDACTED]**, and after deducting related **[REDACTED]** fees and estimated expenses in connection with the **[REDACTED]** and the **[REDACTED]** is not exercised, our Group estimates that the aggregate **[REDACTED]** to our Company from the **[REDACTED]** will be approximately HK$**[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;

- approximately **[REDACTED]**%, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), for developing, strengthening and implementing our information technologies;
- approximately **[REDACTED]**%, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), for improving staff motivation mechanism to attract, cultivate and retain talents;
- approximately **[REDACTED]**%, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), for upgrading our existing equipment by acquiring new automated machineries and equipment; and
- approximately **[REDACTED]**%, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), for general working capital.

According to the F&S Report, as of December 2021, 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. 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 plan cannot materialise, we will place the unused **[REDACTED]** in short-term demand deposits with licensed financial institutions and continue exploring new acquisition targets.

For details, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

[REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]**), we expect to incur estimated total **[REDACTED]** of approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), including **[REDACTED]** of approximately HK$**[REDACTED]** million (RMB**[REDACTED]** million) and non-**[REDACTED]** related expenses of approximately HK$**[REDACTED]** million (RMB**[REDACTED]** million), which consist of (i) fees paid and payable to legal advisers and Reporting Accountants of approximately HK$**[REDACTED]** million (RMB**[REDACTED]** million); and (ii) other fees and expenses, including sponsor fees, of approximately HK$**[REDACTED]** million (RMB**[REDACTED]** million). Among the estimated aggregate amount of our estimated **[REDACTED]**, (i) approximately HK$**[REDACTED]** million is expected to be charged to our consolidated statements of profit or loss, of which approximately RMB**[REDACTED]** million was recognised as our profit or loss during the Track Record Period; and (ii) approximately HK$**[REDACTED]** million is expected to be accounted for as a deduction from equity upon the **[REDACTED]**. Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]**), the **[REDACTED]** as a percentage of gross **[REDACTED]** is approximately **[REDACTED]**%.

Expenses in relation to the **[REDACTED]** are non-recurring in nature. 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 or to be capitalised is subject to adjustment based on audit and the subsequent changes in variables and assumptions.

DIVIDENDS 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.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to doing business in China; and (iii) risks relating to the **[REDACTED]**. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our businesses, financial position and results of operations. Some of the risks generally associated with our business and industry include the following:

- The provision of our property management services to hospitals and public properties may be affected by factors beyond our control and are subject to higher standards;
- We may not be able to procure new property management agreements as planned or on favourable terms;
- Termination or non-renewal of our property management agreements could materially and adversely affect our business, financial position and results of operations;
- Any failure to increase our revenue or accurately estimate our operating costs in connection with our performance of property management services could lead to cost overruns or even result in losses;
- Our operations are based in Shandong Province, and we are susceptible to trends and developments in this region; and
- We rely on stable labour supply to carry out our works and may experience fluctuations in our labour and subcontracting costs and restrictions in the supply of labour in the PRC.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we did not fully contribute to social insurance and housing provident fund contributions for some of our employees as required by the relevant PRC laws and regulations. As confirmed by our PRC Legal Advisers, except for our failure to make full contributions to social insurance and housing provident funds for certain employees, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, there were no legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our financial condition or results of operations. For more information, please see the section headed "Business — Legal Proceedings and Compliance" in this document.

RECENT DEVELOPMENT

Subsequent to 30 June 2022 and up to the Latest Practicable Date, we have entered into 26 new property management agreements with customers who were independent third parties, with an aggregate contract value of approximately RMB30.7 million. The table below sets forth the details of our new property management agreements secured after 30 June 2022 and up to the Latest Practicable Date:

Property type	Number of property management agreements entered into	Aggregate contract value
		RMB'000
Hospitals	5	16,070
Public properties	4	4,551
Commercial and other non-residential properties	16	9,534
Residential properties	1	548
Total	26	30,703

As at the Latest Practicable Date, we had five and one property management projects located in Beijing-Tianjin-Hebei Region and Yangtze River Delta Region, respectively. Leveraging our strategic presence in the Yangtze River Delta Region and Beijing-Tianjin-Hebei Region via acquisitions of well-established local property management companies, we expect to further penetrate target markets across China.

In July 2021, various regions in the PRC, especially Henan Province, have been affected by severe flooding, caused by a period of prolonged heavy rainfall. Our Directors confirmed that as at the Latest Practicable Date, none of the properties under our management experienced damage caused by the natural disasters and there was no material impact of the severe flooding and torrential rain on our Group's business operations and financial performance.

RECENT REGULATORY DEVELOPMENT

Recent Changes in the Regulations relating to the PRC Property Market and Property Management Service Market

Property Market

In 2020, the Ministry of Housing and Urban-Rural Development, together with the People's Bank of China, proposed to issue the "three red-line" regulation for real estate companies, with intention to accelerate the deleveraging process of real estate companies and facilitate the healthy development of China's real estate industry. The "three red-line" regulation refers to: (i) the liability-to-asset ratio (excluding prepayments) of a real estate company shall not exceed 70%; (ii) the net gearing ratio of a real estate company shall not exceed 100%; and (iii) cash over short-term interest-bearing loans shall not be lower than 1.0.

On 28 December 2020, PBOC and China Banking and Insurance Regulatory Commission jointly promulgated the Notice on Establishing a Centralisation Management System for Real Estate Loans of Banking Financial Institutions (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》), which put forward certain limitation for the proportion of real estate loans and the personal housing loans to all RMB loans in banking financial institutions (excluding overseas branches).

On 23 October 2021, the SCNPC adopted the Decision of the Standing Committee of the National People's Congress on Authorising the State Council to Carry out a Pilot Programme of Real Estate Tax Reform in Certain Areas (《全國人民代表大會常務委員會關於授權國務院在部分地區開展房地產稅改革試點工作的決定》), authorising the State Council to carry out a pilot programme of real estate tax reform in certain areas.

However, in view that (i) we generated revenue from the provision of property management services to the properties developed by the Controlling Shareholders Group of approximately RMB39.5 million, RMB46.9 million, RMB53.5 million and RMB26.7 million during the Track Record Period, representing approximately 10.8%, 11.6%, 9.9% and 8.7% of the total revenue generated from the provision of property management services, respectively; (ii) based on the audited financial statements of Shandong Diping Real Estate Co., Limited* (山東地平置業有限公司) ("**Shandong Diping**"), the main operating subsidiary of Hang Qian Group and the only member of the Controlling Shareholders Group whose principal business activities involve property development, prepared in accordance with PRC GAAP issued by the local auditor and using the calculation methods for the "three red-line" regulation, Shandong Diping's liability-to-asset ratio (excluding prepayments), net gearing ratio and cash over short-term interest-bearing loans amounted to 36.4%, 24.2% and nil as at 31 December 2021, respectively, which comply with all of the "three red-line" regulation; and (iii) none of the properties developed by the Controlling Shareholders Group was delayed or terminated for delivery due to the above regulations, to our best knowledge, the recent changes in the above regulations will unlikely have material adverse impact on the operations, business and financial condition of the Controlling Shareholders Group and us. For details, please refer to the section headed "Business — Recent Regulatory Development" in this document.

Property Management Service Market

On 25 December 2020, MOHURD and other nine competent government departments issued Notice on Strengthening and Improving Residential Property Management (《關於加強和改進住宅物業管理工作的通知》) (the "**Property Notice**") with the purpose of accelerating the development of the property management service industry. Most rules in the Property Notice are non-mandatory and are related to the deployment of the governmental work, there are few rules applicable to property enterprises, which are as follows: (1) the quality of property service should be improved; (2) the pricing mechanism for property management services should be reasonable; (3) the merger and reorganisation of property management service enterprises are encouraged; (4) the credit management system for property service enterprises should be established.

On 13 July 2021, MOHURD and other seven departments promulgated the Notice on Continued Rectification and Standardization of the Real Estate Market Order (《住房和城鄉建設部等8部門關於持續整治規範房地產市場秩序的通知》) (the "**Regulatory Notice**" and together with the Property Notice, the "**Notices**") to continue to rectify and standardise the real estate market order in the fields of real estate development, property sale and purchase, housing leasing and property management services. The following items are the key points of rectification in the fields of property management services: failing to provide services in accordance with the agreed content and standards of the property management contract; failing to publicise the property management charging item standards, the operation and income of the owner's common part, the use of maintenance funds and other relevant information in accordance with the regulations; charging fees beyond the contractual agreement or publicising the charging item standards; unauthorised use of the owner's shared part to carry out business activities, infringement and misappropriation of the owner's shared part of the operating income; refuse to withdraw from the property management project without proper reason after the property management contract is terminated lawfully. For property management enterprise that violate laws and regulations within their respective jurisdictions, measures such as warning and interview, suspension of business for rectification, revocation of business license and qualification certificate etc. shall be adopted pursuant to the laws and regulations, and shall be exposed to the public; any case constituting a criminal offence shall be referred to the public security and judicial authorities for investigation and punishment pursuant to the law.

After the promulgation of the Regulatory Notice, we conducted self-inspection and the PRC Legal Advisers carried out its due diligence inspection as appropriate, and no material violation of the Regulatory Notice was found. Based on the results of our self-inspection and due diligence inspection carried out by the PRC Legal Advisers, and the fact that each operating subsidiary of our Company has obtained the compliance letter from the administrative authority of property management services confirming that there is no major administrative penalty imposed by the administrative authority of the property management services during the

Track Record Period, the PRC Legal Advisers are of the view that, we are in compliance with the requirements in relation to property management services in the Regulatory Notice in all material aspects.

To ensure continuous compliance with the requirements set out in the Notices, we have already formulated and implemented, and perfected in accordance with the Notices, the relevant internal policy and system, requiring the subsidiaries providing property management services to continuously and strictly comply with the relevant requirements in the Notices; as well as established a supervisory mechanism to conduct examination regularly. Based on the above, the PRC Legal Advisers are of the view that the Company has established corresponding internal policy and mechanism to ensure the continuous compliance with the relevant requirements in Notices going forward.

On the basis of the above, our Directors are of the view, and the Sole Sponsor concurs, that the Notices do not have any material adverse impact on our Group's operation and financial performance.

Recent Changes in Cybersecurity Regulations

On 28 December 2021, thirteen government departments including the Cyberspace Administration of China ("**CAC**") jointly issued the Cybersecurity Review Measures (網絡安全審查辦法) (the "**Revised Cybersecurity Review Measures**") which came into effect on 15 February 2022. The Revised Cybersecurity Review Measures, among other things, provide that the purchase of network products and services by a critical information infrastructure operator (關鍵信息基礎設施運營者) and the data processing activities of a network platform operator (網絡平臺運營者) that affect or may affect national security shall be subject to the cybersecurity review.

On 14 November 2021, the CAC released the Administration of Cyber Data Security (Draught for Comments) (網絡數據安全管理條例(徵求意見稿)) (the "**Draught Data Security Regulations**"). The Draught Data Security Regulations, among other things, provide that data processors seeking a public listing in Hong Kong that affect or may affect national security must apply to the CAC for a cybersecurity review. Specifically, as advised by our PRC Legal Advisors, Article 13 of the Draught Data Security Regulations has made distinction between "listing in a foreign country" and "listing in Hong Kong". The issuer will be subject to a cybersecurity review if (i) it is a data processor with personal information data of more than 1 million users seeking a public listing in a foreign country; or (ii) it is a data processor seeking a public listing in Hong Kong which affects or may affect national security.

Considering the nature of our business, we are not a critical information infrastructure operator, network platform operator or a data processor whose purchase of network products and services or data processing activities affect or may affect national security. We have also engaged the PRC Legal Advisers to conduct an assessment on the data held by our Group. Given that (i) we mainly provide property management service, and do not possess or gather or keep substantial information relating to national security, economic development and public interests. As at the Latest Practicable Date, the total user number of our self developed mobile application to provide fast and convenient access to OSCS Service Centre, Runzhiyun (潤之雲), is below 200,000. As such, we believe the total user number of mobile application is unlikely to exceed 1 million in the near and mid-term future; (ii) as at the date of this document, we have not been notified by any authorities of being involved in any cybersecurity review or received any investigation, inquiry, notice, warning or sanctions made by the CAC; and (iii) pursuant to oral consultation with the CAC on 25 May 2022, the replying personnel opines that under the Revised Cybersecurity Review Measures, cybersecurity review process will not apply to public listings in Hong Kong. As such, our PRC Legal Advisers are of the view, and the Sole Sponsor concurs, that (i) the **[REDACTED]** will not be subject to the cybersecurity review process under the abovementioned cybersecurity regulations (assuming to be implemented in their current form); (ii) we do not foresee any impediment for us to comply with the abovementioned cybersecurity regulations in any material respect; (iii) the abovementioned cybersecurity regulations (assuming to be implemented in their current form) will not materially affect the Group's business operations, outlook and financial performance; and (iv) the Group's business operations or its proposed **[REDACTED]** in Hong Kong will not give rise to national security risks based on the factors set out in Article 10 of the Cybersecurty Review Measures.

Recent Changes in Regulations relating to Overseas Listing

On 24 December 2021, the CSRC published the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies ("**Draught for Comments**"), and Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies ("**Draught for Comments**" or collectively with Draught for Comments, the "**Draught Overseas Listing Regulations**"), which set out the new regulatory requirements and filing procedures for Chinese companies seeking direct or indirect listing in overseas markets. The Draught Overseas Listing Regulations, among others, stipulate that (i) Chinese companies that seek to offer and list securities in overseas markets shall fulfil the filing procedures with and report relevant information to the CSRC, and that an initial filing shall be submitted within three working days after the application for an initial public offering is submitted, and a second filing shall be submitted after the listing is completed, and (ii) in the event that Chinese companies that have directly or indirectly listed securities in overseas markets intend to conduct follow-on offerings in overseas markets, such companies shall fulfil the filing procedures with and report relevant information to the CSRC, and such filing shall be submitted within three working days after such follow-on offering is completed. Moreover, an overseas offering and listing is prohibited under circumstances if (i) it is prohibited by PRC laws, (ii) it may constitute a threat to or endanger national security as reviewed and determined by competent PRC authorities, (iii) it has material ownership disputes over equity, major assets, and core technology, (iv) in recent three years, the Chinese operating entities and their controlling shareholders and actual controllers have committed relevant prescribed criminal offences or are currently under investigations for suspicion of criminal offences or major violations, (v) the directors, supervisors, or senior executives have been subject to administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offences or major violations, or (vi) it has other circumstances as prescribed by the State Council.

The Draught Overseas Listing Regulations, among others, stipulate that when determining whether an offering and listing shall be deemed as "an indirect overseas offering and listing by a Chinese company," the principle of "substance over form" shall be followed, and if the issuer meets the following conditions, its offering and listing shall be determined as an "indirect overseas offering and listing by a Chinese company" and is therefore subject to the filing requirement: (i) the revenues, profits, total assets or net assets of the Chinese operating entities in the most recent financial year accounts for more than 50% of the corresponding data in the issuer's audited consolidated financial statements for the same period; and (ii) the majority of senior management in charge of business operation are Chinese citizens or domiciled in the PRC, and its principal place of business is located in the PRC or main business activities are conducted in the PRC.

If the Draught Overseas Listing Regulations become effective in their current form before the Listing is completed, the PRC Legal Advisers are of the view that we may be required to complete the filing procedures with the CSRC in connection with the **[REDACTED]**. However, as at the date of this document, the Draught Overseas Listing Regulations were released for public comments only and the final version and effective date of such regulations are subject to change with substantial uncertainty. Therefore, as advised by the PRC Legal Advisers, the **[REDACTED]** is currently not subject to any filing procedures with, or approval from, the CSRC. As at the date of this document, we had not received any enquiries, comments, instructions, guidance or other concerns regarding the **[REDACTED]** or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime.

Regarding whether there had been/will be potential impacts of the Draught Overseas Listing Regulations on the Company, we have reviewed the Draught Overseas Listing Regulations and discussed with the PRC Legal Advisers the actual and potential impacts from the Draught Overseas Listing Regulations on our Group on our listing plan. Based on the foregoing, we do not find that we fall within any of the circumstances which would prohibit PRC domestic companies from conducting overseas listing and offering as provided under the Draught Overseas Listing Regulations. Therefore, if the Draught Overseas Listing Regulations become effective in their current form before the **[REDACTED]** is completed, our PRC Legal Advisers are of the view, and the Sole Sponsor concurs that other than uncertainties of the filing procedures which may be further clarified in the final version of the Draught Overseas Listing Regulations and/or their implementation rules, (i) there is no legal impediment in obtaining the approval from, and completing the filing procedure with, the CSRC; (ii) we do not foresee any impediment for us to comply with the Draught Overseas Listing Regulations in any material respect; and (iii) the Draught Overseas Listing Regulations will not materially affect the Group's business operations, outlook and financial performance. For details of the potential risks of the Draught Overseas Listing Regulations, please refer to the section headed "Risk Factors — We may be required to obtain prior approval or subject to filings or other requirements from the CSRC or other PRC regulatory authorities for the **[REDACTED]**" in this document.

IMPACT OF THE COVID-19 OUTBREAK

An outbreak of respiratory illness caused by a novel coronavirus, which has been named as COVID-19 by the World Health Organization ("**WHO**") was identified in December 2019 and spread globally in early 2020. On 11 March 2020, the WHO declared COVID-19 outbreak a pandemic. In response to the outbreak of COVID-19, the PRC Government has imposed measures across the PRC including, but not limited to, lockdown measures, travel restrictions, restrictions on enterprises from resuming work, management and control over work places and the mandatory quarantine requirements on infected individuals and anyone deemed potentially infected.

Up to the Latest Practicable Date, certain residential properties under our management have been placed under lockdown to comply with government regulations and measures to combat the COVID-19 pandemic. In order to continue the delivery of our property management services, we assigned our frontline staff to stay in the restricted properties and procured sufficient masks and personal protective equipment for our frontline staff to carry out their works as usual. Given our reliable cleaning and disinfection services provided during the outbreak of COVID-19, we were accredited as "Epidemic prevention and control work in Jinan City — Advanced Property Services Company* (濟南市疫情防控工作— 先進物業服務企業)" in June 2020 in respect of epidemic prevention and control in Jinan City and were engaged by the Government to provide property management services in Jinan Fangcang Hospital in April 2022 and recorded an aggregate revenue of approximately RMB2.7 million for 1H2022.

Since the outbreak of COVID-19, we have implemented a contingency plan to minimise the disruptions that may be caused to our business operations and incurred an additional costs for implementation of hygiene and precautionary measures of approximately RMB0.7 million, RMB0.1 million and RMB2.1 million for FY2020, FY2021 and 1H2022, respectively. See "Business — Effects of the COVID-19 outbreak — Our contingency plan towards the COVID-19 Outbreak" in this document for details.

In April 2020, we received a notice from Customer Group A in relation to the reduction of their business subcontracting arrangements due to the travel restrictions. As a result, the revenue generated from Customer Group A decreased by approximately RMB8.6 million from approximately RMB32.7 million for FY2019 to approximately RMB24.1 million for FY2020, mainly due to the deduction of contract value of two property management agreements by an aggregate amount of approximately RMB5.9 million. Also, our average trade receivables turnover days slightly increased from 44.6 days in FY2019 to 47.4 days in FY2020 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. Our Directors confirmed that there was no difficulty in collection of property management fee during COVID-19 pandemic. The collection rate of property management fees for the non-residential properties under our management, calculated by dividing the property management fees we actually received from our property management services during a period by the total property management fees payable to us accumulated during the same period, was approximately 85.2%, 81.3%, 84.2% and 53.8% for FY2019, FY2020, FY2021 and 1H2022, respectively; while the collection rate of property management fees for the residential properties under our management remained stable at approximately 84.0%, 85.2%, 89.0% and 67.8% for FY2019, FY2020, FY2021 and 1H2022, respectively. During the Track Record Period, the collection rate of property management fees for the non-residential properties was lower than those for the residential properties because we generally granted our customers for the non-residential properties a credit period within 120 days. Up to the Latest Practicable Date, the collection rate of property management fees for the non-residential properties for FY2019, FY2020, FY2021 and 1H2022 was at 100%, approximately 99.9%, 99.3% and 74.3%, respectively; and the collection rate of property management fees for the residential properties was at 98.5%, 96.7%, 90.2% and 70.2%, respectively. Our collection rate for non-residential properties was generally low in the middle of a year mainly 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 process the settlement of 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. The decrease in collection rate in 1H2022 for residential properties was primarily due to the fact that we did not actively collect management fee from property owners and tenants in a timely manner in view that (i) our property management team and frontline staff were responsible to assist on the implementation of the residential compound lockdown and hence we had fewer staff to follow up on fee collection work; and (ii) some of the property owners and tenants moved out from the residential properties under our management during COVID-19 pandemic due to lockdown and travel restriction arrangements.

Our Directors confirm that the outbreak does not have material adverse effect on our Group's continuing business operation and sustainability, except for some property management service agreements with Customer Group A in or before April 2020, and the fluctuation of trade receivables turnover days and collection rates in 1H2022. Our Director also confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group did not encounter any material disruptions of our supply chain given that (i) we maintained a sufficient level of storage of materials and consumables at the properties under our management; (ii) on top of the frontline workers provided by our subcontractors, our Group has own frontline staff to ensure the delivery of our property management services; and (iii) there was no material disruption to the operations of our suppliers and subcontractors to the best of our Directors' information and knowledge. For further details, please refer to the sections headed "Risk Factors — Risks relating to our business — Our business operations and financial results may be adversely affected if there is an outbreak of any severe communicable diseases such as COVID-19", "Risk Factors — Risks relating to the Industry in which we operate — The recent outbreak of

COVID-19 worldwide may result in the slowdown of global economy", "Business — Effects of the COVID-19 Outbreak" and "Business — Social Health, Safety and Environmental Matters" in this document.

MATERIAL ADVERSE CHANGE

Save for the abovementioned, 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.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings.

"1H2021"	the six months ended 30 June 2021
"1H2022"	the six months ended 30 June 2022
"Accountants' Report"	the accountants' report prepared by the Reporting Accountants set out in Appendix I to this document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the amended and restated articles of association conditionally adopted by our Company on [●] which will take effect on the **[REDACTED]**, a summary of which is set out in Appendix IV to this document
"Beijing-Tianjin-Hebei Region"	an economic region in China comprising Beijing, Tianjin and Hebei Province
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day(s)" or "business day(s)"	any day (excluding Saturdays, Sundays and public holidays, or any day on which a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning signal is hoisted in Hong Kong between 9:00 a.m and 4:00 p.m.) on which licenced banks in Hong Kong are generally open for normal banking business to the public
"BVI"	the British Virgin Islands
"CAGR"	compounded annual growth rate

[REDACTED]

[REDACTED]

"Cayman Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company" or "our Company"	Runhua Intelligence Health Service Co., Ltd. (润华智慧健康服务有限公司) (formerly known as Runhua Property Technology Development Inc (润华物业科技发展有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 30 June 2020
"Concert Parties Confirmatory Deed"	the confirmatory deed dated 18 June 2021, entered into by Mr. Luan, Mr. HQ Luan and Ms. Liang to acknowledge and reaffirm, amongst other things, that they were parties acting in concert in respect of each of the members of our Group, details of which are set out in the section headed "History, Development and Reorganisation — Acting in Concert Arrangement" in this document
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company immediately

	after the **[REDACTED]**, being, Springrain Investment, Mr. Luan, Mr. HQ Luan and Ms. Liang or, where the context so requires, any one of them
"Controlling Shareholders Group"	certain companies controlled by our Controlling Shareholders (except for the interest in our Group), including Runhua Group, Hang Qian Group, Runhua Insurance and Shandong Zhixin
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"COVID-19"	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness caused by a new strain of coronavirus and characterised especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	the deed of indemnity dated [●] and executed by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), pursuant to which our Controlling Shareholders agree to provide with us certain indemnities, a summary of which is set out in the paragraph headed "E. Other Information — 2. Tax and other indemnities" in Appendix V to this document
"Deed of Non-Competition	the deed of non-competition dated [●] and executed by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the section headed "Relationship with our Controlling Shareholders — Non-competition undertakings" in this document
"Director(s)"	the director(s) of our Company
"Extreme Conditions"	extreme conditions occurring after a super typhoon as announced by the government of Hong Kong

"F&S" or "Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., an independent market research company
"F&S Report"	An industry report prepared by F&S and commissioned by our Company, an extract of which is set out in the section headed "Industry Overview" in this document
"FRC"	Financial Reporting Council
"FY2019"	the financial year ended 31 December 2019
"FY2020"	the financial year ended 31 December 2020
"FY2021"	the financial year ended 31 December 2021
"FY2022"	the financial year ending 31 December 2022

[REDACTED]

"Group", "we, "us" or "our"	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
"Hang Qian Holdings"	Hang Qian Holdings Co., Limited (航乾控股有限公司), a limited liability company incorporated in Hong Kong on 18 December 2007, which is wholly owned by Mr. HQ Luan as of the Latest Practicable Date
"Hang Qian Group"	Hang Qian Holdings and its subsidiaries
"HKD" or "HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

[REDACTED]

[REDACTED]

"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

"independent third party(ies)"	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, substantial Shareholders of our Company or any of its subsidiaries, or any of their respective associates

[REDACTED]

"ISO"	International Organisation for Standardisation, a nongovernment organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"Jinan Anlan"	Jinan Anlan Enterprise Management Consulting Partnership (Limited Partnership)* (濟南安瀾企業管理諮詢合夥企業（有限合夥）), a limited partnership established in the PRC on 10 July 2015 and a shareholder of Shandong Runhua prior to the Reorganisation. Mr. Luan is the general partner and the managing partner of Jinan Anlan and has overall control of Jinan Anlan
"Jinan Lutong"	Jinan Lutong Business Consulting Partnership (Limited Partnership)* (濟南祿通企業管理諮詢合夥企業（有限合夥）), a limited partnership established in the PRC on 26 November 2016 and a shareholder of Shandong Runhua prior to the Reorganisation. Mr. HQ Luan is the general partner and the managing partner of Jinan Lutong and has overall control of Jinan Lutong

"Jinan Runwu Construction" Jinan Runwu Construction and Installation Engineering Co., Ltd.* (濟南潤物建築安裝工程有限公司), a limited liability company established in the PRC on 21 May 2015 and an indirect wholly-owned subsidiary of our Company

"Jinan Runwu Landscape" Jinan Runwu Landscape Construction Co., Ltd.* (濟南潤物園林工程有限公司), a limited liability company established in the PRC on 24 March 2014 and an indirect wholly-owned subsidiary of our Company

[REDACTED]

"Kaidi Network" Shandong Kaidi Network and Information Technology Co., Ltd* (山東凱迪網絡信息技術有限公司), a limited liability company established in the PRC on 1 September 2000 and an indirect wholly-owned subsidiary of our Company

"Latest Practicable Date" [5 September] 2022, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information in this document prior to its publication

[REDACTED]

"Listing Committee" the listing sub-committee of the board of directors of the Stock Exchange

[REDACTED]

"Listing Rules" the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange, as amended, modified and supplemented from time to time

"Main Board" the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to GEM of the Stock Exchange

DEFINITIONS

"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company adopted on [●], and as amended from time to time, a summary of which is set out in Appendix IV to this document
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD" or "Ministry of Construction"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
"Mr. Cheng"	Mr. Cheng Xin (程欣), a non-executive Director
"Mr. Fei"	Mr. Fei Zhongli (費忠利), an executive Director and our chief executive officer
"Mr. Luan"	Mr. Luan Tao (欒濤), a non-executive Director and one of our Controlling Shareholders. Mr. Luan is the spouse of Ms. Liang and the father of Mr. HQ Luan
"Mr. HQ Luan"	Mr. Luan Hangqian (欒航乾), a non-executive Director and one of our Controlling Shareholders. Mr. HQ Luan is the son of Mr. Luan and Ms. Liang
"Mr. Yang"	Mr. Yang Liqun (楊立群), an executive Director and chairman of our Board
"Ms. Liang"	Ms. Liang Yuefeng (梁躍鳳), one of our Controlling Shareholders. Ms Liang is the spouse of Mr. Luan and the mother of Mr. HQ Luan
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統), an equity trading platform for the sale of existing shares or private placing of new shares by small and medium sized enterprises in the PRC and is managed by National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)

[REDACTED]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"**[REDACTED]** RSU Scheme"	the **[REDACTED]** restricted share unit scheme of the Company approved and adopted by our Board on [●] 2022, the principal terms of which are set out in the paragraph headed "D. Share Incentive Schemes — II. **[REDACTED]** RSU Scheme" in Appendix V to this document
"**[REDACTED]** Share Option Scheme"	the share option scheme conditionally adopted by our Company on [●], the principal terms of which are summarised under the paragraph headed "D. Share Incentive Scheme" in Appendix V to this document
"PRC" or "China"	the People's Republic of China, which for the purpose of this document and for geographical reference only, excluding Hong Kong, Macau and Taiwan region

"PRC Government" or "Government"	the central government of the PRC, including all government subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
"PRC Legal Advisers"	Zhong Lun Law Firm, the legal advisers to our Company as to the laws of PRC
"**[REDACTED]** Investment"	the investment made by the **[REDACTED]** Investor, the principal terms of which are summarised in the section headed "History, Development and Reorganisation – **[REDACTED]** Investment" in this document
"**[REDACTED]** Investor"	Mr. Xie (謝皓), whose background is set out in the section headed "History, Development and Reorganisation – **[REDACTED]** Investment" in this document
"Predecessor Companies Ordinance"	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014

[REDACTED]

"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation of entities comprising our Group for the purpose of **[REDACTED]**, details of which are set out in the section headed "History, Development and Reorganisation – Reorganisation" in this document
"Reporting Accountants"	Ernst & Young, the auditors and reporting accountants of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"Runhua Development"	Shandong Runhua Property Development Co., Ltd.* (山東潤華物業發展有限公司), a company established in the PRC with limited liability on 25 September 2020 and an indirect wholly-owned subsidiary of our Company
"Runhua Group"	Runhua Group Company and its subsidiaries
"Runhua Group Company"	Runhua Group Stock-Holding Co., Ltd.* (潤華集團股份有限公司) (previously known as Shandong Province Automotive Sales (Group) Co., Ltd* (山東省汽車銷售(集團)股份有限公司)), a company incorporated with limited liability in the PRC on 18 June 1993, which is owned as to approximately 52% by Mr. Luan as of the Latest Practicable Date
"Runhua Holdings HK"	Runhua Holdings Limited (潤華物業控股有限公司), a company incorporated in Hong Kong with limited liability on 7 August 2020 and an indirect wholly-owned subsidiary of our Company
"Runhua Insurance"	Shandong Runhua Insurance Agency Company Limited* (山東潤華保險代理股份有限公司), a company incorporated with limited liability in the PRC on 23 September 2004 whose shares are listed on the NEEQ (Stock Code: 839373), which is an associate of Mr. Luan and Mr. HQ Luan as of the Latest Practicable Date
"Runhua Property BVI"	Runhua Property Tech Inc, a company incorporated in the BVI with limited liability on 6 July 2020 and a direct wholly-owned subsidiary of our Company
"RSU(s)"	restricted share unit(s)
"RSU SPV"	[●], a company incorporated in [●] on [●] 2021 with limited liability and wholly owned by [●]
"RSU Trustee"	[●], the trustee which hold the RSU SPV on trust for a future share incentive scheme of our Company
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), now known as State Administration of Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)

DEFINITIONS

"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局) (formerly known as the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局))
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"Securities Act"	the United States Securities Act of 1933, as amended from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong Anfu"	Shandong Anfu Security Service Co., Ltd.* (山東安輔保安服務有限公司), a limited liability company established in the PRC on 13 January 2016 and an indirect wholly-owned subsidiary of our Company
"Shandong Anning"	Shandong Anning Health Industry Co., Ltd.* (山東安寧健康產業有限公司) (formerly known as Shandong Anning Housekeeping Service Co., Ltd.* (山東安寧家政服務有限公司)), a limited liability company established in the PRC on 3 May 2016 and an indirect wholly-owned subsidiary of our Company
"Shandong Runhua"	Shandong Runhua Property Management Co., Ltd* (山東潤華物業管理有限公司), a limited liability company established in the PRC on 14 February 1996 and an indirect wholly-owned subsidiary of our Company
"Shandong Yongyuan"	Shandong Yongyuan Property Management Co., Ltd. (山東永源物業管理有限公司), a limited liability company established in the PRC on 25 November 2020, our non wholly-owned subsidiary and indirectly owned as to approximately 64.78% by our Company and approximately 35.22% by an independent third party

"Shandong Zhixin"	Shandong Zhixin Building Decoration Engineering Co., Ltd.* (山東志信建築裝飾工程有限公司), a company incorporated with limited liability in the PRC on 12 June 2018, which is ultimately owned as to approximately 90% by Ms. Liang as of the Latest Practicable Date
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Sole Sponsor"	Zhongtai International Capital Limited, the sole sponsor for the **[REDACTED]** and a licenced corporation to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO
"Springrain Investment"	Springrain Investment Limited, a company incorporated in the BVI with limited liability on 19 June 2020 and the Controlling Shareholder of our Company

[REDACTED]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Codes on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
"Tianjin Tianfu"	Tianjin Tianfu Property Management Co., Ltd.* (天津天孚物業管理有限公司), a limited liability company established in the PRC on 8 September 1995, our associate and indirectly owned as to 41% by our Company and 59% by other independent third parties as of the Latest Practicable Date
"Track Record Period"	the period comprising FY2019, FY2020, FY2021 and 1H2022

[REDACTED]

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "USD" or "US$"	United States dollar(s), the lawful currency of the United States of America
"VAT"	value-added tax

[REDACTED]

"Yangtze River Delta Region"	an economic region in China comprising Shanghai and various cities in Jiangsu Province, Anhui Province and Zhejiang Province
"sq.m."	square metre
"%"	per cent

* *For identification only*

In this document, the terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this document, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with "" are for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

"CAGR"	compounded annual growth rate
"contract value"	the contract value stated in the formal contract and supplementary agreement for the formal contract, if any, without taking into account any optional items, adjustments due to variation orders and prolongation of the project period
"Contracted GFA"	GFA managed or to be managed by our Group for which we have entered into relevant property management service agreements
"GFA"	gross floor area
"GFA under management"	GFA of properties for which a property management company has begun providing property management services and is entitled to collect property management fees in relation to contractual obligations to provide services
"Grade 3A Hospital(s)"	hospitals designated as tertiary institutions with a bed capacity exceeding 500, which are classified by National Health and Family Planning Commission of the PRC* (中華人民共和國國家衛生和計劃生育委員會) as grade 3 and first-class hospitals based on the level of service provision, size, medical technology, medical equipment, and management and medical quality
''independent property management company(ies)''	property management companies that are not affiliated with any property developers
"loT" or "Internet of Things"	the network of physical objects that contain embedded technology to communicate and sense or interact with their internal states or the external environment
"ISO"	International Organisation for Standardisation
"ISO 14001"	environmental management system requirements published by ISO
"ISO 9001"	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing

"lump sum basis"	a revenue model generally adopted by property management service providers in the PRC in which property management service providers will charge a pre-determined and pre-agreed "all-inclusive" property management fee per sq.m. or at a fixed price for the provision of management services, whereas the property management service provider will bear all costs and expenses incurred for managing the relevant properties
''mobile application'' or ''mobile app''	a software application designed to run on smartphones, tablet and other mobile devices and is available through application distribution platforms, which are typically operated by the owner of the mobile operating system
"OHSAS 18001"	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
"OSCS Service Centre"	One-stop Clinical Support Service Centre (一站式臨床支持服務中心), an online information technology operation centre, which is a centralised management platform to manage, support and optimise the entire operation process of the hospitals under our management by utilising a series of information technology management systems in the following areas. For details, please refer to the section headed "Business — Our Information Technology Systems" in this document
"QR code"	Quick response code
"QR Code Pass"	QR Code Pass (一碼通), a set of QR codes posted by us at different departments of the hospitals under our management for hospital staff, patients and frontline workers access to our OSCS Service Centre through scanning the QR codes. For details, please refer to the section headed "Business — Our Information Technology Systems" in this document
"renewal rate"	the number of renewed property management agreements in the period divided by the number of property management agreements which expired in the same period
"Runzhiyun"	Runzhiyun (潤之雲), a mobile application developed by our Group based on our understanding of the preferences and habits of our customers through our frequent interactions with them with the aim to provide fast and convenient

	access to OSCS Service Centre and submit requests for our services. For details, please refer to the section headed "Business — Our Information Technology Systems" in this document
"tender success rate"	the aggregate number of bids we won in a period divided by the aggregate number of bids we submitted in the same period

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and plans for the development of existing and new businesses, our ability to implement such strategies and plans, and the expected timetable of such implementation;
- our financial condition;
- our Company's dividend distribution plans;
- our dividend distribution plans;
- the prospects of our business and operations, including development plans for our existing and new businesses;
- the regulatory environment, as well as the general industry outlook of the relevant industry and markets in general;
- capital market development;
- certain statement in the sections headed "Risk Factors", "Industry Overview", "Regulatory Overview", "Business", "Financial Information", "Relationship with our Controlling Shareholders", and "Future Plans and **[REDACTED]**" with respect to trends in interest rates, exchange rates, prices, volumes, operations, margins, risk management and overall market trend;
- the general economic trend of China;
- the future development in relevant industry and markets; and
- other factors referenced in this document.

The words "aim", "anticipate", "believe", "contemplate", "continue", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "potential", "predict", "project", "schedule", "seek", "should", "target", "will", "would" and the negatives forms of these terms, as well as similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

FORWARD-LOOKING STATEMENTS

In this document, statements of or references to the intentions of our Company or those of any of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

[REDACTED] ***should consider carefully all the information set out in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the*** **[REDACTED].** ***The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.***

This document contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The **[REDACTED]** ***of the*** **[REDACTED]** ***could decline due to any of these risks, and you may lose all or part of your investment.***

A number of risks and uncertainties are inherent in our operations. We have categorised these risks and uncertainties into those relating to (i) our business, (ii) the industry, (iii) the PRC, (iv) the [REDACTED] and (v) this document. Investors should carefully consider the following information in conjunction with the other information contained in this document.

RISKS RELATING TO OUR BUSINESS

The provision of our property management services to hospitals and public properties may be affected by factors beyond our control and are subject to higher standards

Our revenue was generated primarily from the provision of property management services, which contributed to our revenue of 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% of our total revenue for FY2019, FY2020, FY2021 and 1H2022, respectively. We have been expanding our property management portfolio primarily through securing new property management agreements. We seek to continue to grow our property management portfolio. Moreover, we strategically prioritise on developing a diversified coverage in property portfolio by providing property management services to different kinds of non-residential and residential properties with a primary focus in hospitals and public properties, which, in our Directors' views, would distinguish ourselves from other traditional property management service providers who focus on the provision of their services to residential and commercial properties only. For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from hospitals amounted to approximately RMB143.8 million, RMB144.7 million, RMB215.9 million and RMB129.6 million, representing approximately 39.2%, 36.0%, 39.8% and 42.2% of our revenue generated from providing property management services, respectively, and our revenue generated from public properties amounted to approximately RMB140.6 million, RMB150.8 million, RMB192.6 million and RMB108.8 million, representing approximately 38.3%, 37.5%, 35.5% and 35.4% of our revenue generated from providing property management services, respectively.

Based on our Directors' assessment of market prospect and proven track record, we plan to retain our strategic focus on the provision of property management services to hospitals and public properties. However, we cannot assure you that our assessment will always turn out to be correct or we can grow our business as expected. Our plans to remain focus on the provision of property management services to hospitals and public properties may be affected by a number of factors beyond our control, such as changes in the PRC's economic condition, changes in current government policies with respect to the management of hospitals and public properties, changes in supply and demand for our services, as well as changes in performance of the property owners and occupiers of the hospitals and public properties.

In addition, hospitals and public properties generally require higher standard and requirement on aspects such as cleaning services, security services and facility management. We also provide hospital logistics services to the hospitals under our management to manage, support and optimise their entire operation process. We have to recruit and train new on-site management personnel and frontline workers, select experienced third-party subcontractors and suppliers, and build up reputation and understand the needs and preference of our customers. If we fail to meet their requirements, we may not be able to maintain the relationships with our customers. Termination of our existing agreements, or proximate termination, could materially and adversely affect our business and financial position.

We may not be able to procure new property management agreements as planned or on favourable terms

We believe that our ability to expand our portfolio of property management agreements is one of the key factors for sustaining our business growth. During the Track Record Period, we mainly procured various new property management agreements through open tendering. For FY2019, FY2020, FY2021 and 1H2022, our tender success rate for securing property management agreements recorded approximately 28.4%, 32.5%, 48.1% and 40.7%, respectively. Property management companies would be engaged by taking into consideration of, among others, service quality, service fee, operating history and reputation of the property management company. We cannot assure you that we will be able to procure new property management agreements as planned or on favourable terms. Our efforts may be hindered by factors beyond our control, which may include changes in general economic conditions, evolving government regulations as well as supply and demand dynamics within the property management industry. As a result, our growth prospect may be materially and adversely affected.

Termination or non-renewal of our property management agreements could materially and adversely affect our business, financial position and results of operations

Our property management agreements typically have a term ranging from one to five years. During the Track Record Period, the renewal rate with respect to property management agreements reached 87.4%, 90.6%, 90.8% and 87.4%. Although most of the expiring property management agreements were terminated or chosen not to renew voluntarily by our Group due to the financial performance of the projects and projected profitability for such renewals, the renewals of the relevant property management agreements are subject to commercial decisions made by the relevant customers, based on their own considerations. If other property management companies are willing to offer prices at lower profitability to our existing customers, our existing customers may decide to engage such property management companies. It is also possible that property management agreements may be terminated for cause. In such cases, our business and results of operations may be adversely affected. In addition, either termination or non-renewal of property management agreement could potentially be detrimental to our reputation and diminish our competitiveness within the industry.

There is no assurance that our customers would not terminate the property management agreements with us prior to the expiration date or would renew the property management agreements upon expiration. Termination or non-renewal of a significant number of property management agreements could have a material negative impact on our revenue from property management services. In the event that our Group is unable to retain or renew these property management agreements and fails to secure other property management agreements of a comparable size and quantity as replacements from other customers, our Group's financial conditions and results of operations could be materially and adversely affected.

Any failure to increase our revenue or accurately estimate our operating costs in connection with our performance of property management services could lead to cost overruns or even result in losses

During the Track Record Period, all of our property management fees were charged on a lump sum basis. We recognise as revenue the full amount of property management fees we charge our customers, and recognise as our cost of services the actual costs we incur in connection with rendering our services.

While our property management fees are charged on a pre-determined amount, we also bore all the expenses that arose from our provision of property management services. Apart from the residential properties and certain non-residential properties under our management determine the pre-determined lump sum price with reference to the stipulated/expected number of employees and workers to be deployed for each position and take into account, among others, (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) pricing of comparable properties, (vi) evaluation of our competitors' pricing; and (vii) the potential growth of business of our Group in general. For the residential properties and certain non-residential properties under our management, we will receive property management fees from our customers which are generally calculated based on the property size in GFA and unit price per sq.m.

As such, there is a risk that the fees we collected would be insufficient to cover all of the costs we incurred for the provision of property management services. Significant changes in any of relevant factors may lead to cost overrun by us, and there is no assurance that the costs incurred by us will match our initial estimates. As our property management fees stated in our agreements with customers were generally fixed and without any price adjustment clause, it may reduce or diminish our expected profit and cash inflow if the fees we collected are insufficient to cover all of the costs we incurred for the provision of property management services within our original estimations. For FY2019, FY2020, FY2021 and 1H2022, we incurred losses on 20, 18, 29 and 23 managed projects, respectively, which were partially due to cost overruns. For details of these loss-making projects, please refer to the section headed "Business — Sales and Marketing — Pricing strategy" in this document.

Although we intend to gradually improve the profitability of these loss-making projects in the future through (i) various cost-saving measures including automation and hardware upgrade to improve our operational efficiency and lower our operational cost; (ii) optimising our staffing structure by the reduction of number of our own low-skilled labour; and (iii) upgrading our existing equipment which allows us to automate our key business operations to greater degrees, we may fail to implement the above measures and/or negatively affect the quality of our services. Also, any material inaccurate estimation in the costs would give rise to cost overruns, which in turn would materially and adversely affect our Group's financial condition, profitability and liquidity.

Our operations are based in Shandong Province, and we are susceptible to trends and developments in this region

A significant portion of our revenue is concentrated in Shandong Province. For FY2019, FY2020, FY2021 and 1H2022, approximately 94.9%, 95.3%, 93.2% and 92.3% of our revenue was derived from Shandong Province, respectively. We expect that Shandong Province will remain to account for a significant portion of our operations in the near future. Due to such concentration, any adverse development in economic conditions, policies and regulations of local Government or business environment in Shandong Province could materially and adversely affect our business, financial position and results of operations.

We rely on stable labour supply to carry out our works and may experience fluctuations in our labour and subcontracting costs and restrictions in the supply of labour in the PRC

According to the F&S Report, the property management industry is a labour-intensive industry and is reliant on the large pool of manpower. Historically, the average labour cost is continuously increasing in the PRC including Shandong Province. From 2016 to 2021, the monthly average wages of workers in property management services market increased from RMB4,218 in 2016 to RMB5,966 in 2021, with a CAGR of 7.2%. In 2026, the monthly average wages of workers are expected to reach RMB8,516, with a CAGR of 7.4% from 2021 to 2026. As of the Latest Practicable Date, our Group directly employed over 7,000 full-time employees who are deployed to various properties under our management to carry out our services. For FY2019, FY2020, FY2021 and 1H2022, our staff costs 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, respectively.

During the Track Record Period, subject to the specific services requested by our customers and manpower allocation in the cities outside Shandong Province, we may engage subcontractors to carry out the general cleaning, and property engineering and landscape construction related services, under close supervision and management by our own staff to ensure that the quality of services provided by the subcontractors can meet our and our customers' expectation and requirements. For FY2019, FY2020, FY2021 and 1H2022, our subcontracting fees amounted to approximately RMB34.1 million, RMB77.8 million, RMB168.6 million and RMB74.7 million, representing approximately 10.3%, 20.3%, 34.6% and 29.3% of our total cost of services, respectively. In FY2021, we have engaged several subcontractors and entered into subcontracting agreements with them to replace the deployment of our own part-time workers, which provide timely and efficient alternative access to manpower resources and support our business growth. For details, please refer to the section headed "Business — Our Suppliers — Our subcontractors" in this document. Any further increase in fees in relation to the subcontracting arrangement may adversely affect our profitability.

Given that we adopt the "lump sum basis" for our revenue model, our profitability is basically dependent largely upon our ability to control and reduce our staff costs and subcontracting fees effectively. In recent years, we face continuing pressure from the surge in our staff costs and subcontracting fees, which were mainly contributed by the increase in minimum wage enacted by the PRC Government. Minimum wages across China are fixed at the regional or district level based fundamentally on standards set by relevant provincial, municipal and autonomous region authorities. The minimum wage in the regions and districts where we operate has increased over the years, adversely affect our staff costs and subcontracting fees. To maintain and improve our profit margins under the "lump sum basis" for our revenue model, it is critical for us to control our staff costs as well as other operating costs including subcontracting fees. If our Group fails to retain manpower in a timely manner, we may not be able to accommodate sudden increase in demand for our services. We cannot assure you that we will be able to control our costs or improve our efficiency or successfully pass the cost impact to the fees charged by us to maintain our profitability. If there is a significant increase in staff costs or subcontracting fees, our business, financial position and results of operations would be materially and adversely affected.

We rely on key management personnel

Our success and growth is, to a large extent, attributable to the continued commitment of our executive Directors and our senior management team, and our capability to identify, hire and retain suitable and qualified employees, including management personnel with the necessary industry experience as described in the section headed "Directors and Senior Management" in this document. Our Directors, in particular, our executive Directors, are important to our continued development as they have extensive experience and business connections in the property management industry in the PRC. Any unanticipated departure of our Directors and/ or our senior management team without timely and appropriate replacement may have a material adverse impact on our business operations and profitability.

We may be subject to fines for our failure to register for and/or contribute to social insurance fund and housing provident fund under PRC laws and regulations

Pursuant to relevant PRC laws and regulations, for the benefit of our employees in China, we are required to contribute to social insurance fund, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing provident fund. During the Track Record Period, some of our PRC subsidiaries failed to make registration, contribution or full contribution for some of our employees pursuant to the requirements of PRC laws, which is mainly because the previous personnel responsible for such issues lacked full understanding on the different regulatory requirements in the regions in which we operated.

According to the Social Insurance Law and the Interim Regulations on the Collection and Payment of Social Insurance Premiums, (i) each of our non-compliant subsidiaries, which did not complete the social insurance registration before the prescribed deadline, may be fined more than one time but less than three times the amount of contributions payable, and (ii) we may be subject to a late payment fee of 0.05% per day from the day the relevant contributions are due if we fail to make or make in full social insurance contribution before the prescribed deadline. If we fail to make contribution before the prescribed deadline, we may be fined one to three times the outstanding contribution. According to the Housing Provident Fund Management Regulations, (i) each of our non-compliant subsidiaries, which did not complete the housing provident fund payment registration and housing provident fund account establishment procedures before the prescribed deadline, may be fined RMB10,000 to RMB50,000, and (ii) we may be ordered by the Housing Provident Fund Management Center to make the relevant payments if we fail to make or make in full housing provident fund contribution before the prescribed deadline. Failure to make such contribution before the prescribed deadline may lead to application for the enforcement by the People's Court.

We made full provisions for our shortfall of contribution to social insurance and housing provident funds in the amount of RMB10.9 million, RMB7.9 million, RMB9.8 million and RMB3.3 million for FY2019, FY2020, FY2021 and 1H2022, respectively. As at the Latest Practicable Date, we had not received any notice from the PRC Government or relevant local authorities or any claim from our current and former employees regarding the discrepancies in social insurance contributions and housing provident funds. However, we cannot assure you that we will not be subject to any order to rectify such non-compliance in the future, nor can we assure you that there are no, or will not be any, fines regarding such non-compliance incidents against us. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC Government or relevant local authorities. For details, please refer to the section headed “Business — Legal Proceedings and Compliance” in this document.

A portion of our revenue during the Track Record Period is generated from providing services to our related parties, and our business could be adversely affected in the event of any adverse development in the operation of our related parties

During the Track Record Period, a portion of our revenue was derived from providing services to our related parties. For FY2019, FY2020, FY2021 and 1H2022, the revenue contributed by our related parties, in aggregate, accounted for approximately 11.4%, 19.7%, 12.2% and 6.2% of our total revenue, respectively.

We do not have control over the business strategies of our related parties, nor the macroeconomic or other factors that may affect their business operations. Any adverse development in the operations of our related parties or their respective ability to develop and/or acquire new properties may affect our ability to secure new service agreements from them. In addition, there is no assurance that we will be able to secure all service agreements in the tender and bidding process or selection process initiated by our related parties nor that all of our service agreements with our related parties will be renewed successfully upon their expiration. Should any of these events occur, we may experience a material adverse effect on our results of operations, financial position and growth prospects.

Our property management services to hospitals rely on various information technology management systems and Runzhiyun which may fail to provide satisfied services nor be able to attract and retain sufficient interest from customers

In March 2019, we have set up an online information technology operation centre, namely OSCS Service Centre, which is a centralised management platform providing 24-hour services to hospital staff and patients with the utilisation of a series of information technology management systems. We also established Runzhiyun and QR Code Pass to provide fast and convenient access to OSCS Service Centre.

We aim to expand the functionality of such information technology systems and mobile application to increase accessibility and improve user experience and plan to attract further use by our customers. Please refer to the section headed “Business — Our Technology Information Systems” in this document for further information. However, such information technology systems and mobile application are relatively new and still evolving and we cannot assure you that we will be able to grow our online services as planned. There is no guarantee that our customers will respond favourably to them. If our information technology systems and mobile application fail to provide satisfied service in order to attract or retain sufficient interests from our customers as planned, our customers may cease using our such information technology systems and mobile application. Moreover, we may also encounter technical problems (system malfunction, misconfiguration or disruptions), security issues and logistical issues that may prevent our platform from functioning properly and our customer users from receiving desired services. In results, our business operations, financial condition and results of operation could be adversely affected.

In addition, providing certain services through our information technology systems and mobile application involves security risks, including cyber-attacks, security breaches and identity theft. In order to succeed, we have to be able to provide secured transmission of confidential information over public networks. Any penetration of network security or other misappropriation or misuse of personal information could cause interruptions in our business operations and subject us to increased costs, litigation and other liabilities, which would negatively affect our financial and operating result and damage our reputation.

We are exposed to our customers' credit risks. Our cash flow may fluctuate and our liquidity position would be adversely affected if our customers fail to make payment on time or in full

During our business operation, we may face difficulties in collecting service fees from our customers. Even though we seek to collect overdue service fees through a number of collection measures, we cannot assure you that such measures will be effective at all.

Our trade receivables amounted to approximately RMB52.8 million, RMB73.3 million, and RMB85.0 million and RMB140.7 million as at 31 December 2019, 2020 and 2021 and 30 June 2022, representing approximately 36.6%, 22.1%, 34.1% and 59.0% of our total current assets, respectively. For FY2019, FY2020, FY2021 and 1H2022, our trade receivables turnover days were approximately 44.6 days, 47.4 days, 48.0 days and 64.1 days respectively. As at 31 December 2019, 2020 and 2021 and 30 June 2022, our impairment of trade receivables amounted to approximately RMB1.8 million, RMB1.9 million, RMB2.2 million and RMB3.0 million, representing approximately 3.3%, 2.6%, 2.5% and 2.1% of our total trade receivables, respectively. There is no assurance that the financial position of our customers will remain healthy in the future. If our customers experience any financial distress or are unable to settle their payments due to us in a timely manner or at all, our financial condition and results of operations could be materially and adversely affected.

We need to maintain required permits, licences, registrations, certifications and/or other relevant PRC governmental approvals necessary for the operation of our business

Pursuant to PRC laws and regulations, our Group is required to obtain/maintain certain permits, licences, registrations, certifications and/or other approvals in order to operate our business. For details, please refer to the section headed "Regulatory Overview" in this document. These permits, licences, registrations, certifications and/or approvals are granted/renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant Government departments or organisations. These permits, licences, registrations, certificates and/or approvals may only be valid for a limited period of time and may be subject to periodic reviews and renewals by the PRC Government authorities or relevant organisations.

There is no assurance that we will be able to obtain all required permits, licences, registrations, certifications and/or approvals and complete all necessary filings, renewals and registrations on a timely basis for our business. If we fail to receive required permits, licences, registrations, certifications and/or approvals in a timely manner or obtain or renew any permits, licences, registrations, certifications and/or approvals, we may be subject to fines, confiscation of the gains derived from our noncompliant operations, suspension of our noncompliant operations or claims for compensation of any economic loss suffered by our customers, which may materially and adversely affect our business and results of operations.

Our historical results may not be indicative of our future performance and there is no guarantee that our customers will provide us with new business or that we will secure new contracts

Although we experienced significant revenue and profit growth during the Track Record Period, we cannot assure you that we can sustain such growth in the future. Our revenue and profit margins are dependent on our ability to control costs and operating expenses, which may increase as our business expands. For FY2019, FY2020, FY2021 and 1H2022, our gross profit amounted to approximately RMB66.8 million, RMB102.9 million, RMB114.1 million and RMB67.0 million, respectively, and our gross profit margin amounted to approximately 16.8%, 21.2%, 19.0% and 20.8%, respectively. However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs.

There is no assurance that our operating and financial results in the future will remain at a level comparable to those recorded during the Track Record Period or will not decline and that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance since our financial condition and prospects would be materially and adversely affected by any future decrease in our profit margin.

We recorded net current liabilities in FY2019, and we cannot assure you that we will not continue to experience net current liabilities in the future, which could expose us to liquidity risks

We recorded net current liabilities of RMB71.5 million as at 31 December 2019, primarily because of the acquisition of equity interests in Tianjin Tianfu, which was satisfied by using our internal resources. Please refer to the section headed "Financial Information — Description of Selected Items in our Consolidated Statements of Financial Position" in this document for further discussion on our net current liabilities and the section headed "History, Development and Reorganisation" in this document for details of the acquisition of equity interests in Tianjin Tianfu. We cannot assure you that we will not record net current liabilities in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, the payment of other payables and accruals and the repayment of our borrowings (if any) will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected which, in turn, may impact our ability to execute our business strategies. If such event occurs, our results of operations and financial position will be materially and adversely affected.

We had net operating cash outflow from our operating activities for 1H2022 and our business and financial condition could be materially and adversely affected if we fail to maintain effective cash flow management

We recorded net cash outflow from operating activities of RMB30.3 million for 1H2022. The cash outflow for 1H2022 was primarily due to the increase in trade receivables and decrease in trade payables. For further details, please refer to the section headed "Financial Information — Liquidity and Financial Resources — Cash flows" in this document.

While we have in the past financed our working capital needs primarily our business operations and loans obtained from banks and other third-party, we cannot assure you that we will always be able to generate net cash from operating activities. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements. We cannot assure you that we will not suffer any decline in our future working capital or experience net cash outflow in the future. If we fail to maintain effective working capital and cash flow management, we may face financial difficulties and our business and financial condition could be materially and adversely affected.

Our business strategy and future plans may not be successful or achieved within the expected time frame or estimated budget

Our ability to continue to grow our business will depend on our continuing ability to successfully implement our business strategies and future plans, including continuing to expand our scope of services, improving our margins and profitability, capturing the new business opportunities, acquiring other property management companies and/or other businesses that are complementary to our existing businesses and integrate their operations into our business. The successful implementation of our business strategies and future plans as described in the section headed "Future Plans and **[REDACTED]**" in this document are based on current estimates and assumptions and depend on a number of factors including the availability of funds, market competition and our ability to retain and recruit competent employees. Some of the factors are beyond our control and by nature, are subject to uncertainty, such as the general market conditions in the PRC, the change in the Government's policies or regulatory regimes of the property management industry.

However, our business strategies and future plans may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that our business strategies and future plans will be implemented successfully. Moreover, there is no assurance that our Group will be able to successfully maintain or increase our market share, identify suitable acquisition targets, grow our business or expand our services and customer base successfully after deploying our Group's management and financial resources. Even if we manage to identify suitable acquisition targets, we may not be able to complete the acquisitions on terms favourable or acceptable to us, in a timely manner, or at all.

In addition, acquisitions and integration of acquired operations with our existing operation involve uncertainties and risks, including, without limitation:

- potential ongoing financial obligations and unforeseen or hidden legal, regulatory, financial or other liabilities;
- inability to apply our business model or standardised business processes on the acquisition targets;
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities; and
- diversion of resources and management attention.

Any failure to maintain our current market position or implement our business strategies and future plans including the inability to identify suitable acquisition targets or complete acquisitions, would materially and adversely affect our business, financial condition and the results of operations.

Any failure to maintain effective quality assurance systems for our services could have a material adverse effect on our reputation, financial condition and results of operation

The quality of our services provided to our customers is critical to our success. Maintaining consistent quality of our services depends significantly on the effectiveness of our quality assurance systems, which in turn relied on a number of factors. For instance, the design of our quality assurance systems and our ability to ensure that our employees and subcontractors follow and implement those quality assurance policies and guidelines. For more details on our quality assurance systems, please refer to the section headed "Business — Quality Assurance" in this document. We cannot assure that our quality assurance systems will be effective as planned. Further, we cannot assure that our staff and workers of our subcontractors will always perform in accordance with our quality assurance policies and guidelines, our or our customers' instructions and their contractual obligations. We may also fail to monitor their performance as directly and effectively as with our on-site management teams. Any failure or deterioration of our quality assurance systems could have a material adverse effect on our reputation, financial condition and results of operations.

The preferential income tax treatment that we enjoy in the PRC may be altered or terminated

We cannot assure you that the PRC policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated. According to the applicable PRC tax regulations, the statutory corporate income tax rate in the PRC is 25%. 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. In addition, it was also qualified as a "double soft certification enterprise" from 2018, under the "Two Free, Three Half" program, and exempted from income tax in the first two years of profitability and pays only half of its applicable income taxes for the next three years. On the other hand, 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 further details, see the section headed "Financial Information — Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Income tax expense" and Note 10 to the Accountant's Report included in Appendix I to this document.

We cannot assure you that our subsidiaries will continue to enjoy the aforementioned preferential income tax treatment. For instance, under the applicable PRC laws and regulations, the preferential income tax treatment for "High and New Technology Enterprise", "double soft certification enterprise" and small low-profit enterprises is subject to renewal every three years and can be revoked by the relevant local authorities upon a review process on the eligibility of such accreditation. We cannot assure you that our subsidiaries will continue to be accredited as "High and New Technology Enterprise", "double soft certification enterprise" and small low-profit enterprises upon expiration of the relevant certificate, or that such accreditation will not otherwise be revoked by the relevant local authorities or our subsidiaries will continue to be qualified as "High and New Technology Enterprise", "double soft certification enterprise" and small low-profit enterprises in the PRC. If we fail to renew any preferential tax treatment qualification in time or at all, or if any change or termination of preferential tax treatment occurs, the increase in our tax charge or any other related tax liabilities could materially and adversely affect our results of operations and financial condition.

Our business operations and financial results may be adversely affected if there is an outbreak of any severe communicable diseases such as COVID-19

An outbreak of respiratory illness caused by a novel coronavirus, which has been named as COVID-19 by the World Health Organization ("**WHO**") was identified in December 2019 and spread globally in early 2020. On 11 March 2020, the WHO declared COVID-19 outbreak a pandemic. In response to the outbreak of COVID-19, the PRC Government has imposed measures across the PRC including, but not limited to, lock-down measures, travel restrictions, restrictions on enterprises from resuming work, management and control over commencement schedules of construction in new and existing construction sites and the mandatory quarantine requirements on infected individuals and anyone deemed potentially infected. In April 2020, we received a notice from Customer Group A in relation to the reduction of their business subcontracting arrangements due to the travel restrictions. As a result, the revenue generated from Customer Group A decreased by approximately RMB8.6 million from approximately RMB32.7 million for FY2019 to approximately RMB24.1 million for FY2020, mainly due to the deduction of contract value of two property management agreements by an aggregate amount of approximately RMB5.9 million. Furthermore, public properties such as hospitals have heightened exposure to health safety risks, including localised outbreak of COVID-19, as compared with residential and commercial properties. If the development of COVID-19 persists or escalates, there can be no guarantee of localised outbreak of COVID-19 or mandatory lock-down measures imposed at any of the public properties we manage, which in turn may have a material and adverse effect on our business, financial position and results of operations. To the best knowledge of our Directors, during the Track Record Period and as at the Latest Practicable Date, there had been no localised outbreak of COVID-19 in any of the public properties we manage.

Health safety risks during the outbreak of COVID-19 may also lead to labour shortage, increase in wages of the workers, and interruption of our business operation, delaying the provision of our services as a result. Our operations could be disrupted if any of our employees or employees of our subcontractors were suspected of contracting or contracted an epidemic disease, since this could require us and our subcontractors to quarantine some or all of these employees and disinfect our managed properties and facilities used for our operations. In consequence, we may not be able to fulfil our contractual obligations with our customers, which may result in loss of our contracts with them or we may be liable to pay damages or compensation to our customers for their loss suffered and/or impacted to our long-term business relationships due to our delay or default. During the Track Record Period, our staff did not experience any material disruption caused by the COVID-19 pandemic when carrying out their responsibilities for the provision of our services. For details, please see the section headed "Business — Effects of the COVID-19 Outbreak" in this document.

We are exposed to risks associated with failing to detect and prevent fraud, negligence or other misconduct (accidental or otherwise) committed by our employees, subcontractors or third parties

We are exposed to risk associated with fraud or other misconduct committed by our employees, subcontractors, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, theft conducted by third parties may cause us to make compensation if we were held to be negligent or reckless and will also cause us to suffer damage to our reputation in the market.

Our information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be the risk that fraud and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on our business, reputation, financial position and results of operations.

We may be adversely affected by the performance of associates

We have invested into associates with third parties and may continue to do so in the future. The performance of such associates has affected, and will continue to affect, our results of operations and financial position. For FY2019, FY2020, FY2021 and 1H2022, we recorded our share of profit on associates of approximately RMB0.2 million, RMB9.4 million, RMB5.5 million and RMB3.8 million, respectively.

The success of associates depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realise the anticipated economic and other benefits from our associates. In addition, in accordance with PRC law, our investment agreement and the articles of association of our associates, certain matters relating to associates require the consent of all parties to the associates. Therefore, such investment agreements involves a number of risks, including (i) we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our associates if there is a disagreement between us and our associated company partners; or (ii) our partners may have economic or business interests or goals or philosophies that are inconsistent with ours.

In addition, since we do not have full control over the business and operations of our associates, we cannot assure that they have been, or will be in strict compliance with all applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to our associates or our associates will not violate PRC laws and regulations, which may have an adverse effect on our business, results of operation and financial condition.

We recognised goodwill from Tianjin Tianfu because the consideration paid was higher than the then fair value of the identifiable assets of Tianjin Tianfu. We may incur impairment loss for goodwill if the financial performance and projected cash flow of the cash-generating units to which goodwill has been allocated deteriorate, in which cause our results of operations and financial position may be adversely affected

As at 30 June 2022, we had goodwill on acquisition of approximately RMB84.2 million, which primarily arose from the acquisition of Tianjin Tianfu in November 2019 because the consideration paid was higher than the then fair value of the identifiable assets of Tianjin Tianfu. We determine whether goodwill is impaired by comparing the recoverable amount of the cash-generating units to which goodwill has been allocated to the carrying amount of goodwill. We may incur impairment loss for goodwill if the financial performance and projected cash flow of the cash-generating units to which goodwill has been allocated deteriorate. We did not record any goodwill impairment loss during the Track Record Period. If we incur any impairment loss of goodwill in the future, our results of operations and financial position may be adversely affected. 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.

We may be subject to penalties from the PBOC or adverse judicial rulings as a result of loans to a related party during the Track Record Period

As at 31 December 2020, we had interest-bearing loans to Runhua Group Company of an aggregate of approximately RMB124.8 million with an interest rate of 7.00% to 9.50%, which generated an interest income from loans to a related party of approximately RMB5.7 million for FY2020. For further details, 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. Our PRC Legal Advisers advised that 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. Notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions under 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) (the "**Judicial Interpretations on Private Lending Cases**"), which came into effect on 1 September 2015 and was amended on 19 August 2020 and 29 December 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognises the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of applicable laws and regulations. Under the Judicial Interpretations on Private Lending Cases, PRC courts will support a non-financial institution's claim for interests on loans as long as the annual interest rate does not exceed four times of the loan prime rate, as published by the National Interbank Funding Center, for loans with maturities of one year applicable on the date of loan agreement, or other interest rate specified in the Judicial Interpretations on Private Lending Cases applicable on the date of such loan agreement.

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 since we have not received any notice or been penalised for extending interest-bearing loans to a related party and there are rare cases that companies being penalised for interest-bearing loans to their related parties by the PBOC. Nevertheless, we cannot assure you that we may not be subject to a penalty fine from the PBOC and in the event that we are ordered by the PBOC to pay the penalties, our financial condition and results of operations could be adversely affected.

Our property management fees may be subject to the government guidance price, which may adversely affect our profit margin

Under the PRC laws and regulations, the price of most of our preliminary property management services is subject to government guidance price. The preliminary property management service agreement entered into between the property developers and us at the preliminary stage will be terminated when the property owners' association is formed and a new property management service agreement will be entered into. If we are selected by the relevant property owners or property owners' associations to enter into subsequent property management service agreements, they may want us to match the price provided during the preliminary stage, which is limited by the government guidance price.

According to the "Property Service Charge Management Measures of Shandong Province" (山東省物業服務收費管理辦法), the property management fees for preliminary residential property projects shall be guided by the government and charged by hierarchical pricing based on the level of property service provided, service quality, costs and expenses and other factors. During the Track Record Period, save for two residential apartment projects and a villa project, the remaining residential properties under our management were subject to local government's pricing guidance. For FY2019, FY2020, FY2021 and 1H2022, the revenue generated from these residential properties under our management amounted to approximately RMB31.8 million, RMB33.6 million, RMB40.1 million and RMB17.6 million, respectively; and the gross profit generated from them was approximately RMB5.2 million, RMB5.8 million, RMB10.1 million and RMB4.1 million for the corresponding period, respectively.

During the Track Record Period, we overcharged property management fees from the property owners and/or residents at a residential property under our management, which contributed revenue to us of approximately RMB232,000, RMB251,000 and RMB166,000 for FY2020, FY2021 and 1H2022, respectively; and gross profit of approximately RMB55,000, RMB24,000 and RMB35,000 for the corresponding period, respectively. The failure to comply with relevant regulations relating to the government guidance pricing was because the relevant staff of our subsidiary set the management fees for such residential property based on the respective property level and mistakenly assumed that the government-set prices would not apply to the high-end residential properties. In fact, the relevant property management agreement was successfully approved by and registered under the Tai'an City Taishan District Property Management Service Center (泰安市泰山區物業管理服務中心) (the "**Center**"). Such incident was subsequently identified by our PRC Legal Advisers during the preparation of the Listing. As advised by the PRC Legal Advisers, where an enterprise fails to implement the government-set prices, it shall be required to make the relevant price adjustments to effect the government-set prices, and failure to implement such adjustments shall result in illegal gains which shall be confiscated. It also provides that such enterprise may be fined for not more than five times of the excess charges. Given that (i) our Group has filed the relevant property management services agreement to the Center; (ii) in view that the agreement of the said residential property was successfully approved by the Center, Tai'an City Taishan District Market Supervision and Administration Bureau (泰安市泰山區市場監督管理局) (the "**Bureau**"), the competent price administration department of the people's government, confirmed that the incident did not cause a breach of the government price controls and no penalty would be imposed in connection with the incident; and (iii) the Bureau has verbally refused the adjustment to our management fees of the said residential property to the government-set prices to comply with the relevant government price controls, our PRC Legal Advisers advised us that the risks that we would be penalised for such non-compliance by the relevant government authority is remote. Save for the abovementioned, based on the advice from our PRC Legal Advisers, our Directors confirm that there was no material non-compliance on the property management fees charged by us in relation to such government price controls.

Government-imposed limits and other regulatory requirement on property management fees could have a negative impact on our earnings. We cannot guarantee that the government regulations on property management fees and other matters concerning the property management industry will not have an adverse effect on our business, financial condition and results of operations, which may be material.

We may not have insurance coverage that is adequate to cover potential liabilities or losses

Our Group may face liabilities that exceed its available insurance coverage or arise from claims outside the scope of its insurance coverage. There are certain types of losses and liabilities against which no insurance policies in the PRC are available at commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, wars or civil disorder. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial position and results of operations. For details of our Group's insurance coverage, please refer to the section headed ''Business — Insurance'' in this document.

Personal injuries, property damages or fatal accidents would occur at our managed properties

Our services were carried out by our own employees and/or subcontractors. Such services may also subject to a certain level of possibilities of accidents. Whilst we closely supervise and monitor our employees in the implementation of all such safety measures and procedures during the provision of our services. However, we cannot guarantee that our employees, or those of our subcontractors will follow our safety measures and/or will not breach any applicable rules, laws or regulations. Personal injuries, property damage or fatal accidents will result if any such employees fail to follow the safety measures at our managed properties. Any personal injuries and/or fatal accidents to the employees of our Group or our subcontractors would lead to claims or other legal proceedings against our Group. During the Track Record Period and up to the Latest Practicable Date, we recorded a fatal accident of our employee in the property under our management and reached consensus with the deceased persons' family to pay compensations and funeral expenses of approximately RMB1.0 million. For further details regarding the claim, please refer to the section headed "Business — Social, Health, Safety and Environmental Matters" in this document.

We may be held liable for the employees' or third parties' injuries or deaths. Interruptions to our business may also be encountered due to investigations conducted by the Government authorities or implementation of safety measures upon occurrence of accidents. Any of the abovementioned incidents could adversely affect our reputation, business, financial position and results of operations.

We may be subject to litigations, allegations, complaints and investigations, and our reputation and operation may be adversely affected

Our business is subject to risks of litigation, allegation, compliant and investigation. From time to time, customers and third parties may commence litigations or arbitration processing against us; in addition, customers, competitors, third parties and members of the public may make complaints about us to governmental authorities, resulting in investigations by the relevant governmental authorities. Actions or complaints brought against us may result in settlements, injunctions, fines, penalties or other adverse results, and our reputation and operation may therefore be adversely affected.

Failure to protect our intellectual property rights could have a negative impact on our business and competitive position

We currently hold a number of trademarks, software copyrights and domain name in the PRC and registered a trademark in Hong Kong for protection of our intellectual property. We consider these intellectual properties our crucial business assets which are key to customer loyalty and essential to our future growth. The success of our business depends substantially upon our continued ability to use our trade names and trademarks to increase brand recognition and to develop our brand. Please refer to the section headed "Business — Intellectual Property Rights" in this document for further information. Unauthorised reproduction or infringement of our trade names or trademarks could diminish the value of our brands as well as our market reputation and competitive advantages.

We rely on and expect to continue to rely on trademark, software copyright and domain name protection laws, to protect our intellectual property rights. Nevertheless, these measures afford limited protection. Policing unauthorised use of proprietary information can be difficult and expensive. In addition, the intellectual property laws and regulations in the PRC are still immature as compared with most developed countries, and therefore the enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, and could involve substantial risks to us. If we were unable to detect unauthorised use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, results of operations and financial position.

Third parties may assert or claim that we have infringed their intellectual property rights, which may disrupt and affect our business

We may become subject to claims from competitors or third parties alleging intellectual property infringement in our ordinary course of business from time to time. Any claims or legal proceedings brought against us in relation to such issues, with or without merit, could results in substantial costs and divert capital resources and management attention. In the event of an adverse determination, we may be compelled to pay substantial damages or to seek licences from third parties and pay ongoing royalties on unfavourable terms. Moreover, regardless of whether we prevail, intellectual property disputes may damage our brand value and reputation in the eyes of current and potential customers and within our industry. As a result, our business, financial condition and results of operations could be materially and adversely affected.

The expansion of our business and potential changes in the PRC laws and regulations may increase the difficulty of ensuring compliance with the relevant laws and regulations

As we expand our business operations into new geographic regions and broaden the range of services we offer, we are subject to an increasing number of provincial and local rules and regulations. In addition, because the size and scope of our operations had increased significantly during the Track Record Period, the difficulty of ensuring compliance with the various local regulations and the potential for loss resulting from non-compliance have increased. On 13 July 2021, MOHURD and other seven departments promulgated the Notice on Continued Rectification and Standardization of the Real Estate Market Order (《住房和城鄉建設部等8部門關於持續整治規範房地產市場秩序的通知》) to continue to rectify and standardise the real estate market order in the fields of real estate development, property sale and purchase, housing leasing and property management services. In respect of property management services, the following items are the key points of rectification: (i) failing to provide services in accordance with the agreed content and standards of the property management contract; (ii) failing to publicise the property management charging item standards, the operation and income of the owner's common part, the use of maintenance funds and other relevant information in accordance with the regulations; charging fees beyond the contractual agreement or publicizing the charging item standards; and (iii) unauthorised use of the owner's shared part to carry out business activities, infringement and misappropriation of the owner's shared part of the operating income; refuse to withdraw from the property management project without proper reason after the property management contract is terminated lawfully. If we fail to comply with the related local laws and regulations, we may be subject to penalties by the competent authorities. The PRC laws and regulations applicable to our business, whether national, provincial or local, may also change in ways that materially increase the costs of compliance, and any failure to comply to which could result in significant financial penalties which could have a material adverse effect on our business, financial position and results of operations.

We derive a portion of our revenue from our investment property portfolio, the performance of which depends on a number of factors, including changes in market rental levels, competition for tenants and rental collection and renewal

Leasing of our investment properties constitutes part of our business. For FY2019, FY2020, FY2021 and 1H2022, revenue generated from our property leasing business 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% of our total revenue, respectively. We are subject to risks incidental to the ownership and operation of the properties, such as volatility in market rental rates and occupancy rates, competition for tenants, costs resulting from on-going maintenance and repair and the inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. In addition, we may not be able to renew leases with our tenants on terms acceptable to us, or at all, upon the expiration of the existing terms. Furthermore, any downturn in the rental market in general could negatively affect the demand for our rental properties and our revenue. If any of the above occurs, there may be a material adverse effect on our business, financial condition, results of operations and prospect.

Our rights to use our leased properties could be challenged by third parties, or we may be forced to relocate due to title defects, or we may be liable for failure to register our lease agreements, which may results in a disruption of our operations and subject us to penalties

We lease certain properties from third parties for use primarily as offices and investment properties for property management and property leasing businesses. As at the Latest Practicable Date, we had not registered four lease agreements for our leased properties with the local housing administration authority as required under PRC law. According to the relevant PRC laws and regulations, we might be ordered to rectify this failure to register by competent authority and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 for each lease agreement may be imposed on us as a result. According to applicable PRC administrative regulations, lessors of the related leases need to provide us with certain documents (such as their business licences or personal identification information) in order to complete the administrative filing. There can be no assurance that the lessors of our leased properties will be cooperative in the process of completing the filings.

Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorised use of these properties, could require us to relocate our occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. Based on information currently available to us, we believe that there are alternative properties at comparable rental rates readily available on the market and the estimated total relocation cost and time will not be material. In addition, there can be no assurance that the PRC Government will not amend or revise existing property laws, rules or regulations to require additional approvals, licences or permits, or impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we use.

Dividends declared in the past may not be indicative of our future dividend

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. Please refer to the section headed ''Financial Information — Dividends'' in this document for further details. We cannot assure investors when or whether dividends would be paid in the future.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

The recent outbreak of COVID-19 worldwide may result in the slowdown of global economy

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu, severe acute respiratory syndrome ("**SARS**") or COVID-19, and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC, which in turn may adversely impact domestic consumption and our business. Our disaster recovery planning cannot account for every conceivable possibility and in any such event, the operation of our business and platforms may not resume rapidly. As a result, our reputation and results of operations may be adversely affected.

In addition, our revenue and profitability could also be reduced to an extent if COVID-19 or any natural disaster, health epidemic or other virus outbreak harms the overall economy in the PRC. These adverse impacts, if materialise and persist for a substantial period, may significantly and adversely affect our business operation and financial performance.

We are in a highly competitive business with numerous competitors

The property management industry in the PRC is highly competitive and fragmented. Competition may intensify as our competitors may expand their service offerings or new competitors may penetrate into our existing or new markets. We believe that we compete with our competitors on a number of factors, including, among others, operation scale, brand recognition, financial resources, cost efficiency, price and service quality.

To compete with the large number of competitors, we may face significant downward pricing pressure and thereby reducing our profit margin. We cannot assure you that our profit margin will not decline as a result of the price pressure. We cannot guarantee that we can effectively cope with the enhanced competition in the future or that we will maintain our market position in the industry. If we cannot adapt effectively to market conditions and customer preferences or otherwise fail to provide a competitive bid as compared to our competitors, our services would not be attractive to customers and our business would be materially and adversely affected. Our competitors would also adopt aggressive pricing policies or develop relationships with our customers in a manner that would significantly harm our ability to secure contracts.

In addition, our competitors may have better track records, longer operating histories and more financial, technical, sales, marketing, distribution and other resources than us, as well as having more market recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, and support of their property management services. We cannot guarantee that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

Many property management companies in China have expanded their business scale through mergers and acquisitions. In addition, 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. For details, please refer to the paragraph headed "Risks relating to our business – Our business strategy and future plans may not be successful or achieved within the expected time frame or estimated budget" in this section.

RISKS RELATING TO THE PRC

PRC Government regulations on the PRC property market may limit our growth potential

Our major business, assets and operations are located in the PRC. Therefore, our business, results of operation, financial position and prospects are, to a large extent, subject to the economic, political, social and legal conditions in the PRC. The PRC Government has implemented a series of measures to control the economic growth in recent years. In particular, the PRC Government has continued to introduce various restrictive measures to discourage speculative investments in the property market, such as imposing controls over the land supply for property development, foreign exchange controls, restrictions against property development financing, additional taxes and levies on property sales and foreign investments in the PRC property market. Such Government measures may negatively affect sales and the delivery schedules of the properties we serve, thus limiting our growth potential and resulting in a material adverse effect on our business, financial position and results of operations.

Uncertainties with respect to the Chinese legal system could have an adverse effect on our business

Our business is in the PRC and is governed by the PRC laws and regulations. The PRC legal system is based on statutes whereas court decisions have limited precedential value. Since the late 1970s, the Chinese Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protections afforded to various forms of foreign investments in China, however as the PRC legal system continues to evolve, the interpretations of many statues, regulations and rules are not always uniform and enforcement such laws involves uncertainties. Further, some regulatory requirements issued by certain PRC Government authorities may not be consistently applied. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties create difficulties in our ability to enforce the contracts we have entered into with our business partners and customers. Such uncertainties could materially and adversely affect our business and operations. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

We may be required to obtain prior approval or subject to filings or other requirements from the CSRC or other PRC regulatory authorities for the [REDACTED].

On 24 December 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》)) (together, the "**Draught Overseas Listing Regulations**"). According to the Draught Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedure with the CSRC and report relevant information. As of the date of this document, the Draught Overseas Listing Regulations have not been formally adopted.

The provisions and anticipated adoption or effective date of the Draught Overseas Listing Regulations are subject to changes, and thus their interpretation and implementation remain substantially uncertain. The Draught Overseas Listing Regulations are not clear on the exact criteria of qualified issuers who must complete the CSRC filing procedures after submitting the application for an initial public offering overseas, and are not clear on whether qualified issuers which have submitted the application for initial public offering overseas but have not yet completed the whole listing process shall be subject to the said CSRC filing procedures.

At the press conference held on 24 December 2021 for the Draught Overseas Listing Regulations, officials from the CSRC clarified that implementation of the Draught Overseas Listing Regulations will follow the non-retroactive principle. Our PRC Legal Advisers advise that it is at this stage unable to rule out the possibility that the relevant authorities, in order to coordinate with the Draught Overseas Listing Regulations, enact the matching regulations to restrict or raise new compliance requirements for our business and the **[REDACTED]**. Therefore, we cannot guarantee that the CSRC or other PRC authorities will not require us to obtain prior approval or complete other procedures for our **[REDACTED]**, which may have a material adverse effect on our business, results of operations, financial condition as well as the **[REDACTED]**.

Fluctuations in exchange rates could have an adverse effect upon our business

All of our revenue and operating expenses are denominated in RMB. However, the **[REDACTED]** from the **[REDACTED]** will be received in HK dollars. As a result, any appreciation of the RMB against the HK dollars or any other foreign currencies may result in the decrease in the value of our foreign currency denominated assets and our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. We cannot assure you that we will be able to reduce our foreign currency risk exposure in relation to our foreign currency-denominated assets. Furthermore, we are also required to obtain the SAFE's approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition and results of operations, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

PRC regulation on loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries

In utilising the **[REDACTED]** from the **[REDACTED]** or any further **[REDACTED]**, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in the PRC to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by the MOFCOM or its local counterparts. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the **[REDACTED]** of the **[REDACTED]** and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

You may be subject to PRC income tax on dividends from us or on any gain realised on the transfer of our Shares under PRC law

Under the Enterprise Income Tax Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gains realised on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within China unless a treaty or similar arrangement provides otherwise. Under the PRC Individual Income Tax Law (中華人民共和國個人所得稅法) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

Although we conduct all of our business operations in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, would be treated as income from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realised from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate. Under the Enterprise Income Tax Law and the Regulations on the Implementation of the Enterprise Income Tax Law, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. According to the Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關于對所得避免雙重徵稅和防止偷漏稅的安排》) (issued by the SAT on 21 August 2006 and came into effect on 8 December 2006), if any company incorporated in Hong Kong holds no less than 25% of the equity of a PRC company, its dividend obtained from the company incorporated in the PRC shall be taxed with a lower tax rate of 5% as the withholding tax. However, according to the Public Notice of the SAT on Issues Relating to Beneficial Owner in the Tax Treaty (《國家稅務總局關于稅收協定中"受益所有人"有關問題的公告》) ((2018) Announcement No. 9 of the SAT), (issued on 3 February 2018 and came into effect on 1 April 2018), if the company's activities do not constitute substantive business activities, it will be analysed according to the actual situation of the specific case, which may not be conducive to the determination of its "beneficiary owner" capacity, and thus may not enjoy the concessions under the tax treaty. In that case, our financial condition and results of operations may be adversely affected.

It may be difficult to effect service of process on our Directors or senior management members who reside in the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts

A majority of our Directors and senior management members reside in the PRC, and substantially all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of Judgements of courts with the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgements of a court in any of these jurisdictions may be difficult or even impossible. On 14 July 2006, the Supreme People's Court of China and the Government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of judgement in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Under this arrangement, in case any designated People's Court in China or Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of China or Hong Kong court for recognition and enforcement of the judgement. This arrangement became effective on 1 August 2008 and the outcome and effectiveness of any action brought under this arrangement remain uncertain.

On 18 January 2019, the Supreme People's Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區

法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong and the PRC. The 2019 Arrangement discontinued the 2006 Arrangement and the 2019 Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong. The 2019 Arrangement will, upon its effectiveness, supersede the 2006 Arrangement. Therefore, before the 2019 Arrangement becomes effective it may be difficult or impossible to enforce a judgement rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

RISKS RELATING TO [REDACTED]

There has not been any prior public market for our Shares and an active trading market may not develop

An active trading market for our Shares may not develop and the trading price of our Shares may fluctuate significantly. Prior to the **[REDACTED]**, there has been no public market for our Shares. The **[REDACTED]** was the result of negotiation between our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), and the **[REDACTED]** may not be indicative of the price at which our Shares will be traded following completion of the **[REDACTED]**. In addition, we cannot assure you that an active trading market for our Shares will develop, or, if it does develop, that it will be sustained following completion of the **[REDACTED]**, or that the trading price of our Shares will not fall below the **[REDACTED]**.

Shareholders' interest in the Company's share capital may be diluted in the future

We may need to raise additional funds in the future to finance further expansion of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of our Group other than on a pro rata basis to existing Shareholders, the percentage of ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

In addition, we may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

The trading volume and price of our Shares may fluctuate. Further, any disposal of a substantial number of Shares by our Controlling Shareholders in the public market may adversely affect [REDACTED] of our Shares

The trading volume and price of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of business development, strategic alliances or acquisitions, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies or litigation may cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

Further, we cannot assure you that our Controlling Shareholders will not dispose of, in part or in whole of, their Shares following the expiration of their respective lock-up periods after the **[REDACTED]**. We cannot predict the effect, if any, of any future sale of our Shares by any of our Controlling Shareholders on the market price of the Shares. Sale of our Shares by any of our Controlling Shareholders may materially and adversely affect the prevailing market price of our Shares.

The market price of our [REDACTED] when [REDACTED] begins could be lower than the [REDACTED] as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time [REDACTED] begins

The **[REDACTED]** will be determined on the **[REDACTED]**. However, the **[REDACTED]** will not commence trading on the Stock Exchange until they are delivered. As a result, investors may not be able to sell or otherwise deal in the **[REDACTED]** during that period. Accordingly, holders of the **[REDACTED]** are subject to the risk that the price of the **[REDACTED]** when **[REDACTED]** begins could be lower than the **[REDACTED]** as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time **[REDACTED]** begins.

Since there will be a gap of several days between the [REDACTED] and [REDACTED] of our [REDACTED], the [REDACTED] of our [REDACTED] could fall below the [REDACTED] when [REDACTED] commences

The **[REDACTED]** of our **[REDACTED]** will be determined on the **[REDACTED]**, which is expected to be on or around **[REDACTED]**. However, the **[REDACTED]** will not commence trading on the Stock Exchange until the **[REDACTED]**, which is expected to be **[REDACTED]**. Accordingly, investors may not be able to sell or deal in the **[REDACTED]** during the period between the **[REDACTED]** and the **[REDACTED]**. Our Shareholders are subject to the risk that the price of the **[REDACTED]** could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the **[REDACTED]** and the **[REDACTED]**.

The [REDACTED] are entitled to terminate the [REDACTED]

Prospective investors should note that the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) are entitled to terminate their obligations under the **[REDACTED]** by giving notice in writing to us upon the occurrence of any of the events set out in the section headed "**[REDACTED]**" in this document at any time prior to 8:00 a.m. (Hong Kong time) on the **[REDACTED]**. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, fire, flood, explosions, acts of terrorism, earthquakes, strikes or lock-outs.

[REDACTED] may experience difficulties in enforcing their shareholders' rights as the laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where [REDACTED] may be located

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Cayman Companies Act and common law of the Cayman Islands. The laws of Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong or other jurisdictions where **[REDACTED]** may be located. As a result, minority Shareholders may not enjoy the same rights or remedies available as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraph headed "Summary of Cayman Islands Company Law and Taxation — (5) Shareholders' Suits and (6) Protection of Minorities" in Appendix IV to this document.

RISKS RATING TO STATEMENTS IN THIS DOCUMENT

Certain facts, statistics and data contained in this document have not been independently verified and may not be reliable

Certain facts, statistics and data in this document are derived from various sources including various official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted rendering such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, **[REDACTED]** or any of their respective directors, affiliates or advisers and therefore, none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, **[REDACTED]** should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

[REDACTED] should read the entire document and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports

There may be coverage in the media regarding the **[REDACTED]** and our operations. There had been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the **[REDACTED]**, press and media coverage regarding us and the **[REDACTED]**, which contained, among other matters, certain financial information, projections, valuations and other forward-looking information about us and **[REDACTED]**. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media that is inconsistent or conflicts with the information contained in this document. Accordingly, prospective investors should read the entire document carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this document to make investment decisions about us.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain **[REDACTED]** information and other matters.

The words "aim", "anticipate", "believe", "contemplate", "continue", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "potential", "predict", "project", "schedule", "seek", "should", "target", "will", "would" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgement of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed "Risk factors" in this document. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

In preparation for the **[REDACTED]**, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the **[REDACTED]**. We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see the section headed "Connected Transactions" in this document.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that an applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive Directors must be ordinary resident in Hong Kong.

Our Company's headquarters and our principal business operations are based outside of Hong Kong. All of our executive Directors spend the majority of their time supervising our Company's principal business operations out of Hong Kong and do not ordinarily reside in Hong Kong. We consider that it would be more efficient and effective for our executive Directors and our management being based outside Hong Kong to supervise and manage our daily business operations.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules, and the following arrangements have been made for maintaining regular and effective communication with the Stock Exchange:

(a) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two appointed authorised representatives Mr. Yang, our executive Director and chairman of the Board and Ms. Szeto Kar Yee Cynthia our company secretary, who will readily be contactable by the Stock Exchange and can meet with the Stock Exchange on reasonable notice. Their contact details (including office and mobile phone numbers, facsimile numbers, email addresses and business addresses) have been provided to the Stock Exchange.

(b) We have retained the services of a compliance adviser, Zhongtai International Capital Limited, in compliance with Rule 3A.19 of the Listing Rules. Zhongtai International Capital Limited, in addition to our Company's authorised representatives, act as an additional channel of communication of our Company with the Stock Exchange and be available to answer enquiries from the Stock Exchange.

(c) Each of our Directors, including the independent non-executive Directors, has provided their respective contact details (including office phone numbers, mobile phone numbers, facsimile numbers and email addresses) to the authorised representatives and the Stock Exchange. Our authorised representatives have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. Each of our Directors either possesses, or can apply for, valid travel documents to visit Hong Kong in order to meet with the Stock Exchange within a reasonable period upon the Stock Exchange's request.

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yang Liqun (楊立群)	Room 501, Unit 3, Building 26 Star Unit Huaiyin District Jinan City, Shandong Province, PRC	Chinese
Mr. Fei Zhongli (費忠利)	Room 503, Unit 1, Block 16 Luneng Kangqiao Tianqiao District Jinan City, Shandong Province, PRC	Chinese
Non-executive Directors		
Mr. Luan Tao (欒濤)	Room 101, Unit 2, Building 3 No. 28 West Qianfoshan Road Lixia District Jinan City, Shandong Province, PRC	Chinese
Mr. Luan Hangqian (欒航乾)	No. 201, Unit 3, Building 2 No. 317 Weiyi Road Shizhong District Jinan City, Shandong Province, PRC	Chinese
Mr. Cheng Xin (程欣)	No. 1101, Unit 1, Building 5 Area III San Jian Rui Fu Yuan Residential Compound Shizhong District Jinan City, Shandong Province, PRC	Chinese
Independent non-executive Directors		
Ms. Chen Haiping (陳海萍)	Room 401, Unit 4, Building 2 Xilifengfangyuan, Shangdi Haiding District, Beijing, PRC	Chinese

Name	Address	Nationality
Ms. Bao Ying (鮑穎)	No. 29, Longtan Road Taishan District, Taian, Shandong, PRC	Chinese
Ms. He Murong (何慕蓉)	Room 1702, Qifu Mingjiage No. 107 Qifu Mingjiasijie Panyu District Guangzhou, Guangdong, PRC	Chinese

For detailed information of our Directors, please refer to the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Zhongtai International Capital Limited** 19/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	[REDACTED]
Legal Advisers to our Company	*As to Hong Kong law* **Jingtian & Gongcheng LLP** Suites 3203-3207, 32/F, Edinburgh Tower, The Landmark 15 Queen's Road Central Hong Kong *As to PRC law* **Zhong Lun Law Firm** 8-10/F, Tower A, Rongchao Tower 6003 Yitian Road, Futian District Shenzhen PRC *As to Cayman Islands law* **Campbells** 1301, 13/F, York House The Landmark, 15 Queen's Road Central, Central
Legal Advisers to the Sole Sponsor [REDACTED]	*As to Hong Kong law* **Li & Partners** 22/F, World-Wide House Central Hong Kong *As to PRC law* **AllBright Law Offices** 9/11/12/F, Shanghai Tower 501 Yincheng Middle Road Pudong New Area Shanghai PRC
Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F One Taikoo Place 979 King's Road Quarry Bay Hong Kong

Industry Consultant	**Frost & Sullivan (Beijing) Inc.** Room 2401-02, Tower 2 China World Office 1 Jianguo Men Wai Avenue Chaoyang District Beijing, PRC
Property Valuer	**AVISTA Valuation Advisory Limited** 23rd Floor, Siu On Centre No. 188 Lockhart Road Wanchai Hong Kong
Compliance Adviser	**Zhongtai International Capital Limited** 19th Floor Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
Head Office and Principal Place of Business in the PRC	6th Floor, Building No. 1 Lemeng Center No. 28988 Jingshi Road Jinan City Shandong Province PRC
Principal Place of Business in Hong Kong	31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's website	www.sdrhwy.cn
Company Secretary	**Ms. Szeto Kar Yee Cynthia** ***(ACIS, ACS)*** 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorised Representatives	**Mr. Yang Liqun (楊立群)** Room 501, Unit 3, Block 26 Mingxing Community, Huaiyin District Jinan Shandong PRC **Ms. Szeto Kar Yee Cynthia** 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Audit Committee	Ms. Chen Haiping (Chairlady) Mr. Yang Liqun Ms. Bao Ying
Remuneration Committee	Ms. He Murong (Chairlady) Mr. Yang Liqun Ms. Chen Haiping
Nomination Committee	Mr. Yang Liqun (Chairman) Ms. He Murong Ms. Bao Ying

CORPORATE INFORMATION

[REDACTED]

Principal Bank	Agricultural Bank of China Co., Ltd. (Jinan Dajin Branch) No. 29716 Jingshi West Road Waihai Central Garden Community 2-101 Jinan PRC
	Industrial and Commercial Bank of China Limited (Jinan Huaiyin Branch) No. 638 Jing'er Road Huaiyin District Jinan PRC

Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report prepared by Frost & Sullivan, which was commissioned by us.

We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any of our or their respective directors, senior management, representatives or any other person involved in the **[REDACTED]** have not independently verified such information and have made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, you are advised not to place undue reliance on such information.

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on property management services market in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes chemicals, materials and food, commercial aviation, consumer products, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. We have agreed to pay Frost & Sullivan a total fee of RMB500,000 for the preparation of the Frost & Sullivan Report.

F&S Report

Our Company has included certain information from the F&S Report in this document because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the F&S Report has been undertaken through detailed primary research which involves discussing the status of property management and operational services market with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions at the time of compiling such reports: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; (iii) COVID-19 will affect the market stability in the short term; and (iv) Market drivers such as continuous development of real estate industry, extensive implication of technologies, involvement in capital market and others will drive the property management and operational services market.

PROPERTY MANAGEMENT SERVICES MARKET IN CHINA

Overview and Definition

Property management is the operation, control, and oversight of real estate as used in its most broad terms. Management indicates a need to be cared for, monitored and accountability given for its useful life and condition. Property management is also the management of personal property, equipment, tooling, and physical capital assets that are acquired and used to build, repair, and maintain end item deliverables. Most China's property management services companies provided services for a wide range of properties, including residential communities and non-residential communities including office buildings, shopping malls, and public, industrial and other properties, such as hospitals and schools.

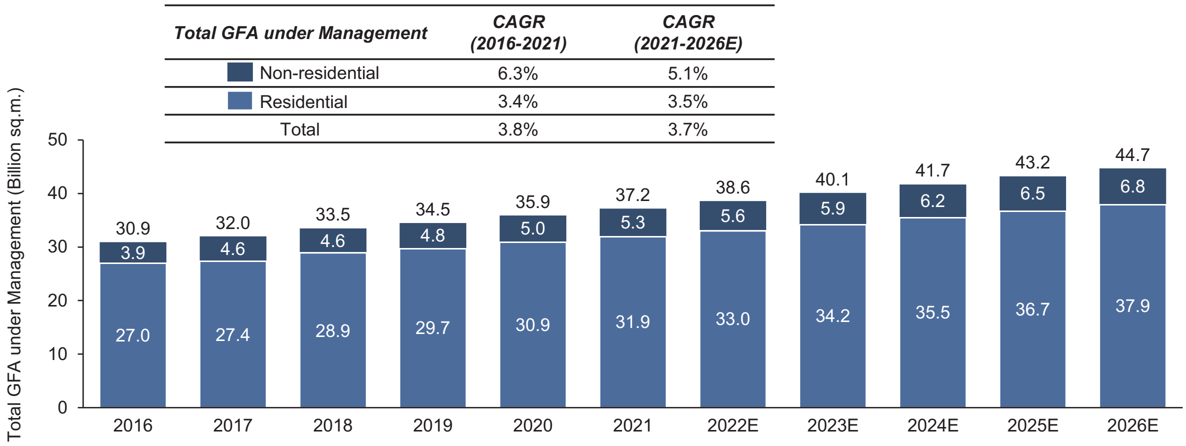
Property management services companies generally offer these services: (i) traditional property management services; and (ii) other services include value-added services to property developers and community value-added services. Value-added services to property developers mainly comprise of pre-delivery services and consulting services.

Fee Basis Analysis

For traditional property management services, property management services companies can charge management fees either on a lump sum basis or on a commission basis. The lump sum basis for property management fees is the dominant model in the property management services market for both residential and non-residential buildings in China. By taking this basis, property management services companies can manage their costs by a series of cost-saving measures, including standardisation of procedures, automation and smart management to reduce their reliance on manual labour.

Market Size of Property Management Services Market in China

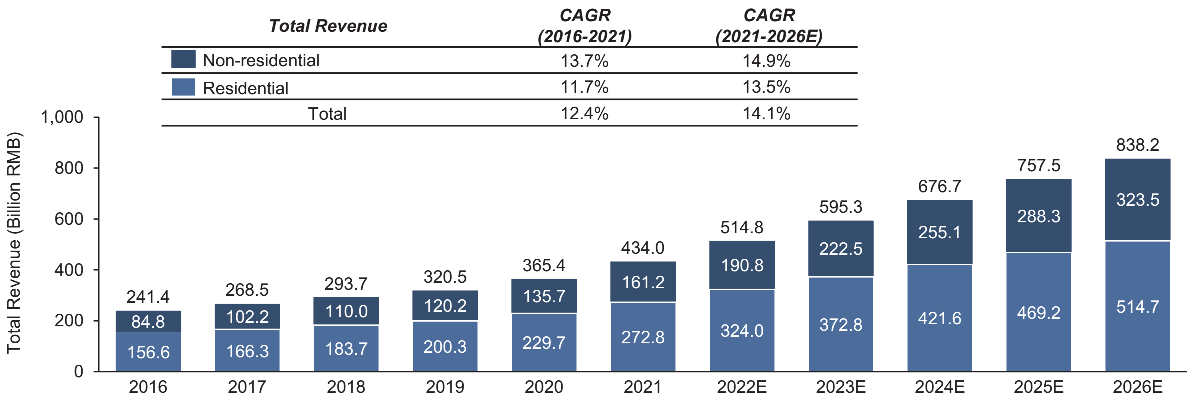
Total GFA under Management by Property Management Services Companies (China), 2016-2026E



Source: Frost & Sullivan Analysis

GFA under management refers to the aggregate floor areas of individual units privately owned by property owners or occupied by property occupants and gross floor area of common areas. In China, the total GFA under management by property management services companies increased from 30.9 billion sq.m. in 2016 to 37.2 billion sq.m. in 2021, with a CAGR of 3.8%. The total GFA under management of residential properties reached 31.9 billion sq.m. in 2021, with a CAGR of 3.4% from 2016 to 2021 and the total GFA under management of non-residential properties reached 5.3 billion sq.m. in 2021, with a CAGR of 6.3% from 2016 to 2021. In 2026, the total GFA under management is expected to reach 44.7 billion sq.m., with a CAGR of 3.7% from 2021 to 2026.

Total Revenue of Property Management Services Companies (China), 2016-2026E



Source: Frost & Sullivan Analysis

Property management services can be divided into services offered for residential properties and non-residential properties. From 2016 to 2021, the total revenue of property management service companies increased from RMB241.4 billion to RMB434.0 billion, with a CAGR of 12.4%. In 2026, the total revenue of property management services is expected to reach RMB838.2 billion, with a CAGR of 14.1% from 2021 to 2026. From 2016 to 2021, the total revenue generated from non-residential properties increased from RMB84.8 billion to RMB161.2 billion, with a CAGR of 13.7%. In 2026, the total revenue generated from non-residential properties is expected to reach RMB323.5 billion, with a CAGR of 14.9% from 2021 to 2026.

Future Opportunities and Challenges

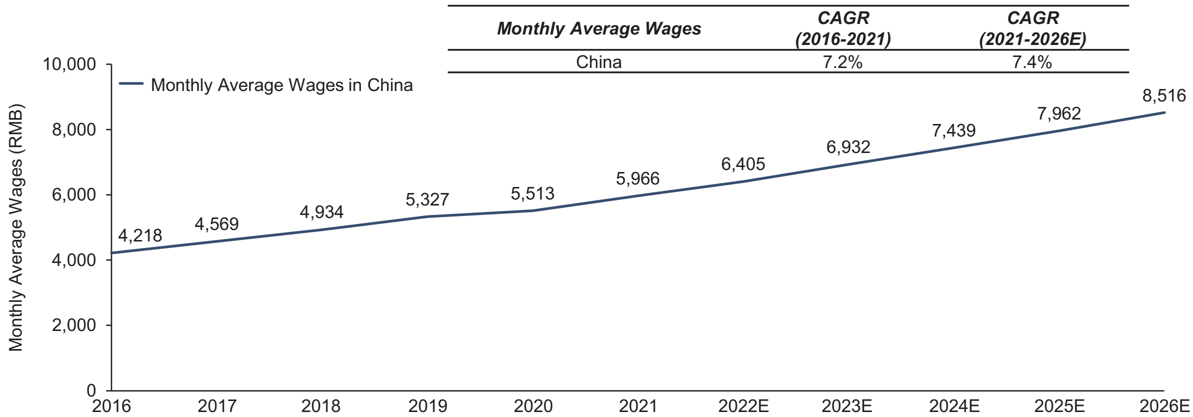
Accelerated Industry Concentration: The degree of concentration of the property management services market is increasing in recent years as a result of policy environment, market competition and information technology. Especially, a few of the leading property management services companies begin to enhance management standards and core competitiveness through mergers and acquisitions. Moreover, property management services companies are making efforts to develop alliance and consolidation to achieve economies of scale resulting in the increasing concentration level of China's property management services market in the future.

Growing Awareness of Service Quality: Nowadays, property owners pay more attention to service quality while selecting their property management services providers. With the growing per capita disposable income, property owners pursue better living conditions and are more willing to pay premiums for high quality property management services. Moreover, high quality property management services can preserve and increase the value of properties. In the future, increasing number of property management services companies are expected to keep up with this trend by optimising their traditional property management services and upgrading the quality of their services by applying information technologies.

Expanding Service Scope and Provision of Value-added Services: The property management services market in China has observed a trend of extended service types and property types in recent years, from traditional property management services to other value-added services for offices buildings, industrial parks and public properties, and more property types are expected to be covered in the future. Property management services companies have been extending property management services and integrating essential life services, such as education, medical, healthcare and others in their service scope. Value-added services, such as consulting services and community leasing, generally have a higher profit margin than traditional property management services. Furthermore, provision of value-added services enables property management services companies to enhance customer loyalty and brand image. Meanwhile, the growing requirements for professional property management services provided to different property types will promote the innovation of services standard and service model in the property management services market in China.

Rising Labour Costs: The property management services market requires large amount of workers to provide security, cleaning, gardening, repairing and other services, and the labour cost is one of the largest operating costs. The increase of labour cost has posed an increasing pressure on the companies' operating costs and may reduce their profitability. The amount of labour cost was mainly affected by the increase in the staff headcount due to the expansion and the general trend of wage increases in China. From 2016 to 2021, the monthly average wages of workers in property management services market have increased from RMB4,218 in 2016 to RMB5,966 in 2021, with a CAGR of 7.2%.

Monthly Average Wages of Workers in Property Management Services Market (China), 2016 to 2026E



Source: Frost & Sullivan Analysis

PROPERTY MANAGEMENT SERVICES MARKET IN SHANDONG PROVINCE

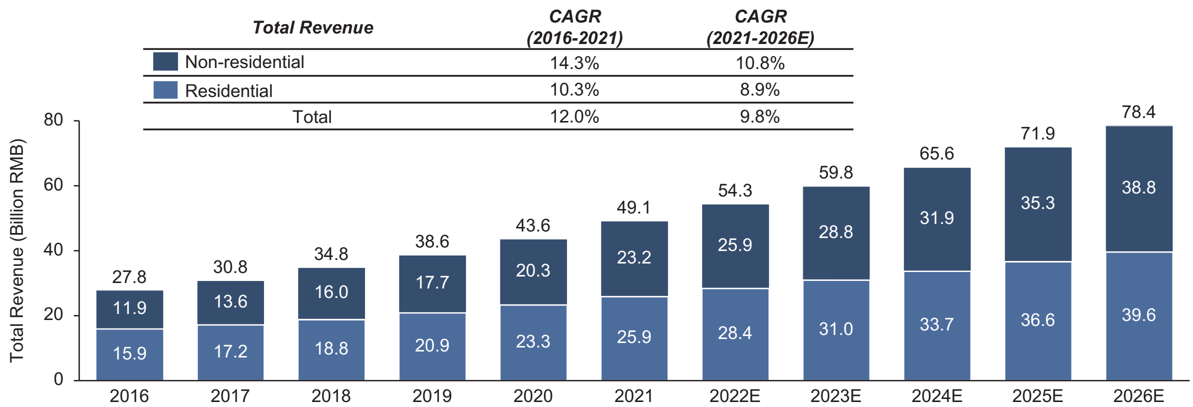
Introduction and Overview

Shandong Province is located in the East China region and is a coastal province of China. The province is on the eastern edge of the North China Plain and in the lower reaches of the Yellow River. Shandong Province borders the Bohai Sea to the north, and plays an important role in Circum-Bohai Sea Economic Zone.

In 2021, Shandong Province produced around 7.3% of China's nominal GDP, ranking the third among all provinces in China. Besides, Shandong Province is one of the most populous provinces in China. In recent years, Shandong Province actively sought to upgrade its traditional economic structure and boasted geographical advantages to participate in international cooperation, especially cooperation with Japan and the Republic of Korea. The Chinese government has made it a priority to integrate all the cities in the Bohai Bay rim and foster economic development, which includes building an advanced communication network, better highways, increased education and scientific resources as well as tapping natural resources off the Bohai rim. In 2016, the Chinese government approved a US$36 billion plan to link and integrate the various cities in the Bohai rim through the construction of nine railways of 1,100 kilometres.

Market Size of Property Management Services Market in Shandong Province

Total Revenue of Property Management Services Companies (Shandong Province), 2016-2026E



Source: Frost & Sullivan Analysis

From 2016 to 2021, the total revenue of property management service companies in Shandong Province increased from RMB27.8 billion to RMB49.1 billion, with a CAGR of 12.0%. In 2026, the total revenue of property management services in Shandong Province is expected to reach RMB78.4 billion, with a CAGR of 9.8% from 2021 to 2026. From 2016 to 2021, the total revenue generated from non-residential properties in Shandong Province increased from RMB11.9 billion to RMB23.2 billion, with a CAGR of 14.3%. In 2026, the total revenue generated from non-residential properties is expected to reach RMB38.8 billion, with a CAGR of 10.8% from 2021 to 2026.

Market Drivers

Favourable Policies: In recent years, Chinese government has issued a series of policies to support the development of Shandong Province and Circum-Bohai Sea Economic Zone, such as the "Coordinated Development Planning Outline of Circum-Bohai Sea Region (環渤海地區合作發展綱要)" issued in September 2015. Those policies are expected to promote the development of the real estate market and the infrastructure in the Circum-Bohai Sea Region. Shandong Province, as the largest economical province in the Circum-Bohai Sea Region, will benefit from the development of the entire region, which will bring opportunity for property management service providers in Shandong Province.

Increasing Urbanisation Rate and Per Capita Disposable Income: Due to rapid economic development of China and the influx of migrants from rural areas to developed areas, the urban population in Shandong Province has been steadily increasing. From 2016 to 2021, the urbanisation rate in Shandong Province increased from 59.1% to 63.9%. The rapid urbanisation results in a rapid growth of real estate industry and a continuous increase of GFA of commodity properties transacted, which stimulates the demand for property management services. From 2016 to 2021, per capita annual disposable income of urban households in Shandong Province saw an increase from RMB34,012 to RMB47,066 with a CAGR of 6.7%. Such growth has a positive effect on residents' purchasing power and demand for high quality property management services. Property owners pursue better living conditions and community environment, and are more willing to pay premiums for high quality property management services.

Increasing Renovation and Upgrading of Old Communities and Buildings: In recent years, Shandong government has issued a series of policies and plans to accelerate the renovation and upgrade of old communities and buildings. According to those plans, approximately 840,000 and 210,000 old communities and were planned to be renovated in 2018 and 2019, approximately 140,000 old communities are planned to be renovated in 2020. Under such circumstance, those property management service companies who are able to offer comprehensive services relevant to urban renewal in Shandong Province are expected to be beneficial from the increasing renovation and upgrade of old communities and buildings. Comprehensive services mainly include improving landscaping and community environment, improving the supporting facilities in the communities, introducing intelligent property management systems, etc.. Besides, with the continuous urban renewal in Shandong Province, the demand for supporting facilities, such as hospitals and schools is expected to increase, which will stimulate the demand for non-residential property management services.

Future Opportunities and Challenges

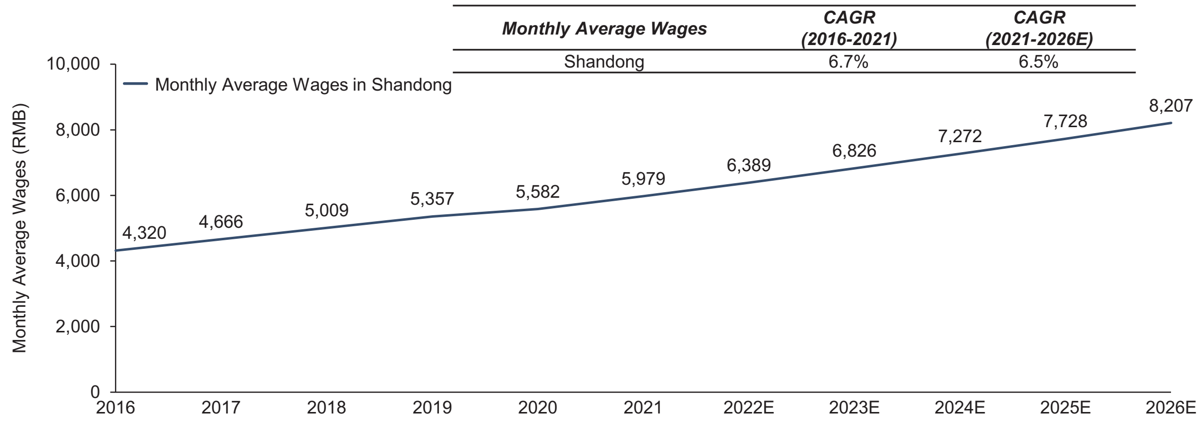
Promotion of Professional Level in Property Management Services Market: Property management services companies in Shandong Province are expanding services to more diversified types of properties especially non-residential properties, such as office buildings, hospitals and schools. On the other hand, a growing number of owners of non-residential properties are inclined to delegate their property management to professional services companies as those properties require strong management capabilities. For instance, hospitals require strong capabilities of management and control as well as resource integration owing to high requirements on environment management, security management and facility management. In the future, participants in non-residential property management market in Shandong Province will gain competitive advantages by promoting the level of professional property management services.

Integration of Internet and Services: In recent years, with the increasing disposable income in Shandong Province, property owners and users have higher requirements for property management services. Therefore, the leading companies are more active to catch up with the trends in property management services market as a result of the competitive and advanced market pattern. Along with rapid development of Internet, growing number of companies in this market gradually achieve the integration of Internet and property management services, such as establishing community O2O platforms and intelligent hospital logistic management system. In the following years, an increasing number of property management services companies in Shandong Province will focus on the combination of Internet and services to increase their core competitive advantage.

Shortage in Talents: As property management services market in Shandong Province is undergoing its transition and development period, the market requires large quantity of professional talents, especially in management and technology support. However, property management services market is facing the shortage of high-quality talents, especially in non-residential property management services market, which has relatively high requirements for management capabilities.

Rising Labour Costs: With the economic growth, the monthly average wages of workers in Shandong Province increased continuously. From 2016 to 2021, the monthly average wages of workers in property management services market in Shandong Province increased from RMB4,320 in 2016 to RMB5,979 in 2021, with a CAGR of 6.7%. In 2026, the monthly average wages of workers in Shandong Province is expected to reach RMB8,207, with a CAGR of 6.5% from 2021 to 2025. Accordingly, as the labour-intensive industry, the property management services market in Shandong Province is expected to face the challenge of rising labour costs.

Monthly Average Wages of Workers in Property Management Services Market (Shandong Province), 2016-2026E



Source: Frost & Sullivan Analysis

Entry Barriers

Brand Reputation: Brand reputation is an important factor for property management services companies. Most property owners and users prefer renowned property management services companies over less well-known services providers. Furthermore, the marketing of property management services companies normally depends on their services reputation and brand awareness and brand reputation is easy to spread among property owners and users. A well brand reputation relies on years of management and accumulation thus the brand reputation of well-known and experienced companies built over the years cannot be easily caught up by a new participant in Shandong Province.

Professional Staff: The property management services market is a labour-intensive industry. To maintain competitive advantages, property management services companies in Shandong Province require a professional team in both management and technology as well as a stable talent development mechanism. Further, with the increased application of big data and information technology in this market, property management services companies have been constantly developing innovative business models and value-added services. As a result, professional and technical personnel play more important roles in property management services market in Shandong Province.

Qualifications and Licences of Services: A minority of property management services companies can provide specialised services which require relevant qualifications and licences such as repair and maintenance of specialised elevators, escalators and mechanical car park equipment while those companies without such qualifications and licences have to engage subcontractors. For new participants in Shandong Province, qualifications and licences is one of entry barriers which might greatly increase their cost pressure for outsourcing specialised services.

Competitive Landscape

Top 5 Local Property Management Service Providers by Total Revenue (Shandong Province), 2021

Ranking	Company	Listing Status	Found Year	Background Information	Market Share (%)
1	Company A	Not listed	2004	One of the leading comprehensive property management service providers in Shandong Province, mainly focus on providing a professional property management services for public facilities, residential properties and commercial properties.	1.9%
2	Company B	Not listed	1997	A leading comprehensive property management service provider in Shandong Province who manages a diverse portfolio of properties.	1.2%
3	Our Group	-	1996	A comprehensive property management service provider in the PRC, with a primary focus in Shandong Province by upholding our strategy of "Shandong Focus".	1.0%
4	Company C	Not listed	2000	A leading property management service provider in Shandong Province that provides diversified property management services.	1.0%
5	Company D	Not listed	2004	One of leading property management service provider in Shandong Province focusing on providing services for diversified properties.	0.8%
Top 5					5.9%
Others					94.1%
Total					100%

Source: Frost & Sullivan Analysis

In 2021, the top 5 local property management service providers in Shandong Province accounted for approximately 5.9% in terms of total revenue generated from property management services. Among those service providers, our Group ranked 3rd and accounted for 1.0% in property management services market in Shandong Province.

Top 5 Local Property Management Service Providers by Revenue Generated from Non-residential Properties (Shandong Province), 2021

Ranking	Company	Listing Status	Found Year	Background Information	Market Share (%)
1	Company A	Not listed	2004	One of the leading comprehensive property management service providers in Shandong Province, mainly focus on providing a professional property management services for public facilities, residential properties and commercial properties.	3.3%
2	Company B	Not listed	1997	A leading comprehensive property management service provider in Shandong Province who manages a diverse portfolio of properties.	2.4%
3	Our Group	-	1996	A comprehensive property management service provider in the PRC, with a primary focus in Shandong Province by upholding our strategy of "Shandong Focus".	2.1%
4	Company C	Not listed	2000	A leading property management service provider in Shandong Province that provides diversified property management services.	1.4%
5	Company D	Not listed	2004	One of leading property management service provider in Shandong Province focusing on providing services for diversified properties.	1.1%
Top 5					10.3%
Others					89.7%
Total					100%

Source: Frost & Sullivan Analysis

In 2021, the top 5 local property management service providers in Shandong Province accounted for approximately 10.3% in terms of the revenue generated from non-residential property management services. Among those service providers, our Group ranked 3rd and accounted for 2.1% in non-residential property management services market in Shandong Province.

HOSPITAL LOGISTICS SERVICES MARKET IN CHINA

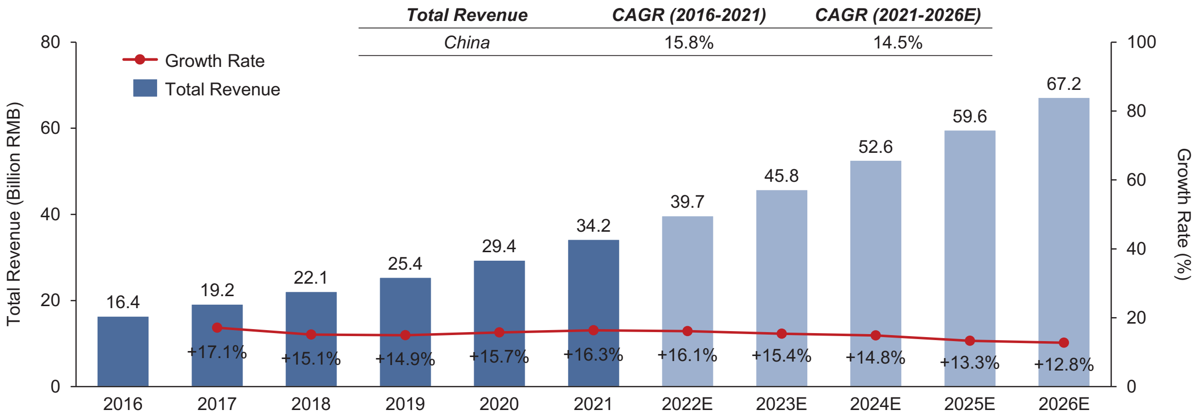
Overview

Hospital logistics services are a crucial foundation to support and ensure the normal operation of hospitals including medical treatment, scientific research, disease prevention, health care, etc.. Hospital logistics services providers can offer comprehensive services in the aspects of operation and management of assets and facilities in hospitals, and basic necessities of life for patients including clothing, food, housing and transportation, whilst they can also provide material supply and equipment support. Professional knowledge and strong management and operation capability are required for hospital logistics services providers to provide high-quality and a full range of hospital logistics services.

Hospital logistics services mainly include traditional property management services and value-added services. Traditional property management services primarily involve security services, cleaning services, gardening and landscaping services, repair and maintenance services and others. The value-added services mainly incorporate (i) asset and facility management, such as facility procurement management, equipment acceptance and filing, maintenance of special equipment, cheque and management of assets, etc., (ii) safety management, such as fire safety management, hazardous chemicals management, emergency management, etc., and (iii) patient services, such as material delivery, bedding and clothing washing, nursing services, housekeeping services, catering services, etc., (iv) surface cleaning for the used medical devices, equipment and consumables and deliver them to the central sterile services department.

Market Size of Hospital Logistics Services Market

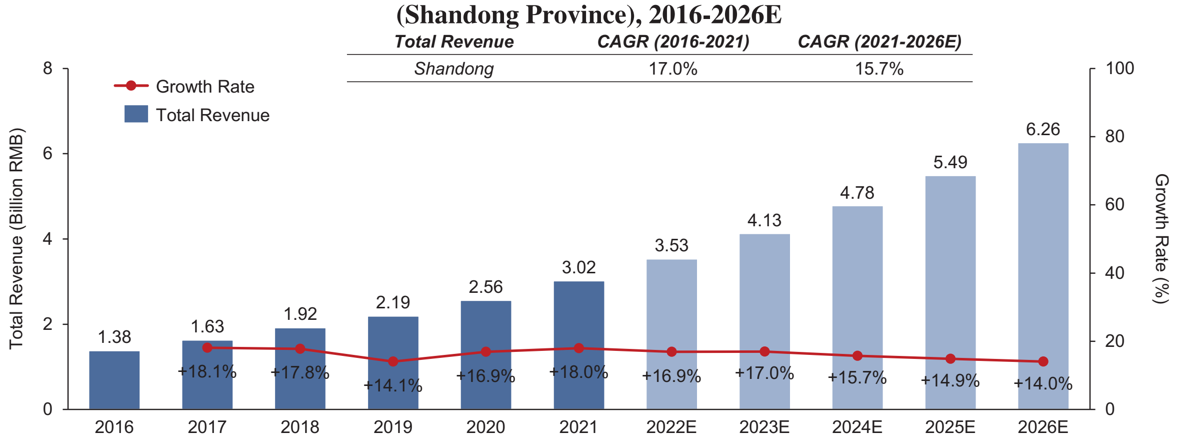
Total Revenue of Hospital Logistics Services Market (China), 2016-2026E



Source: Frost & Sullivan Analysis

With the increasing number of hospitals, the total revenue of hospital logistics services market increased continuously in recent years. From 2016 to 2021, the total revenue of hospital logistics services market in China increased from RMB16.4 billion to RMB34.2 billion, with a CAGR of 15.8%. In the future, with the growing requirement for hospital logistics services, the total revenue of hospital logistics services market is expected to keep growing. In 2026, the total revenue of hospital logistics services in China is expected to reach RMB67.2 billion, with a CAGR of 14.5% from 2021 to 2026.

Total Revenue of Hospital Logistics Services Market (Shandong Province), 2016-2026E



Source: Frost & Sullivan Analysis

The total revenue of hospital logistics services market in Shandong Province increased continuously in recent years due to increasing number of hospitals and growing requirement for hospital logistics services. From 2016 to 2021, the total revenue of hospital logistics services market in Shandong Province increased from RMB1.38 billion to RMB3.02 billion, with a CAGR of 17.0%. In the future, the total revenue of hospital logistics services market in Shandong Province is expected to keep growing. In 2026, the total revenue of hospital logistics services in Shandong Province is expected to reach RMB6.26 billion, with a CAGR of 15.7%.

Market Drivers

Increasing Number of Hospitals: With the continuous increase of fixed asset investment in China's health industry, the total number of hospitals in China experienced a stable growth in recent years, increasing from approximately 29.0 thousand in 2016 to 37.0 thousand in 2021, representing a CAGR of 5.0%. The increasing number of hospitals stimulated the demand for hospital logistics services and thus brought broader development prospect to the hospital logistics services market in China.

Government Support to Promote Outsourcing of Hospital Logistics: According to a series of policies and regulations such as the Guiding Opinions on Establishment of Modern Hospital Management System (《關於建立現代醫院管理制度的指導意見》) which aimed to improve the hospital logistics management system, explore the one-stop service model of hospital logistics and promote the outsourcing of hospital logistics services, the Chinese government has proposed to promote the outsourcing of hospital logistics and encourage companies to participate in the provision of hospital logistics services. Therefore, the government support under such policies promoted the development of hospital logistics services market in China.

Growing Requirement for Hospital Logistics Services: As hospitals normally have high requirements for environmental safety, professional facility management and strong capability to cope with emergencies and large and complex flow of patients, the hospital logistics services providers has continuously improved their service quality and extended their service scope from traditional property management services to value-added services such as nursing services, medical guidance services and medical waste treatment. The growing requirements for hospital logistics services also promoted the improvement of services standards in China's hospital logistics services market.

Future Opportunities and Challenges

Increasing Demands for Outsourcing of Hospital Logistics: With the continuously increasing labour costs in recent years, most of hospitals in China has outsourced their non-core business such as hospital logistics to reduce their costs. The property management services companies with professional management experiences, effective management methods and excellent service teams in providing hospital logistics services will further enhance their penetration. In the future, with the increasing demands for outsourcing of hospital logistics, hospital logistics service providers will establish more extensive and in-depth cooperation with hospitals. With the increasing number of hospitals in China outsourcing hospital logistics service and the diversification of the service scope and revenue streams of hospital logistics service providers, the total revenue of hospital logistics services market in China is expected to grow at a CAGR of 14.5% from 2021 to 2026.

Diversified Service Scope: With the improvement of hospital logistics management system, hospitals have growing requirements in value-added services, which requires hospital logistics services providers to extend their service scope. Meanwhile, the hospital logistics services providers have been dedicated to explore the one-stop service mode to provide comprehensive and full range of hospital logistics services, thereby extending the service scope from traditional property management services to diversified value-added services, such as meal delivery service, driver service and express service. The hospital logistics services providers with strong capabilities to provide diversified services will maintain competitive advantages in China's hospital logistics services market.

Application of New Technologies: Along with the development of hospital logistics services market in China, hospital logistics services providers have utilised a series of new technologies such as Internet technology, Internet of Things (IoT), big data and cloud computing in various application scenarios including cleaning services, medical auxiliary transportation and patrol and inspection services to reduce costs, improve management efficiency and promote the transformation and upgrading of traditional hospital logistics which primarily relies on large number of work force. In addition, with the wide application of new technologies in providing hospital logistics services, the hospital logistics services providers can assist hospitals to improve operation capability and comprehensive strength.

Rising Labour Costs: Hospital logistics services providers have higher requirements for their staff compared to property management services providers as the staff have to understand the basic medical and health knowledge and comply with strict requirements when providing hospital logistics services. Meanwhile, the hospital logistics services market requires a large amount of workforce to provide traditional property management services including security, cleaning, maintenance and other value-added services, thus the labour cost is one of the largest costs of hospital logistics services providers. Rising labour costs may impose cost pressure and reduce their profitability, which is a challenge in the hospital logistics services market in China.

Entry Barriers

Customer Relationship with Hospitals: High customer stickiness is one of the main characteristics in China's hospital logistics services market, whilst the hospitals will not change their services providers easily as hospital logistics services are provided to support medical services of hospitals and the successful cooperation between the hospitals and hospital logistics services providers generally takes a long time. If the hospital logistics services providers are changed frequently, it will increase the costs of hospitals in the management of services providers.

Operation and Management Capability: The hospital logistics services involves diversified service categories, and hospital logistics services providers primarily arrange their service processes and project implementation plans according to different requirements from medical institutions, which needs hospital logistics services providers to have a comprehensive understanding of daily operation in hospitals and sufficient project experiences. Meanwhile, the service qualities are directly related to whether the public can obtain health resources safely, conveniently and quickly. Therefore, hospitals are more cautious when selecting hospital logistics services providers and have high requirements for their operation and management capability in China's hospital logistics services market.

Brand Reputation: With the long-term operation, leading hospital logistics services providers have been recognised by customers for their service qualities as well as operation and management capability, which is conducive for them to establish stable customer base and have high brand reputation in China's hospital logistics services market. In addition, hospitals normally have the preference to hospital logistics services providers with high brand awareness. For new entrants, it is rather difficult for them to shape their own brand reputation in short time and obtain competitiveness against those leading hospital logistics services providers.

Competitive Landscape

Top 5 Property Management Service Providers in Hospital Logistics Services Market (Shandong Province), 2021

Ranking	Company	Listing Status	Found Year	Background Information	Market Share (%)
1	Company E	Not listed	2002	One of leading professional logistics service provider of hospitals with market-oriented operation, cross-regional operation and group management in the PRC.	7.5%
2	Our Group	-	1996	A comprehensive property management service provider in the PRC, with a primary focus in Shandong Province by upholding our strategy of "Shandong Focus".	7.2%
3	Company F	Not listed	1999	A leading comprehensive property management service provider in Shandong Province, and mainly focusing on public facilities including hospitals, government departments and others.	5.2%
4	Company A	Not listed	2004	One of the leading comprehensive property management service providers in Shandong Province, mainly focus on providing a professional property management services for public facilities, residential properties and commercial properties.	3.5%
5	Company G	Not listed	2004	One of leading professional logistics service providers for non-residential properties including schools, hospitals, public facilities, and commercial properties in the PRC.	2.6%
Top 5					26.0%
Others					74.0%
Total					100%

Source: Frost & Sullivan Analysis

In 2021, the top 5 property management service providers in hospital logistics services market in Shandong Province accounted for approximately 26.0% in terms of the revenue generated from hospital logistics services. Among those service providers, our Group ranked 2nd and accounted for 7.2% in hospital logistics services market in Shandong Province.

Our business operations are subject to extensive supervision and regulation by the PRC Government. This section sets out a summary of the material laws, regulations and policies to which we are subject.

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES

Foreign Invested Property Management Enterprises

The establishment, operation, and management of corporate entities in the PRC is governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress of the PRC (the "SCNPC") on 29 December 1993, and came into effect on 1 July 1994. The Company Law was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, and 26 October 2018. The Company Law generally governs two types of companies, namely limited liability companies and joint-stock limited companies, both of which have the status of legal persons, and the liability of shareholders of a limited liability company or a joint-stock limited company is limited to the amount of registered capital they have contributed. The Company Law shall also apply to foreign-invested companies in the form of limited liability company or joint-stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

According to the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) (No. 346 Order of the State Council) (issued by the State Council on 11 February 2002 and came into effect on 1 April 2002), foreign investment projects are divided into four categories, namely "encouraged", "permitted", "restricted" and "prohibited" categories. According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (Edition 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) issued by the NDRC and the MOFCOM on 27 December 2021 and came into effect on 1 January 2022, the property management service does not fall into such categories which foreign investment is restricted or prohibited.

On 30 December 2019, the Ministry of Commerce and the State Administration of Market Regulation issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on 1 January 2020 . Since 1 January 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures. On 15 March 2019, the National People's Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which came into effect on 1 January 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law, and became the legal foundation for foreign investment in the PRC. On 26 December 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law, Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law, the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law.

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organisations (collectively the "foreign investors") shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated equally. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which foreign investors or foreign-funded enterprises shall submit the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

Qualification of Property Management Enterprises

According to the Decision of the State Council on Cancelling the Third Batch of Administrative Licencing Items Implementation by Local Governments Designated by the Central Government (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》) issued by the State Council on 12 January 2017 and came into effect on the same day, second class or below property management company qualifications acknowledged by Provincial and municipal government departments of Housing and Urban-Rural Development were cancelled.

According to the Decision of the State Council on Cancelling a Group of Administrative Licencing Items (《國務院關於取消一批行政許可事項的決定》) issued by the State Council on 22 September 2017 which came into effect on the same day, qualification accreditation for property management enterprises of Level One was cancelled. According to the Notice of the General Office of Ministry of Housing and Urban-Rural Development on Effectively Implementing the Work of Cancelling the Qualification Accreditation for Property Management Enterprises (《住房城鄉建設部辦公廳關于做好取消物業服務企業資質核定相關工作的通知》) issued by the General Office of Ministry of Housing and Urban-Rural Development on 15 December 2017 and came into effect on the same day, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects. On 19 March 2018, the State Council issued Decision of the State Council to Amend and Repeal Certain Administrative Regulations (《國務院關于修改和廢止部分行政法規的決定》) (Order of the State Council No. 698), according to which the Regulations on Reatly Management (《物業管理條例》) was amended. The Regulations on Reatly Management (2018 revision) (《物業管理條例》) (2018年修正) has removed the qualification accreditation of the property management enterprises.

Procedures to convene a general meeting of property owners and establish a property owners' association

According to the Regulations on Property Management (《物業管理條例》), the property owners within a single property management area shall, under the direction of street office or township people's government or the real estate administration department of the county or district people's government where the relevant real estate is situated, convene a general meeting of property owners and elect a property owners' association. However, where there is only one property owner or where there are relatively few property owners and they are all in agreement, the property owner(s) may choose not to convene a general meeting of property owners, in which case the functions assigned to both a general meeting of property owners and property owners' association shall be performed by the owner(s). The Guidance Rules of the General Meeting of the Property Owners and the Property Owners' Association (《業主大會和業主委員會指導規則》) which promulgated by MOHURD on 1 December 2009 and came into effect on 1 January 2010, provides a practical guideline for the establishment and governance of the general meeting of property owners and property owners' association, and the supervision of the real estate administrative department of the local government.

According to the PRC Civil Code (《中華人民共和國民法典》), the general meeting of property owners may vote to establish a property owners' association. The property owners' association is elected by the property owners, and represents their interest in matters related to property management, and the association's decisions are binding on the property owners. Property owners of nonresidential properties are not required to establish a property owners' association under the relevant PRC laws and regulations.

Appointment of Property Management Companies

According to the PRC Civil Code (《中華人民共和國民法典》) (Presidential Decree No. 45) issued by the National People's Congress on May 28, 2020 and came into effect on 1 January 2021, property owners can either manage the buildings and ancillary facilities by themselves or may entrust a property management company or any other managers. The property management company or any other manager shall, upon the entrustment of the owners and pursuant to the relevant provisions of Part III of this Code governing property service contracts, manage the building and ancillary facilities thereof within the building's premises planned, accept the supervision of the owners and make timely replies to the inquiries of the owners about the property services. The property management company or manager shall implement the emergency measures and other management measures adopted by the government pursuant to the law, and actively cooperate in the relevant tasks.

According to the Regulations on Property Management (2018 revision) (《物業管理條例》) (2018年修正), a general meeting of the property owners of a community can engage or dismiss the property management companies with affirmative votes of owners who own more than half of the total GFA of the exclusive area of the community and who account for more than half of the total number of the property owners. Property owners' association, on behalf of the general meeting, shall sign property management contract with property management companies engaged at the general meeting. Before the engagement of a property management company by property owners and a general meeting of the property owners, a written preliminary service contract should be entered into between the property developer and the selected and engaged property management company. The preliminary property management contract may stipulate the contract duration. If the property management contract signed by the property owners' association and the property management company comes into force within the term of preliminary property management, the preliminary property management contract automatically terminates. Property developers of residential buildings shall enter into preliminary property management service agreements with property management enterprises through tender process in accordance with the Regulations on Property Management.

According to the Regulations on Property Management and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) issued by the Ministry of Construction on 26 June 2003 and came into effect on 1 September 2003, developer of residential buildings and non-residential buildings in the same property management area shall engage property management enterprises by inviting bid. In case where there are less than three bidders or for small-scale properties, the developer can hire property management companies by signing an agreement with the approval of the real estate administrative department of the local government of the place where the property is located. Bid assessment shall be the responsibility of the bid assessment committee established by the bid inviter in accordance with relevant laws and regulations. The bid assessment committee shall be composed of the representative of the bid inviter and experts in the related property management fields and the number of members shall be an odd number at or above five. The expert members shall represent at least two-thirds of the total members. Expert members in the bid assessment committee shall be determined by random select from the roster of experts established by the competent real estate administrative department. A person having an interest with a bidder shall not join the bid assessment committee of the related project. According to the Regulations on Property Management (2018 revision) (《物業管理條例》) (2018年修正), where the developer fails to hire the property management company through a tender and bidding process or hire the property management company by signing agreement without approval, the local real estate administrative department of the local government at the county level or above shall order the developer to make correction within a prescribed time limit, issue a warning and may impose with the penalty of no more than RMB100,000.

On May 15, 2009, the Supreme People's Court promulgated the Interpretation of the Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Cases of Disputes over Property Management Service (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》), which came into effect on October 1, 2009 and was amended as the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases of Disputes over Property Management Service (《最高人民法院關於審理物業服務糾紛案件適用法律若干問題的解釋》) effective from January 1, 2021. It stipulates the interpretation principles applied by the court when hearing disputes on specific matters between property owners and property management enterprises.

Fees Charged by Property Management Enterprises

According to the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) which was jointly issued by the NDRC and the Ministry of Construction (revised as the Ministry of Housing and Urban-Rural Development) on 13 November 2003 and came into effect on 1 January 2004, property management companies are permitted to charge fees from owners for the repair, maintenance and management of houses and ancillary facilities, equipment and venues and maintenance of the sanitation and order in relevant regions according to related property management service contract. The fees charged by property management companies nationwide are regulated by the competent price administration department and construction administration department of the State Council. The competent price administration department of the local people's governments at or above the county level and the competent property administration departments at the same level are responsible for supervising and regulating the fees charged by property management companies in their respective administrative regions. The fees charged by property management companies shall be determined with references to the government guidance price or market price, which is based on the nature and features of relevant properties to which the property management services are provided. The specific pricing principles shall be determined by the competent price administration departments and property administration departments of the local governments of each province, autonomous region and municipality.

Property management companies shall charge service fees at an expressly marked prices according to the regulations of competent price administration departments of the people's government, revealing the service information, standards, charged items and standards to the public at prominent positions within the property management region. According to the Provisions on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》), which was jointly issued by the NDRC and the Ministry of Construction (revised as the Ministry of Housing and Urban-Rural Development) on 19 July 2004 and came into effect on 1 October 2004, property management companies shall clearly mark the price, state service items and standards and relevant information on services (including the property management services as stipulated in the property management service agreement as well as other services requested by property owners) provided to the owners. If the charging standard changes, property management companies shall adjust all relevant information one month before implementing the new standard and indicate the date of implementing the new standard.

According to the Property Management Pricing Cost Supervision and Examination Approaches (Trial) (《物業服務定價成本監審辦法(試行)》), which was jointly issued by the NDRC and the Ministry of Construction (revised as the Ministry of Housing and Urban-Rural Development) on 10 September 2007 and came into effect on 1 October 2007, the competent price administration department of people's government formulates or regulates property management charging standards, the pricing cost of property management services should be the social average cost of community property services as verified by the competent price administration department of the people's government. With the assistance of competent real estate administrative department, competent pricing department is responsible to organise the implementation of the property management pricing cost supervision and examination work. Property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

According to the Circular of NDRC on the Opinions on Liberalising Price Controls in Certain Services (《國家發展和改革委員會關于放開部分服務價格意見的通知》), which was promulgated by NDRC and became effective on 17 December 2014, the competent price departments of all provinces, autonomous regions and direct municipalities under the PRC Government are supposed to perform relevant procedures to liberalise the prices of the following types of services that have met the relevant conditions: (1) Property management services for non-government-supported houses. Property management fees are fees charged by property management service providers for the maintenance, conservation and management of non-government-supported houses, their supporting facilities and equipment and the relevant sites thereof, maintaining the environment, sanitation, and order within the geographical scope of the managed properties, and other actions entrusted by the property owner in accordance with the property management service contract. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, implement government guidance prices for property management fees charged in relation to government-supported houses, houses under housing reform, older residential communities and preliminary property management services with regard to the actual situation. (2) Parking services in residential communities. Fees charged by property management service providers or parking service companies from property owners or users of residential areas for the providing and management of parking spaces and parking facilities in accordance with the agreed parking service contract.

On 13 July 2021, MOHURD and other seven departments promulgated the Notice on Continued Rectification and Standardization of the Real Estate Market Order (《住房和城鄉建設部等8部門關於持續整治規範房地產市場秩序的通知》) to continue to rectify and standardise the real estate market order in the fields of real estate development, property sale and purchase, housing leasing and property management services. The following items are the key points of rectification in the fields of property management services: failing to provide services in accordance with the agreed content and standards of the property management contract; failing to publicise the property management charging item standards, the operation and income of the owner's common part, the use of maintenance funds and other relevant information in accordance with the regulations; charging fees beyond the contractual agreement or publicising the charging item standards; unauthorised use of the owner's shared part to carry out business activities, infringement and misappropriation of the owner's shared part of the operating income; refuse to withdraw from the property management project without proper reason after the property management contract is terminated lawfully. For property management enterprise that violate laws and regulations within their respective jurisdictions, measures such as warning and interview, suspension of business for rectification, revocation of business license and qualification certificate etc. shall be adopted pursuant to the laws and regulations, and shall be exposed to the public; any case constituting a criminal offence shall be referred to the public security and judicial authorities for investigation and punishment pursuant to the law.

Property Management Service Outsourcing

According to the Regulations on Property Management, a property management enterprise may outsource a specific service within the property management area to a specialised service enterprise, but it shall not outsource all the property management business within such area to third parties. Where a property management enterprise outsource all the property management business within such area to third parties, the competent real estate administrative department of the local government at the county level or above shall order it to rectify the situation within a prescribed time limit, and impose on it a fine ranging from 30% to 50% of the price of the outsourcing contract.

According to the PRC Civil Code, where a property management enterprise delegates some specialised services in the property management service area to a specialised service organisation or any other third party, the property management enterprise shall be responsible to owners for the specialised services. A property management enterprise shall not delegate to a third party all the property management services it should provide, or delegate all property management services as divided to third parties respectively.

LEGAL SUPERVISION OVER ENGINEERING AND CONSTRUCTION SERVICES

According to the Construction Law of the PRC (《中華人民共和國建築法》) (No. 91 Order of the President of the PRC) issued by the SCNPC on 1 November 1997 and came into effect on 1 March 1998, which was amended on 22 April 2011 and 23 April 2019, construction enterprises, surveying units, design units and construction supervision units engaging in construction activities are classified into different qualification levels according to their qualification conditions such as their registered capital, professional technical staffs, technical equipment and performance records of their completed construction works, and they may only engage in construction activities within the scope specified for them in terms of their grades after passing qualification examination and obtaining the appropriate qualification grade certificates. It is an offence to contract for projects exceeding the limit of an enterprise's qualification and the offender may be subject to an order to cease the illegal act, fine, suspension of business for rectification or qualification downgrade; in more serious cases, an offender's qualification may be revoked and the illegal gains may be confiscated. If an enterprise contracts for a project without qualification, the offender may be banned, be subject to a fine and the illegal gains may be confiscated.

According to the Administrative Provisions on the Qualification of Construction Enterprises (《建築業企業資質管理規定》) which was issued by the Ministry of Housing and Urban-Rural Development of the PRC on 22 January 2015 and came into effect on 1 March 2015, and was amended on 13 September 2016, and 22 December 2018, the qualifications of construction enterprises are classified into three sequences, namely, general construction contracting qualification, professional contracting qualification and construction labour qualification. The second-grade qualification in the sequence of qualification for professional contracting (excluding the second-grade qualification for professional contracting in respect of railways and civil aviation) of construction enterprises shall be granted by the administrative departments in charge of housing and urban-rural development of the people's governments of provinces, autonomous regions and centrally-administered municipalities where industrial and commercial registration of the enterprises is handled.

LEGAL SUPERVISION OVER THE INTERNET INFORMATION SERVICES

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), which was issued by the State Council on 25 September 2000 and came into effect on the same day and revised on 8 January 2011, Internet information service refers to the provision of information through Internet to web users, and includes two categories: commercial and non-commercial. Commercial internet information service refers to the service activities of charged provision to online subscribers through the internet of information or website production. Non-commercial Internet service refers to the provision free of charge of public, commonly-shared information through the Internet to web users. Entities engaged in providing commercial Internet information service shall apply for a licence for value-added telecommunication services of Internet information services. As for the operation of non-commercial Internet information services, record-filing is required. Internet information service provider shall provide services within the scope of their licences or filing.

Non-commercial Internet information service providers shall not provide services with charges. In case an Internet information service provider changes its services, website address, etc., it shall apply for approval or filing 30 days in advance at the relevant government department. Where an entity provides commercial Internet information service without a licence or provides service beyond the scope of the licence, provincial telecommunication administrative department shall order it to make correction within a prescribed time limit. Where there are illegal gains, such gains shall be confiscated; and a fine more than three times but less than five times of such gains shall be imposed. Where there is no illegal gain or the gain is less than RMB50,000, a fine of RMB100,000 to RMB1 million shall be imposed. Where the circumstance is serious, the website shall be ordered to shut down. Where an entity provides non-commercial Internet information service without a filing, provincial telecommunication administrative department shall order it to make corrections within a prescribed time limit and to shut down the website if it refused to make corrections.

LEGAL SUPERVISION OVER SECURITY AND GUARDING SERVICES

According to the Regulation on the Administration of Security and Guarding Services (《保安服務管理條例》), which was promulgated by the State Council on 13 October 2009 and became effective on 1 January 2010, and revised on 29 November 2020 and 29 March 2022, guard, patrolling, order maintenance and other services in a property management region conducting by the personnel who are recruited by a property service entity is one of the security service. An entity recruiting security guards by itself shall, within 30 days after the start of security and guarding services, file with the public security organ of the people's government of the local districted city with the following materials (i) a certificate on the legal person status; (ii) basic information about the legal representative (chief person in charge), the divisional person in charge and the security guards; (iii) basic information about the security and guarding service area; and (iv) information about the establishment of security and guarding service management system, accountability system, and security guard management system. Where such an entity no longer recruits security guards for security and guarding services, it shall, within 30 days from the date of termination of the security and guarding services, cancel the filing of service in the original public security organ.

LEGAL SUPERVISION OVER LABOUR PROTECTION IN THE PRC

According to the Labour Law of the PRC (《中華人民共和國勞動法》) which was issued by the SCNPC on 5 July 1994, came into effect on 1 January 1995 and amended on 27 August 2009 and 29 December 2018, employers shall develop and improve their rules and regulations in accordance with the law to ensure that workers enjoy their labour rights and perform their labour obligations. Employers shall develop and improve the system of labour safety and sanitation, strictly implement the national protocols and procedures on labour safety, guard against labour safety accidents and reduce occupational hazards. Labour safety and sanitation facilities shall meet the relevant national standards. Employers must provide workers with the necessary labour protection equipment that meets the safety and hygiene conditions stipulated under national regulations by the State, and conduct regular health cheques for workers who engage in operations with occupational hazards. Labourers engaged in special operations must have received specialised training and obtained the pertinent qualifications.

According to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) issued by the SCNPC on 29 June 2007, came into effect on 1 January 2008 and revised on 28 December 2012, came into effect on 1 July 2013 and the Implementation Regulation on Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (No. 535 Order of the State Council), promulgated by the State Council on 18 September 2008 and became effect on the same day, regulate both parties through a labour contract, namely the employers and the employees, and contain specific articles involving the terms of the labour contract. Meanwhile, it is stipulated that labour contracts must be concluded in written forms, upon reaching an agreement after due negotiation, an employer and an employee may enter into a fixed-term labour contract, a non-fixed-term labour contract or a labour contract that concludes upon the completion of certain work assignments. After reaching an agreement upon due negotiation with employees or by fulfilling other circumstances in line with legal conditions, an employer may legally terminate a labour contract and dismiss its employees. Labour contracts concluded before the enactment of Labour Contract Law and existing during its effective term shall continue to be honoured. With respect to circumstances where an employment relationship has already been established without the conclusion of a written labour contract before the enactment of Labour Contract Law, the written labour contract shall be concluded within one month from the date on the enactment of Labour Contract Law.

As required under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance for Employees of Corporations of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》), the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Provisional Measures on Insurance for Maternity of Employee (《企業職工生育保險試行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Administrative Regulation on Housing Provident Fund (《住房公積金管理條例》) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time, enterprises in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing provident fund.

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010 and became effective on 1 July 2011 and further amended on 29 December 2018, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they still fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them, and their executive staff and other directly responsible persons shall be fined RMB500 to RMB3,000. Also, it has consolidated the legal obligations and liabilities of employers who fail to promptly contribute social insurance contributions in full amount, those employers shall be ordered by the social insurance collection agency to make or supplement contributions within a designated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day of the outstanding contribution amount; where payment is not made within the designated period, the relevant administrative authorities shall impose a fine ranging from one to three times of the outstanding contribution amount.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), issued by the State Council on 3 April 1999 and became effective on the same day, and was amended on 24 March 2002 and 24 March 2019, the housing provident fund contributions made by an individual employee and housing provident fund contributions made by his or her employer shall be owned by the individual employee. Employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payments and deposit registrations with the housing provident fund administrative centre. For enterprises who violate the laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative centre shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative centre will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》), issued by the SCNPC on 23 August 1982, came into effect on 1 March 1983 and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019 and the Implementation Regulation of the PRC trademark Law (《中華人民共和國商標法實施條例》), adopted by the State Council on 29 April 2014 and came into effect on 1 May 2014. The Trademark Office under the SAMR handles trademark registration and grants registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may licence, authorise others to use their registered trademark by signing up a trademark licence contract. The trademark licence agreements shall be submitted to the trademark office for recording. For trademarks, trademark law adopts the principle of "prior application" with respect to trademark registration. Where a trademark under registration application is identical with or similar to another trademark that has, in respect of the same or similar commodities or services, been registered or, after preliminary examination and approval, this application for such trademark registration may be rejected. Anyone applying for trademark registration shall not prejudice the existing right first obtained by anyone else, or forestall others by improper means in registering a trademark which others have already begun to use and enjoyed certain degree of influence.

Copyright Law

The Copyright Law of the PRC (《中華人民共和國著作權法》), issued by the SCNPC on 7 September 1990, came into effect on 1 June 1991 and revised on 27 October 2001, 26 February 2010 and 11 November 2020, providing that works of Chinese citizens, legal persons or other organisations, which include, works of literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, enjoy copyright in their works. Copyright holders may enjoy multiple rights, which include the right of publication, the right of authorship and the right of reproduction. The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》), promulgated by the National Copyright Administration on 20 February 2002, and came into effect on the same day, regulates registrations of software copyright, the exclusive licencing contracts for software copyright and transfer contracts of software copyright. The National Copyright Administration of PRC shall be competent authority for the registration and management of national software copyright and the Copyright Protection Centre of China is the software registration organisation authority. The Copyright Protection Centre of China shall grant registration certificates to the computer software copyright applicants which conforms to the regulations of both the Computer Software Copyright Registration Measures and the Regulations on Protection of Computers Software (《計算機軟件保護條例》), issued by the State Council on 4 June 1991, and amended on 20 December 2001, and further revised on 8 January 2011 and 30 January 2013.

Provisions of the Supreme People's Court on Certain Issues Concerning the Application of Law in the Trail of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關于審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》), issued by the Supreme People's Court on 17 December 2012 and came into effect on 1 January 2013 and revised on December 29, 2020, provides that web users or web service providers who, through information networks, create works, performances, or audio-video products in which the right holders enjoy the transmission right of information network without due authorisation, they shall be deemed to have infringed upon the transmission right of information network by the people's court.

Domain Name

The Measures on the Administration of Domain Names (《互聯網域名管理辦法》), issued by the Ministry of Industry and Information Technology on 24 August 2017 and came into effect on 1 November 2017, the Ministry of Industry and Information Technology shall be responsible for managing Internet network domain names in PRC. The principle of "first-to-file" ("first come, first served") is adopted for domain name services.

The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information relating to the domain name to be applied for, and sign the registration agreements as well. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law"), promulgated by the National People's Congress on 16 March 2007 and came into effect on 1 January 2008 and revised on 24 February 2017 and 29 December 2018 and the Implementation Regulations on the Corporate Income Tax Law (《企業所得稅法實施條例》) ("Implementation Regulations of the EIT Law"), issued by the State Council on 6 December 2007, came into effect on 1 January 2008 and was amended on 23 April 2019, the tax rate of 25% will be applied to the income related to all PRC enterprises, foreign-invested enterprises and foreign enterprises which have established production and operation facilities in the PRC. These enterprises are classified into as either resident enterprises or non-resident enterprises. Enterprises which are established in accordance with the law of the foreign country or region, but whose actual administration institutions (referring to the institutions conducting substantive and all-around management and control over the enterprises production, operation, personnel, accounting matters, finance, etc.) are in PRC, are deemed as resident enterprises. Thus, the tax rate of 25% applies to their income from both inside and outside PRC.

According to the EIT Law and the Implementing Regulations of the EIT Law, for dividends payable to investors that are non-resident enterprises (who do not have organisations or places of business in the PRC, or that have organisations and places of business in PRC but to whom the relevant income tax is not effectively connected), 10% of the PRC withholding tax shall be paid, unless there are any applicable tax treaties are reached between the jurisdictions of non-resident enterprises and the PRC which may reduce or provide exemption to the relevant tax. Similarly, any gain derived from the transfer of shares by such investor, if such gain is regarded as income derived from sources within the PRC, shall be subject to 10% PRC income tax rate (or a lower tax treaty rate (if applicable)).

According to the Arrangements between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關于對所得避免雙重徵稅和防止偷漏稅的安排》), issued by State Administration of Taxation on 21 August 2006 and became effective on 8 December 2006, a company incorporated in Hong Kong will be subject to withholding a 25% interest or more in a PRC company, its dividend obtained from the company incorporated in the PRC shall be taxed with a lower tax rate of 5% as the withholding tax in accordance with the laws and regulations. According to the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關于稅收協定中"受益所有人"有關問題的公告》), which was issued by State Administration of Taxation on 3 February 2018 and came into effect on 1 April 2018, a beneficial ownership analysis will be used based on a substance-over form principle to determine whether or not to grant tax treaty benefits.

According to the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《關于非居民企業間接轉讓財產企業所得稅

若干問題的公告》) ("Announcement"), issued by State Administration of Taxation on 3 February 2015 came into effect on the same day, and revised on 17 October 2017 and 29 December 2017, where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the enterprise income tax payment obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognised as a direct transfer in accordance with the provisions of the EIT Law. Where the enterprise income tax on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of this Announcement, the entity or individual that directly assumes the obligation to make relevant payments to the transferor according to the provisions of the relevant laws or as agreed upon in the contract shall be the withholding agent.

Value-added Tax

According to the Temporary Regulations on Value-Added Tax (《中華人民共和國增值稅暫行條例》), issued on 13 December 1993 by the State Council, came into effect on 1 January 1994 and last amended on 19 November 2017 and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), issued on 25 December 1993 by the Ministry of Finance, and became effective on the same day and revised on 15 December 2008 and 28 October 2011 (collectively, the "VAT Law"), taxpayers who engaged in the sale of goods, the provision of processing, repairing and replacement services, sell service, intangible assets or immovables or import goods within the territory of the PRC must pay value-added tax. Other than those specified listed in the VAT law, tax rate for selling services or intangible assets is 6%.

Furthermore, in accordance with the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《關于全面推開營業稅改徵增值稅試點的通知》), issued by the Ministry of Finance and the State Administration of Taxation on 23 March 2016, came into effect on 1 May 2016, the state started to fully implement the pilot programme from business tax to value-added tax on 1 May 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

City Maintenance and Construction Tax and Educational Surcharges

According to the Notice on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《關于統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), issued by the State Council on 18 October 2010 and came into effect on 1 December 2010, since 1 December 2010, the Temporary Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) issued in 1986 and other rules and regulations issued by the State Council and other competent departments since 1985 and 1986 in charge of relevant financial and tax authorities shall apply to foreign-invested enterprises, foreign enterprises and foreign individuals.

According to the Urban Maintenance and Construction Tax Law of the PRC (《中華人民共和國城市維護建設稅法》), which was promulgated by the SCNPC on August 11, 2020 and became effective on September 1, 2021, all entities and individuals paying VAT or consumption tax within the territory of the PRC are taxpayers of urban maintenance and construction tax, and shall pay urban maintenance and construction tax in accordance with the Urban Maintenance and Construction Tax Law. The rates of urban maintenance and construction tax shall be as follows: (i) 7% for a taxpayer who is located in a city; (ii) 5% for a taxpayer who is located in a county or town; and (iii) 1% for a taxpayer who is located in a place other than a city, county or town.

According to the Temporary Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》), issued by the State Council on 28 April 1986, came into effect on 1 July 1986 and revised on 7 June 1990, 20 August 2005 and 8 January 2011, the tax rate of education surcharges shall be 3% of the actual amount of consumption tax, value-added tax and business tax paid by the entities and individuals and paid at the same time along with the above taxes.

REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》), promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996 and amended on 14 January 1997 and 5 August 2008, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE (State Administration of Foreign Exchange) is obtained. Pursuant to the Notice of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (《國家外匯管理局關于境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("Circular 37"), promulgated by SAFE and which became effective on 4 July 2014, (a) a PRC resident ("PRC Resident") shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("Overseas SPV"), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關于進一步簡化和改進直接投資外匯管理政策的通知》) ("Circular 13"), which was promulgated on 13 February 2015 and with effect from 1 June 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

REGULATION RELATING TO M&A RULES

According to the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) ("M&A Rule"), which was promulgated on 8 August 2006 and became effective on 8 September 2006, and was later amended on 22 June 2009, which provided that the scenarios qualify as an acquisition of a domestic enterprise by a foreign investor. In addition, according to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), in accordance with which, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities.

LEGAL SUPERVISION OVER DATA PRIVACY AND PERSONAL INFORMATION PROTECTION

Data Security

On 13 April 2020, the Cyberspace Administration of China, the NDRC and several other administrations jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Review Measures**"), which became effective on 1 June 2020. The Review Measures establishes the basic framework for national security reviews of network products and services and provides the principal provisions for undertaking cybersecurity reviews. On 28 December 2021, the Cyberspace Administration of China, jointly with the relevant authorities, published the New Review Measures which stipulates that operators of critical information infrastructure purchasing network products and services, and data processors (together with the operators of critical information infrastructure, the "Operators") carrying out data processing activities that affect or may affect national security, shall conduct a cybersecurity review. Pursuant to the New Cybersecurity Review Measures, any operator who controls more than one million users' personal information must go through a cybersecurity review by the cybersecurity review office if it seeks to be listed in a foreign country.

The SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**"), on 10 June 2021, which came into effect on 1 September 2021. The Data Security Law applies to data processing activities, including the collection, storage, use, processing, transmission, availability and disclosure of data, and security supervision of such activities within the territory of the PRC. Where data processing activities outside the territory of the PRC damage national security, public interests or the legitimate rights and interests of PRC citizens and organisations, such activities shall be subject to legal liabilities. The PRC would also establish a data security review system, under which data processing activities that affect or may affect national security shall be reviewed. According to the Data Security Law, whoever carries out data processing activities shall establish a sound data security management system throughout the whole process, organise data security education and training, and take corresponding technical measures and other necessary measures to ensure data security. Important data shall also be categorised and protected more strictly. The Data Security Law also requires formulating the important data catalogues to enhance the protection of important data. As of the Latest Practicable Date, Chinese governments did not promulgate the important data catalogues or establish the measures for the cross-border transfer of import data.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the "**Provisions**") was jointly promulgated by the Ministry of Industry and Information Technology, the Cyberspace Administration for China and the Ministry of Public Security on 12 July 2021 and came into effect on 1 September 2021. Network product providers, network operators as well as organisations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. In response to the Cyber Security Law, network product providers are required to report relevant information of security vulnerability of network products with the Ministry of Industry and Information Technology within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to monetary fine as regulated in accordance with the Cyber Security Law. Since the Provisions is relatively new, uncertainties still exist in relation to its interpretation and implementation.

Personal Information Protection

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), issued on 20 August 2021 by the SCNPC, provided a comprehensive personal information protection system, under which in case of any personal information processing, individual prior consent must be obtained except in other circumstances stipulated therein to the contrary. Further, any data processing activities in relation to sensitive personal information including biometrics, religious beliefs, specific identities, medical health, financial accounts, whereabouts, personal information of teenagers under fourteen years old and other personal information once leaked or illegally used might easily lead to the infringement of personal dignity or harm of personal and property safety, are only allowed provided such activities are purpose-specified, highly necessary and strictly protected. Personal information processors who use personal information on automated decision-making must ensure the transparency of decision-making and the fairness and impartiality of the results and may not impose unreasonable differential treatment in terms of transaction prices and other transaction conditions. In addition, cross-border personal information transmission is restricted unless certain requirements in the Personal Information Protection Law have been satisfied, including security review organised by the national cyberspace department and other conditions specified by the laws, regulations and the national cyberspace department.

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)". Our history can be traced back to the establishment of our first operating subsidiary, Shandong Runhua in 1996. With over 25 years of experience in the property management service industry, we have gradually expanded our geographic presence from Jinan, the provincial capital of Shandong Province, to cover 15 of the 16 prefecture-level cities in Shandong Province and other first-tier cities, such as Beijing and Shenzhen. In 2010, we obtained the Property Management Enterprise Qualification Certificate Level One* (物業服務企業資質證書一級), which has enabled us to undertake property management projects across the PRC, irrespective of property size, business scale and location.

We endeavoured to tap into the capital market by first seeking a quotation on the NEEQ. On 7 March 2016, the shares of Shandong Runhua was quoted on the NEEQ. Having considered our Group's business development strategies and our desire to attain greater access to international capital markets and enhance our fund-raising capabilities, among other things, we delisted Shandong Runhua from the NEEQ on 19 August 2019 to prepare for the application of the proposed **[REDACTED]**.

For the purpose of the **[REDACTED]**, our Company was incorporated under the laws of Cayman Islands as an exempted company with limited liability on 30 June 2020, and as a result of the Reorganisation, our Company became the offshore holding company of our Group.

As of the Latest Practicable Date, we had 14 operating subsidiaries and 24 branches located in 13 cities in the PRC.

MILESTONES OF DEVELOPMENT

Our Group has experienced significant growth in its scale of operations since 1996 and the following is a summary of our Group's key development milestones:

Year	Event
2000	We were awarded the Property Management Enterprise Qualification Certificate Level Three* (物業服務企業資質證書三級) by Shandong Provincial Department of Construction* (山東省建設廳).
2002	In October 2002, we successfully obtained the cleaning and security management contract of "New World Sunshine Garden (新世界陽光花園)" through public tendering. The property was ranked one of "the Top 30 Famous Developments in the PRC* (中國名盤30強)" by The 3rd China (Shenzhen) International Housing and Building Science and Technology Exhibition* (第三屆中國（深圳）國際住宅與建築科學技術展覽會).
2004	We were awarded the Property Management Enterprise Qualification Certificate Level Two* (物業服務企業資質證書二級) by the Shandong Provincial Department of Construction* (山東省建設廳).
2008	We were engaged to provide property management services to Shandong Provincial Hospital (山東省立醫院), which is our first contract to provide property management services to a hospital.
2010	We were awarded the Property Management Enterprise Qualification Certificate Level One* (物業服務企業資質證書一級) by the Ministry of Housing and Urban-Rural Development Construction of the People's Republic of China (中華人民共和國住房和城鄉建設部).

Year	Event
2015	We were awarded our first contract to provide property management services to a high school in the Shandong Province.
2016	In March 2016, Shandong Runhua's shares was quoted on the NEEQ (stock code: 836007).
2018	We were ranked as one of the "2018 Top 100 Property Management Companies" of China (2018 年物業服務企業綜合實力百強企業) by the China Property Management Institute (中國物業管理協會)
	We were granted the honour of "Diamond Partner" by the Logistics Management Committee* (後勤管理事業委員) under the Shandong Province Hospital Association (山東省醫院協會);
2020	Kaidi Network was accredited as a "High-and-New-Technology Enterprise" by National High and New Technology Enterprise Recognition Management Leading Group Office* (全國高新技術企業認定管理工作領導小組辦工室).
	We were awarded "Advanced Property Service Enterprise for Pandemic Prevention and Control Work in Jinan City"* (濟南市疫情防控工作先進物業服務企業) by Jinan Housing and Urban-Rural Development Bureau* (濟南市住房和城鄉建設局).
2021	We were awarded "Excellent Member of Shandong Province Property Management Association in 2020"* "山東省物業管理協會2020年度優秀會員單位" by Shandong Province Property Management Association* (山東省物業管理協會).
	We were selected as one of the leading enterprises of "Gold Property"* (金牌物業) in Jinan City jointly by Jinan Times Newspaper Group* (濟南時報報業集團), Shandong Province Property Management Association* (山東省物業管理協會), Jinan Times* (濟南時報) and the Trade Association of Jinan Property Management (濟南市物業管理行業協會).
	We were accredited "Municipal Level Service Industry Innovation Centre in 2020"* (2020市級服務業創新中心) by the Jinan Municipal Development and Reform Commission* (濟南市發展和改革委員會).

OUR PRINCIPAL SUBSIDIARIES

We conduct our business principally through the following subsidiaries which made a material contribution to our results of operations during the Track Record Period:

Name of major subsidiaries	Principal business activities	Date of establishment and commencement of business
Shandong Runhua	Provision of property management, maintenance and repair services for residential properties and office buildings in the PRC	14 February 1996
Jinan Runwu Construction	Provision of interior decoration works for residential properties and office buildings in the PRC	21 May 2015

Name of major subsidiaries	Principal business activities	Date of establishment and commencement of business
Shandong Shanyou Property Management Co., Ltd* (山東善佑物業經營管理有限公司) **("Shandong Shanyou")**	Provision of property management, cleaning and landscaping management services for residential properties and office buildings in the PRC	4 December 2017

ESTABLISHMENT AND DEVELOPMENT OF OUR GROUP

1. Establishment of Shandong Runhua and subsequent registered capital changes

Shandong Runhua was established in the PRC on 14 February 1996 as a limited liability company with an initial registered capital of RMB0.6 million and was owned as to 60% and 40% by Runhua Group Company (previously known as Shandong Province Automative Sales (Group) Co., Ltd* (山東省汽車銷售（集團）股份有限公司)) and Shandong Runhua Tianzhong Automotive Sales Services Company Limited *（山東潤華天眾汽車銷售服務有限公司）(previously known as Shandong Shanghai Automative Sales Company Limited* (山東上海汽車銷售有限責任公司)) ("**Shandong Tianzhong**"), (a subsidiary of Runhua Group Company), respectively. Runhua Group Company and Shandong Tianzhong are ultimately controlled by Mr. Luan.

After the establishment of Shandong Runhua, it underwent a series of capital injections and equity transfers, such that on 1 July 2015, the registered share capital of Shandong Runhua was RMB5 million and it was owned as to 90% by Mr. Luan and 10% by Ms. Liang.

Jinan Anlan was established in the PRC on 10 July 2015 as a limited partnership to invest in Shandong Runhua and was initially owned as to 90% by Mr. Luan and 10% by Mr. Yang Liqun, respectively. The principal business of Jinan Anlan includes business management consulting and business information consulting. The general partner of Jinan Anlan was Mr. Luan, one of our Controlling Shareholders, who was also the managing partner of Jinan Anlan and had overall control of Jinan Anlan. Mr. Yang Liqun, our executive Director, was a limited partner. With a view to provide incentives and rewards to eligible participants who contribute to the success of our Group's operations, Mr. Luan and 11 other Directors or employees of our Group entered into agreements on 2 January 2016 (the "**Jinan Anlan Agreement**") to invest in Jinan Anlan. Pursuant to the Jinan Anlan Agreement, the general partner of Jinan Anlan (Mr. Luan) would vote on behalf of Jinan Anlan at general meetings of Shandong Runhua.

On 17 July 2015, Jinan Anlan injected RMB7.2 million in Shandong Runhua (RMB3 million of which was regarded as registered share capital and the remaining RMB4.2 million was regarded as additional paid-in capital) and Mr. Luan injected RMB9.6 million in Shandong Runhua (RMB4 million of which was regarded as registered share capital and the remaining RMB5.6 million was regarded as additional paid-in capital). The registered share capital of Shandong Runhua increased from RMB5 million to RMB12 million. Shandong Runhua was then owned as to approximately 70.83% by Mr. Luan, 25% by Jinan Anlan and 4.17% by Ms. Liang, respectively. The registration of such increase with the relevant authority was completed on 4 August 2015.

On 2 January 2016, in addition to Mr. Luan (general partner) and Mr. Yang Liqun (limited partner) pursuant to the Jinan Anlan Agreement, the other parties to the Jinan Anlan Agreement also became the limited partners of Jinan Anlan. Jinan Anlan was then owned as to 40% by Mr. Luan and 60% by the other Directors or employees of our Group, namely Yang Liqun (Director, 24%), Fei Zhongli (Director, 8%), Li Yanyan (senior management, 4.2%), Chen Jie (senior management, 4.2%), Shi Zuoxin (employee, 3.6%), Li Yi (senior management, 3.6%), Zhang Yuqiang (senior management, 3.6%), Cao Hongtao (employee, 3.2%), Kang Naishui (employee, 1.48%), Wang Lihua (employee, 2.32%) and Cui Yongsheng (employee, 1.8%). The registration of such change with the relevant authority was completed on 8 January 2016.

2. Conversion into a joint stock limited liability company

On 10 October 2015, Shandong Runhua was converted into a joint stock limited liability company in preparation for its listing on the NEEQ. After the conversion, the share capital of Shandong Runhua was RMB12 million divided into 12,000,000 Shares with a nominal value of RMB1.00 each, of which Mr. Luan, Ms. Liang and Jinan Anlan held 8,500,000 Shares, 500,000 Shares and 3,000,000 Shares, representing approximately 70.83%, 4.17% and 25% of Shandong Runhua's issued share capital, respectively.

3. Listing of Shandong Runhua on the NEEQ

On 7 March 2016, 12,000,000 shares of Shandong Runhua, being the entire issued share capital at that time, became quoted on the NEEQ (stock code: 836007) by way of agreement transfer.

4. Further increase in the share capital of Shandong Runhua

Jinan Lutong was established in the PRC on 24 November 2016 as a limited partnership to invest in Shandong Runhua and was initially owned as to 80% by Mr. HQ Luan and 20% by Mr. Zhang Lujin, an employee of Mr. Luan's businesses outside our Group, respectively. The principal business of Jinan Lutong includes business management consulting and business information consulting. The general partner of Jinan Lutong was Mr. HQ Luan, one of our Controlling shareholders, who was also the managing partner of Jinan Lutong and had overall control of Jinan Lutong. Mr. Zhang Lujin was a limited partner. With a view to provide incentives and rewards to eligible participants who contribute to the success of our Group's operations and Mr. Luan's businesses outside our Group, Mr. HQ Luan, three employees (including our former employee) of our Group and four employees of Mr. Luan's businesses outside of our Group entered into agreements on 14 February 2017 (the "**Jinan Lutong Agreement**") to invest in Jinan Lutong.

On 28 October 2016, the general meeting of Shandong Runhua approved the increase of registered capital from RMB12 million to RMB20 million. The registration of such increase with relevant authority was completed on 28 November 2016, with Mr. HQ Luan and Jinan Lutong injected RMB5 million and RMB3 million in Shandong Runhua, respectively. Shandong Runhua was then owned as to 42.5% by Mr. Luan, 25% by Mr. HQ Luan, 15% by Jinan Anlan, 15% by Jinan Lutong and 2.5% by Ms. Liang, respectively. Pursuant to the Jinan Lutong Agreement, the general partner of Jinan Lutong (Mr. HQ Luan) would vote on behalf of Jinan Lutong at general meetings of Shandong Runhua. Each of Jinan Anlan and Jinan Lutong exercised its voting power at general meetings of Shandong Runhua in proportion to their capital contribution to the registered share capital of Shandong Runhua.

On 14 February 2017, in addition to Mr. HQ Luan (general partner) and Mr. Zhang Lujin (limited partner), pursuant to the Jinan Lutong Agreement, the others parties to the Jinan Lutong Agreement also became the limited partners of Jinan Lutong. Jinan Lutong was then owned as to 36% by Mr. HQ Luan and 64% by the other limited partners, namely Zhang Lujin (20%), Ding Zhaohua (former employee, 16.67%), Cheng Xin (Director, 16.67%), Sui Xianfeng (3.33%), Li Yanhong (employee, 3.33%), Yang Lei (2.33%) and Xia Xiaojun (1.67%). The registration of such change with the relevant authority was completed on 7 March 2017.

5. Delisting of Shandong Runhua on the NEEQ

Delisting of Shandong Runhua from the NEEQ

On 25 July 2019, the shareholders of Shandong Runhua resolved to voluntarily delist Shandong Runhua's shares from the NEEQ (the "**NEEQ Delisting**") at a general meeting. The NEEQ Delisting was approved by shareholders in aggregate holding 20,000,000 shares in Shandong Runhua, representing 100% of the then issued share capital of Shandong Runhua. As there had been no trading of the shares of Shandong Runhua during the period when Shandong Runhua was listed on the NEEQ, no share price of Shandong Runhua on the NEEQ could be quoted and thus there was no available market capitalisation at the time of delisting.

On 14 August 2019, the regulatory body approved the NEEQ Delisting. On 19 August 2019, the NEEQ Delisting was completed.

Compliance during listing on the NEEQ

Our Directors confirmed and the Sole Sponsor and our PRC legal adviser, having considered the due diligence work they conducted, concurred that:

(a) during the period that Shandong Runhua was listed on the NEEQ,

  (i) Shandong Runhua and its directors had been in compliance in all material respects with all applicable laws and regulations in the PRC;

  (ii) Shandong Runhua and its directors had not been subject to any disciplinary action by any relevant law enforcement authority or regulator; and

(b) there are no further matters in relation to the prior listing of Shandong Runhua that need to be brought to the attention of the Stock Exchange or our Shareholders.

Reasons for the delisting of Shandong Runhua from the NEEQ and the proposed* [REDACTED] *on the Stock Exchange

The NEEQ Delisting was a commercial and strategic decision made by Shandong Runhua's directors, based on the company's business development plans and desire to attain greater access to international investors and markets by undertaking this proposed **[REDACTED]** and **[REDACTED]** on the Stock Exchange.

Our Directors believe that the NEEQ Delisting and application for **[REDACTED]** will be in the best interests of our Group and the Shareholders as a whole since Hong Kong, being a gateway between the PRC and the international market, will allow our Group to have greater access to international investors and global markets.

6. Conversion into a limited liability company

On 22 January 2020, the shareholders of Shandong Runhua resolved to convert Shandong Runhua from a joint stock limited liability company into a limited liability company. After the conversion, the share capital of Shandong Runhua remained unchanged at RMB20 million.

7. Increase in the registered share capital of Shandong Runhua in February 2020

On 24 February 2020, the registered capital of Shandong Runhua increased from RMB20 million to RMB50 million (the registration of such increase with the relevant authority was completed in February 2020), with additional capital contribution of RMB12.75 million by Mr. Luan, RMB7.5 million by Mr. HQ Luan, RMB0.75 million by Ms. Liang, RMB4.5 million by Jinan Anlan and RMB4.5 million by Jinan Lutong. Following such increase, the equity interests of Shandong Runhua remained unchanged and was owned as to 42.5% by Mr. Luan, 25% by Mr. HQ Luan, 15% by Jinan Anlan, 15% by Jinan Lutong and 2.5% by Ms. Liang.

8. Increase in the registered share capital of Shandong Runhua in August 2020

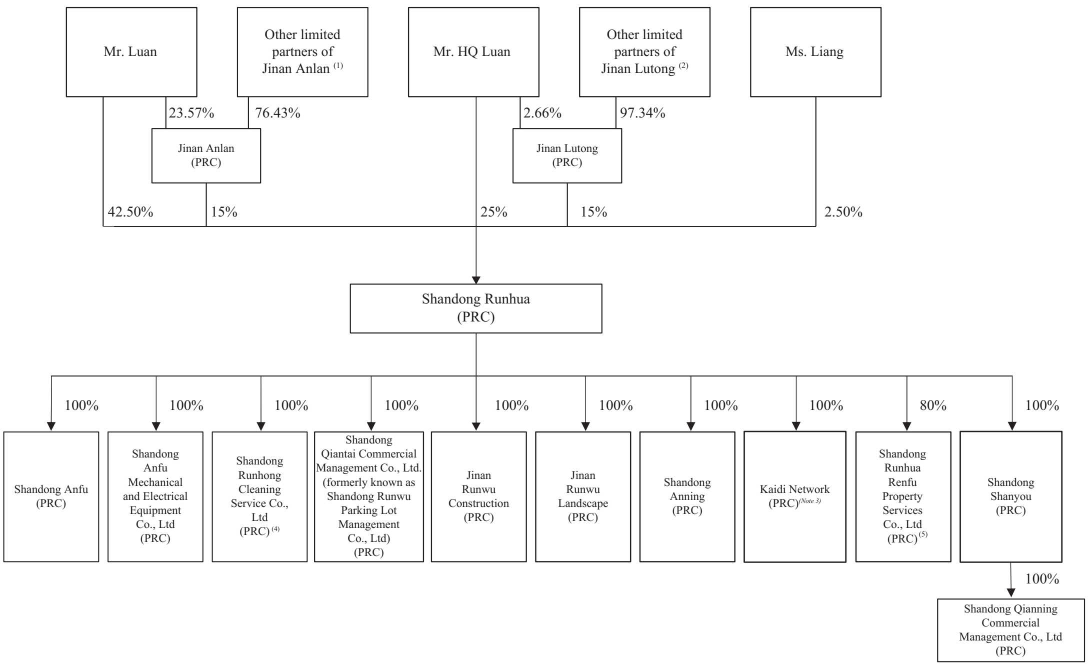
On 12 August 2020, the registered capital of Shandong Runhua increased from RMB50 million to RMB50.5 million (the registration of such increase with the relevant authority was completed on 14 August 2020), with additional capital contribution of RMB0.5 million by the **[REDACTED]** Investor, via his indirectly wholly owned subsidiary, MedEvolve Company Limited. Following such increase, the equity interests of Shandong Runhua was owned as to approximately 42.08% by Mr. Luan, 24.75% by Mr. HQ Luan, 14.85% by Jinan Anlan, 14.85% by Jinan Lutong, 2.48% by Ms. Liang and 0.99% by MedEvolve Company Limited. On 20 October 2020, MedEvolve Company Limited injected a total sum of HK$1,270,000 (approximately RMB1,096,772) in Shandong Runhua of which RMB0.5 million was regarded as the registered capital of Shandong Runhua. Please refer to the paragraph headed "**[REDACTED]** Investment" below for the increase in the share capital of Shandong Runhua on 12 August 2020.

9. Branch offices of Shandong Runhua

In order to facilitate the development of our operation in different regions in the PRC, Shandong Runhua has established 21 branches in the PRC as of the Latest Practicable Date.

REORGANISATION

The following chart sets forth our Group's corporate and shareholding structure immediately prior to the Reorganisation:



Note:

1. The other limited partners of Jinan Anlan were Yang Liqun (Director, 28.33%), Fei Zhongli (Director, 8.67%), Li Yanyan (senior management, 5.33%), Chen Jie (senior management, 5.33%), Li Yi (senior management, 4.33%), Zhang Yuqiang (senior management, 4.33%), Cao Hongtao (employee, 1.8%), Wang Lihua (employee, 2.67%), Cui Yongsheng (employee, 1.8%), Kang Naishui (employee, 0.67%), Zhang Deguo (employee, 2.33%), Hu Tianqun (employee, 1.67%), Jin Zuoyang (employee, 1.5%), Liu Haizhu (employee, 1.5%), Wang Yating (employee, 1.67%), Li Zhigang (employee, 1.5%), Yu Sumin (employee, 1.5%) and Yu Xue (employee, 1.5%).

2. The other limited partners of Jinan Lutong are Zhang Lujin (20%), Ding Zhaohua (former employee, 16.67%) Cheng Xin (Director, 16.67%), Ren Henian (16.67%), Liu Tong (16.67%), Li Yanhong (employee, 3.33%), Sui Xianfeng (3.33)%, Yang Lei (2.33%) and Xia Xiaojun (1.67%).

3. Kaidi Network was established on 1 September 2000. Kaidi Network was principally engaged in the provision of software development and maintenance of server hardware. Considering: (i) some of our Group's property management software acquired from external third party could not synchronise with our existing software system smoothly; and (ii) the need for maintenance, update and development of our Group's property management software system to cope with the business expansion of our Group, our Directors believed that there was a need for our Group to acquire a company specialising in software development and maintenance for the further development of our Group. Therefore, on 17 June 2020, Shandong Runhua entered into an acquisition agreement with Runhua Group Company which is controlled by Mr. Luan to acquire 100% equity interests in Kaidi Network for a consideration of approximately RMB 3.95 million.

4. Shandong Runhong Cleaning Service Co., Ltd was established in the PRC on 29 June 2017. It was deregistered on 24 September 2021 as it has not commenced operation since its establishment.

5. Shandong Runhua Renfu Property Services Co., Ltd. (山東潤華仁孚物業服務有限公司) was established on 28 May 2020. As at the Latest Practicable Date, it is held as to 80% and 20% by Shandong Runhua and Jinan Wangsheren Holdings Co., Ltd. (濟南王舍人控股有限公司), an independent third party principally engaged in property management service wholly-owned by Jinan Licheng State-owned Assets Management Group Co., Ltd.* (濟南歷城國有資產管理集團有限公司), a company wholly-owned by Finance Bureau of Licheng District, Jinan City. As confirmed by our Directors, we began to provide property management services to the People's Government of Licheng District, Jinan City, for its office in Wansheren Street (the "**Wansheren Street Project**") since April 2017. We established Shandong Runhua Renfu Property Services Co., Ltd. for the management of the Wansheren Street Project and to enhance our cooperation with the People's Government of Licheng District, Jinan City.

In preparation for the **[REDACTED]** and to streamline our corporate structure, we underwent the following Reorganisation.

<u>Step 1: Establishment of offshore corporate structure</u>

On 30 June 2020, our Company was incorporated under the laws of Cayman Islands as an exempted company with limited liability and acted as our **[REDACTED]** vehicle. On the same day, one Share with a par value of US$0.0001 was transferred from the incorporator, an independent third party, to Springrain Investment, a BVI Company owned as to 59.85% by Mr. Luan, 37.1% by Mr. HQ Luan and 3.05% by Ms. Liang, respectively. Upon incorporation the authorised share capital of our Company was US$50,000, which was initially divided into 500,000,000 shares with par value of US$0.0001 each.

To reflect the offshore shareholder structure of Shandong Runhua, on 30 June 2020, our Company allotted an aggregate of 199,999,999 Shares to the BVI companies owned by the shareholders or ultimate beneficial owners of Shandong Runhua in proportion to their shareholding in Shandong Runhua at par value.

On 6 July 2020, Runhua Property BVI was incorporated under the laws of BVI with limited liability and allotted one share to our Company, pursuant to which Runhua Property BVI became a wholly-owned subsidiary of our Company.

On 7 August 2020, Runhua Holdings HK was incorporated under the laws of Hong Kong with limited liability and allotted one share to Runhua Property BVI, pursuant to which Runhua Holdings HK became an indirect wholly-owned subsidiary of our Company.

On 26 October 2020, Zhaohua Ltd, a company incorporated in the BVI and wholly owned by Mr. Ding Zhaohua ("**Mr. Ding**"), a former employee of our Group and a former limited partner of Jinan Lutong, transferred its 5,000,000 Shares to Springrain Investment at par value. Mr. Ding's shareholdings in our Company reflected his interests in Shandong Runhua which were held through Jinan Lutong and were granted to him as part of share incentive. Pursuant to the agreement between Mr. Ding and Shandong Runhua, Mr. Ding should return his shares in Shandong Runhua if he ceases to be an employee of Shandong Runhua. When Mr. Ding ceased to be an employee of our Group and left our Group in October 2020, he exited as a limited partner by transferring his 16.67% equity interests in Jinan Lutong to Mr. HQ Luan at a consideration of RMB2.04 million. Such consideration which was determined with reference to an independent valuation report on the value of the shares of Shandong Runhua held by Jinan Lutong as at 30 March 2020. Accordingly, in mirroring his exit from the Group, Mr. Ding returned his Shares at par value as such Shares were granted to him at par value by mirroring his then interest in Jinan Lutong. The transfer was properly and legally completed and fully settled on 26 October 2020. Springrain Investment intended to use such 5,000,000 Shares to set up a share incentive scheme of our Company.

On 26 October 2020, our Company allotted 2,000,000 Shares to Archery Capital Management Limited, a company incorporated in the BVI and wholly owned by Mr. Xie (謝皓) ("**Mr. Xie**"), our **[REDACTED]** Investor at par value, the consideration of which was settled in full on the same day. MedEvolve Company Limited is a wholly-owned subsidiary of Archery Capital Management Limited and one of the shareholders of Shandong Runhua as at 26 October 2020. For details regarding the **[REDACTED]** Investment, please refer to the paragraph headed "**[REDACTED]** Investment" in this section. Upon completion of the aforementioned Reorganisation steps, our Company was owned by the following shareholders:

	Name	Shareholder	Position in our Group	Shareholder was limited partner of Jinan Anlan/Jinan Lutong	Number of Shares	Approximate % of shareholding in the Company
1.	Springrain Investment	Mr. Luan (59.85%) Mr. HQ Luan (37.10%) Ms. Liang (3.05%)	Mr. Luan and Mr. HQ Luan are Directors	Mr. Luan (general partner of Jinan Anlan) Mr. HQ Luan (general partner of Jinan Lutong)	152,870,000	75.68%
	Lutong BVI Companies					
2.	Cool Breeze Ltd	Zhang Lujin	Nil	Jinan Lutong	6,000,000	2.97%
3.	Chengxin&Susan Ltd	Cheng Xin	Director	Jinan Lutong	5,000,000	2.48%
4.	Yanglei Ltd	Yang Lei	Nil	Jinan Lutong	700,000	0.35%
5.	Liyanhong Ltd	Li Yanhong	Nil	Jinan Lutong	1,000,000	0.50%
6.	Suixianfeng Ltd	Sui Xianfeng	Nil	Jinan Lutong	1,000,000	0.50%
7.	Xiaxiaojun Limited	Xia Xiaojun	Nil	Jinan Lutong	500,000	0.25%

	Name	Shareholder	Position in our Group	Shareholder was limited partner of Jinan Anlan/Jinan Lutong	Number of Shares	Approximate % of shareholding in the Company
8.	Ryan&Serena Ltd	Ren Henian(Note)	Nil	Jinan Lutong	5,000,000	2.48%
9.	Liutong Ltd	Liu Tong(Note)	Nil	Jinan Lutong	5,000,000	2.48%
	Anlan BVI Companies					
10.	Yangliqun Ltd	Yang Liqun	Director	Jinan Anlan	8,500,000	4.21%
11.	Feizhongli Run Heart Service Ltd	Fei Zhongli	Director	Jinan Anlan	2,600,000	1.29%
12.	Lyanyan Ltd	Li Yanyan	Senior management	Jinan Anlan	1,600,000	0.79%
13.	Chenjie&Anne Ltd	Chen Jie	Senior management	Jinan Anlan	1,600,000	0.79%
14.	Liyily Ltd	Li Yi	Senior management	Jinan Anlan	1,300,000	0.64%
15.	Zhangyuqiang Ltd	Zhang Yuqiang	Senior management	Jinan Anlan	1,300,000	0.64%
16.	Caohongtao Ltd	Cao Hongtao	Employee	Jinan Anlan	540,000	0.27%
17.	Zhengyi Sunshine Co., Ltd	Wang Lihua	Employee	Jinan Anlan	800,000	0.40%
18.	Cuiyongsheng Ltd	Cui Yongsheng	Employee	Jinan Anlan	540,000	0.27%
19.	Kangnaishui Limited	Kang Naishui	Employee	Jinan Anlan	200,000	0.10%
20.	Zhangdeguo Limited	Zhang Deguo	Employee	Jinan Anlan	700,000	0.35%
21.	Hutianqun Limited	Hu Tianqun	Employee	Jinan Anlan	500,000	0.25%
22.	Jinzuoyang Ltd	Jin Zuoyang	Employee	Jinan Anlan	450,000	0.22%
23.	Liurunxi Limited	Liu Haizhu	Employee	Jinan Anlan	450,000	0.22%
24.	Flora Ltd	Wang Yating	Employee	Jinan Anlan	500,000	0.25%
25.	Lizhigang Ltd	Li Zhigang	Employee	Jinan Anlan	450,000	0.22%
26.	Yusumin Ltd	Yu Sumin	Employee	Jinan Anlan	450,000	0.22%
27.	Ziyue Ltd	Yu Xue	Employee	Jinan Anlan	450,000	0.22%
28.	Archery Capital Management Limited	Mr. Xie	Nil	N/A	2,000,000	0.99%
				Total:	202,000,000	100.00%

The BVI companies (other than Springrain Investment) whose shareholders were limited partners of Jinan Anlan are collectively referred to as "**Anlan BVI Companies**", whereas the BVI companies whose shareholders were limited partners of Jinan Lutong are collectively referred to as "**Lutong BVI Companies**". The Shares held by Anlan BVI Companies and the Lutong BVI Companies are subject to a lock-up period of six months following the **[REDACTED]**.

As part of the Reorganisation, Archery Capital Management Limited contributed approximately RMB0.5 million into Shandong Runhua on 26 October 2020. Upon completion of the capital contribution, Archery Capital Management Limited held approximately 0.99% equity interest in Shandong Runhua. Our Directors and our PRC Legal Advisors confirm the shareholding of the shareholders in our Group listed in the table above is the same as the their shareholding in Shandong Runhua as at 26 October 2020 (being the date when Archery Capital Management Limited became a shareholder of Shandong Runhua).

Note: Ren Henian and Liu Tong are both directors of Runhua Group Company. Furthermore, Ren Henian is the chief executive officer of Runhua Group Company and Liu Tong is the general manager of Runhua Automobile Holdings Ltd.* (潤華汽車控股有限公司), a subsidiary of Runhua Group Company. In order to provide incentive and rewards to Ren Henian and Liu Tong's contribution to the success of Runhua Group Company and its subsidiary, on 9 June 2020, Mr. HQ Luan transferred 16.67% and 16.67% equity interest in Jinan Lutong to Ren Henian and Liu Tong, respectively, and Ren Henian and Liu Tong became limited partners of Jinan Lutong on the same day.

Step 2: Establishment of Runhua Development

Runhua Development, our PRC holding company was established by Runhua Holdings HK in Jinan, the PRC on 25 September 2020 with an initial registered capital of RMB10,000,000. As at the date of establishment, Runhua Development was wholly-owned by Runhua Holdings HK.

Step 3: Acquisition of our operating entity

On 10 November 2020, Runhua Development and Jinan Lutong entered into an equity transfer agreement, pursuant to which Jinan Lutong agreed to transfer its 14.85% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB3 million. On the same day, Runhua Development and Jinan Anlan, entered into an equity transfer agreement, pursuant to which Jinan Anlan agreed to transfer its 14.85% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB3 million.

On the same day, Runhua Development and Mr. Luan entered into an equity transfer agreement, pursuant to which Mr. Luan agreed to transfer his 42.08% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB8.5 million. On the same day, Runhua Development and Ms. Liang entered into an equity transfer agreement, pursuant to which Ms. Liang agreed to transfer her 2.48% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB0.5 million.

On the same day, Runhua Development and Mr. HQ Luan entered into an equity transfer agreement, pursuant to which Mr. HQ Luan agreed to transfer his 24.75% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB5 million. On the same day, Runhua Development and MedEvolve Company Limited entered into an equity transfer agreement, pursuant to which MedEvolve Company Limited agreed to transfer its 0.99% equity interest in Shandong Runhua to Runhua Development at a consideration of RMB1.1 million.

The consideration of the aforementioned transaction were determined with reference to the registered share capital of Shandong Runhua. Thereafter, Shandong Runhua was owned as to 100% by Runhua Development.

Our PRC Legal Advisers have confirmed that the aforementioned share transfers were properly and legally completed, and are legal, valid and binding on the parties thereto.

Step 4: Entering of Confirmation Agreement between our Company and Anlan BVI Companies, Chengxin&Susan Ltd and their respective shareholders

With a view to provide incentives and rewards to eligible participants who contribute to the success of our Group's operations, on 25 June 2021, our Company entered into a confirmation agreement (the "**Confirmation Agreement**") in relation to the Jinan Anlan Agreement, the supplemental agreement to Jinan Anlan Agreement and the Jinan Lutong Agreement with our Directors, our employees (the "**Employee Shareholders**") and their respective investment vehicles, namely Anlan BVI Companies and Chengxin&Susan Ltd. Under the Confirmation Agreement, the parties reaffirmed that the Employee Shareholders obtained their interests in Jinan Anlan or Jinan Lutong through the share incentive schemes established pursuant to the Jinan Anlan Agreement, the supplemental agreement to Jinan Anlan Agreement and the Jinan Lutong Agreement. Pursuant to the Reorganisation, our Company allotted relevant Shares to the Anlan BVI Companies and Chengxin&Susan Ltd in proportion to the Employee Shareholders' interests in Shandong Runhua at par value. The Confirmation Agreement was signed to reflect and update the terms in the Jinan Anlan Agreement, the supplemental agreement to Jinan Anlan Agreement and the Jinan Lutong Agreement in light of the Reorganisation.

The following is a summary of the principal terms of the Confirmation Agreement:

1. Each party confirmed that the interest of the Employee Shareholders in Jinan Anlan or Jinan Lutong was derived from the relevant employee incentive schemes of Shandong Runhua and each party also confirmed the amount contributed by each Employee Shareholders in Jinan Anlan or Jinan Lutong.

2. Each party confirmed that pursuant to the Jinan Anlan Agreement or the Jinan Lutong Agreement, each Employee Shareholder shall be under the employment of Shandong Runhua and/or its subsidiaries and provide services for at least 8 years from the date of the signing of the Jinan Anlan Agreement, the supplemental agreement to Jinan Anlan Agreement or the Jinan Lutong Agreement ("**Expiration Date of the Lock-up Period**"). After the Reorganisation, each Employee Shareholder shall continue to maintain the employment relationship with our Group accordingly and continue their services at least up to the Expiration Date of the Lock-up Period.

3. Each party confirmed that, to reflect the original intention of the Jinan Anlan Agreement and the Jinan Lutong Agreement, while Anlan BVI Companies and Chengxin&Susan Ltd held all their Shares which will be subject to a lock-up period (the "**Lock-Up Period**") pursuant to the following schedule:

From the date of signing of the Jinan Anlan Agreement, the supplemental agreement to Jinan Anlan Agreement or the Jinan Lutong Agreement	Percentage of Shares released from the lock-up
Upon the expiration of a four-year period	20%
Upon the expiration of a five-year period	20%
Upon the expiration of a six-year period	20%
Upon the expiration of a seven-year period	20%
Expiration Date of the Lock-up Period	20%

As at the Latest Practicable Date, the number and percentage of Shares held by Anlan BVI Companies and Chengxin&Susan Ltd that are subject to lock-up (the "**Lock-up Shares**") are as follows:

Name	Shareholder	Total number of Shares held	the original agreement entered into with our Group	Date of the agreement	Shares that are subject to lock-up	Percentage of Shares that are subject to lock-up
Lutong BVI Companies						
Chengxin&Susan Ltd	Cheng Xin	5,000,000	Jinan Lutong Agreement	14 February 2017	3,000,000	60%
Anlan BVI Companies						
Yangliqun Ltd	Yang Liqun	8,500,000	Jinan Anlan Agreement	2 January 2016	3,400,000	40%
Feizhongli Run Heart Service Ltd	Fei Zhongli	2,600,000	Jinan Anlan Agreement	2 January 2016	1,040,000	40%
Lyanyan Ltd	Li Yanyan	1,600,000	Jinan Anlan Agreement	2 January 2016	640,000	40%
Chenjie&Anne Ltd	Chen Jie	1,600,000	Jinan Anlan Agreement	2 January 2016	640,000	40%
Liyily Ltd	Li Yi	1,300,000	Jinan Anlan Agreement	2 January 2016	520,000	40%
Zhangyuqiang Ltd	Zhang Yuqiang	1,300,000	Jinan Anlan Agreement	2 January 2016	520,000	40%
Caohongtao Ltd	Cao Hongtao	540,000	Jinan Anlan Agreement	2 January 2016	216,000	40%
Zhengyi Sunshine Co., Ltd	Wang Lihua	800,000	Jinan Anlan Agreement	2 January 2016	320,000	40%
Cuiyongsheng Ltd	Cui Yongsheng	540,000	Jinan Anlan Agreement	2 January 2016	216,000	40%
Kangnaishui Limited	Kang Naishui	200,000	Jinan Anlan Agreement	2 January 2016	80,000	40%
Zhangdeguo Limited	Zhang Deguo	700,000	Supplemental agreement to Jinan Anlan Agreement	9 June 2020	700,000	100%*(Note 1)*
Hutianqun Limited	Hu Tianqun	500,000	Supplemental agreement to Jinan Anlan Agreement	9 June 2020	500,000	100%*(Note 1)*
Jinzuoyang Ltd	Jin Zuoyang	450,000	Supplemental agreement to Jinan Anlan Agreement	9 June 2020	450,000	100%*(Note 1)*
Liurunxi Limited	Liu Haizhu	450,000	Supplemental agreement to Jinan Anlan Agreement	9 June 2020	450,000	100%*(Note 1)*

Name	Shareholder	Total number of Shares held	the original agreement entered into with our Group	Date of the agreement	Shares that are subject to lock-up	Percentage of Shares that are subject to lock-up
Flora Ltd	Wang Yating	500,000	Supplemental agreement to Jinan Anlan Agreement	9 June 2020	500,000	100%*(Note 1)*
Lizhigang Ltd	Li Zhigang	450,000	Supplemental agreement to Jinan Anlan Agreement	9 June 2020	450,000	100%*(Note 1)*
Yusumin Ltd	Yu Sumin	450,000	Supplemental agreement to Jinan Anlan Agreement	9 June 2020	450,000	100%*(Note 1)*
Ziyue Ltd	Yu Xue	450,000	Supplemental agreement to Jinan Anlan Agreement	9 June 2020	450,000	100%*(Note 1)*

Note 1 Zhang Deguo, Hu Tianqun, Jin Zuoyang, Liu Runxi, Wang Yating, Li Zhigang, Yu Sumin and Yu Xue entered into the supplemental agreement Jinan Anlan Agreement on 9 June 2020 with the partners of Jinan Anlan as at the date of that supplemental agreement, pursuant to which Zhang Deguo, Hu Tianqun, Jin Zuoyang, Liu Runxi, Wang Yating, Li Zhigang, Yu Sumin and Yu Xue subscribed for the units in Jinan Anlan and became each became a limited partner of Jinan Anlan.

Each of Anlan BVI Companies and Lutong BVI Companies will exercise its voting rights over our Company in proportion to its respective shareholdings (including both Lock-up Shares and shares that are not subject to Lock-up) in our Company. Furthermore, Anlan BVI Companies and Lutong BVI Companies will be entitled to the dividends, if any, of our Company pursuant to the Articles and its shareholding in our Company.

4. The Employee Shareholders, the Anlan BVI Companies and Chengxin&Susan Ltd further confirmed and undertook to our Company that they shall not dispose of the Lock-up Shares in any manner, directly or indirectly.

5. To reflect the original intention of the Jinan Anlan Agreement or the Jinan Lutong Agreement, each party further confirmed and undertook that, after the Reorganisation, if the Employee Shareholders terminated the employment with our Group upon mutual agreement prior to the Expiration Date of the Lock-up Period, our Company shall, through its designated trust (via the RSU SPV) repurchase the Lock-up Shares at the time of termination of employment. The repurchased Shares shall be used as incentive Shares for our future employees. The repurchasing price shall be the corresponding amount of contribution by the Employee Shareholder together with interests accrued thereon calculated at the rate of 10% per annum from the date of contribution.

6. To reflect the original intention of the Jinan Anlan Agreement and Jinan Lutong Agreement, each party further confirmed and undertook that, after the Reorganisation, in the case that an Employee Shareholder was dismissed by our Group due to his/her wilful misconduct or gross negligence prior to the Expiration

Date of the Lock-up Period, our Company shall, through its designated trust (via the RSU SPV) repurchase the Lock-up Shares at the time of dismissal. The repurchased Shares shall be used as incentive Shares for our future employees. The repurchasing price shall be the corresponding amount contributed by the Employee Shareholder of the Lock-up Shares.

Step 5. Transfer of 5,000,000 Shares held by Springrain Investment to RSU SPV

Our Company [has] adopted the **[REDACTED]** RSU Scheme on [●] 2022, Springrain Investment entered into a trust deed with RSU Trustee, pursuant to which Springrain Investment transferred a total of 5,000,000 Shares at par value to RSU SPV, which is a special purpose vehicle wholly owned by RSU Trustee for holding certain Shares reserved for any future grant of share award to our employees selected by our Board (the "**[REDACTED] Eligible Employees**") under a share incentive scheme (the "**[REDACTED] RSU Scheme**") of our Company to be set up by our Board in the future. The RSU Trustee shall be entitled to vote any or all of the Shares that may be held by it from time to time in subject to the decision of our Board or an advisory committee appointed by our Board in accordance with the rule of the **[REDACTED]** RSU Scheme. Furthermore, unless otherwise specified by our Board in its sole discretion in the grant letter, the **[REDACTED]** Eligible Employees will not be entitled to any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions (the "**Contingent Income**") from any Shares underlying the Awards before the Shares are transferred to the **[REDACTED]** Eligible Employees. All the Contingent Income will be used to support the operation of the **[REDACTED]** RSU Scheme. Unless otherwise specified by our Board in its entire discretion, the **[REDACTED]** Eligible Employees may not exercise voting rights in respect of the Shares underlying the RSUs until such Shares are transferred to them, nor do them have any rights to any dividend from any Shares underlying the RSUs. Our Company will comply with Chapter 14A and other applicable Listing Rules regarding any grant of shares by the trusts to connected persons under such scheme, when it is set up. For details, please refer to the paragraph headed "D. Share Incentive Scheme — II. **[REDACTED]** RSU Scheme" of Appendix V. Other than: (i) the transfer of 5,000,000 Shares held by Springrain Investment to RSU SPV; and (ii) the RSU Trustee shall cast the voting of all the Shares it held subject to the decision of our Board or the advisory committee appointed by our Board under the **[REDACTED]** RSU Scheme, there will be no other agreements, arrangements or understanding between: (i) any of our Controlling Shareholders or the Directors; and (ii) RSU Trustee and RSU SPV in respect of the 5,000,000 Shares in our Company held by the RSU SPV.

Considering: (i) the shareholders of Anlan BVI Companies and Lutong BVI Companies are different; (ii) Anlan BVI Companies and Lutong BVI Companies are entitled to exercise their voting rights independently; (iii) Anlan BVI Companies and Lutong BVI Companies have not entered into any concert party agreement as of the Latest Practicable Date; and (iv) RSU SPV [has been] incorporated at a later stage, our Company considers that Anlan BVI Companies, Lutong BVI Companies and RSU SPV are not parties acting in concert. Save as the approximately: (i) 4.21% Shares held by Yangliqun Ltd, a company wholly-owned by one of our Directors, Mr. Yang Liqun; (ii) 2.48% Shares held by Chengxin & Suan Ltd, a company wholly-owned by one of our Directors, Mr. Cheng Xin; and (iii) 1.29% Shares held by Feizhongli Run Heart Service Ltd, a company wholly-owned by one of our Directors, Mr. Fei Zhongli, the Shares held by Anlan BVI Companies and Lutong BVI Companies are considered to be part of the public float for the purpose of Rule 8.08 of the Listing Rules.

ACTING IN CONCERT ARRANGEMENT

On 18 June 2021, Mr. Luan, Mr. HQ Luan and Ms. Liang entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in excising their rights as shareholders of Shandong Runhua since November 2016 before entering into the agreement, agreed to continue the same going forward and if they fail to reach a consensus for a certain resolution, Mr. Luan has the final decision-making power. On the same date, Mr. Luan, Mr. HQ Luan and Ms. Liang further entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of our Company since its incorporation and each of the members of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. They have undertaken to continue to act in concert directly or indirectly through the companies controlled by them. They have also agreed to, among others, vote unanimously at all meetings of the shareholders of each member of our Group, discuss and reach consensus with each other before proposing to such meetings, and act in concert in respect of the business operations, governance and other key matters of our Group which shall be decided by the shareholders of each of the members of our Group. If they fail to reach a consensus for a certain resolution, Mr. Luan has the final decision-making power.

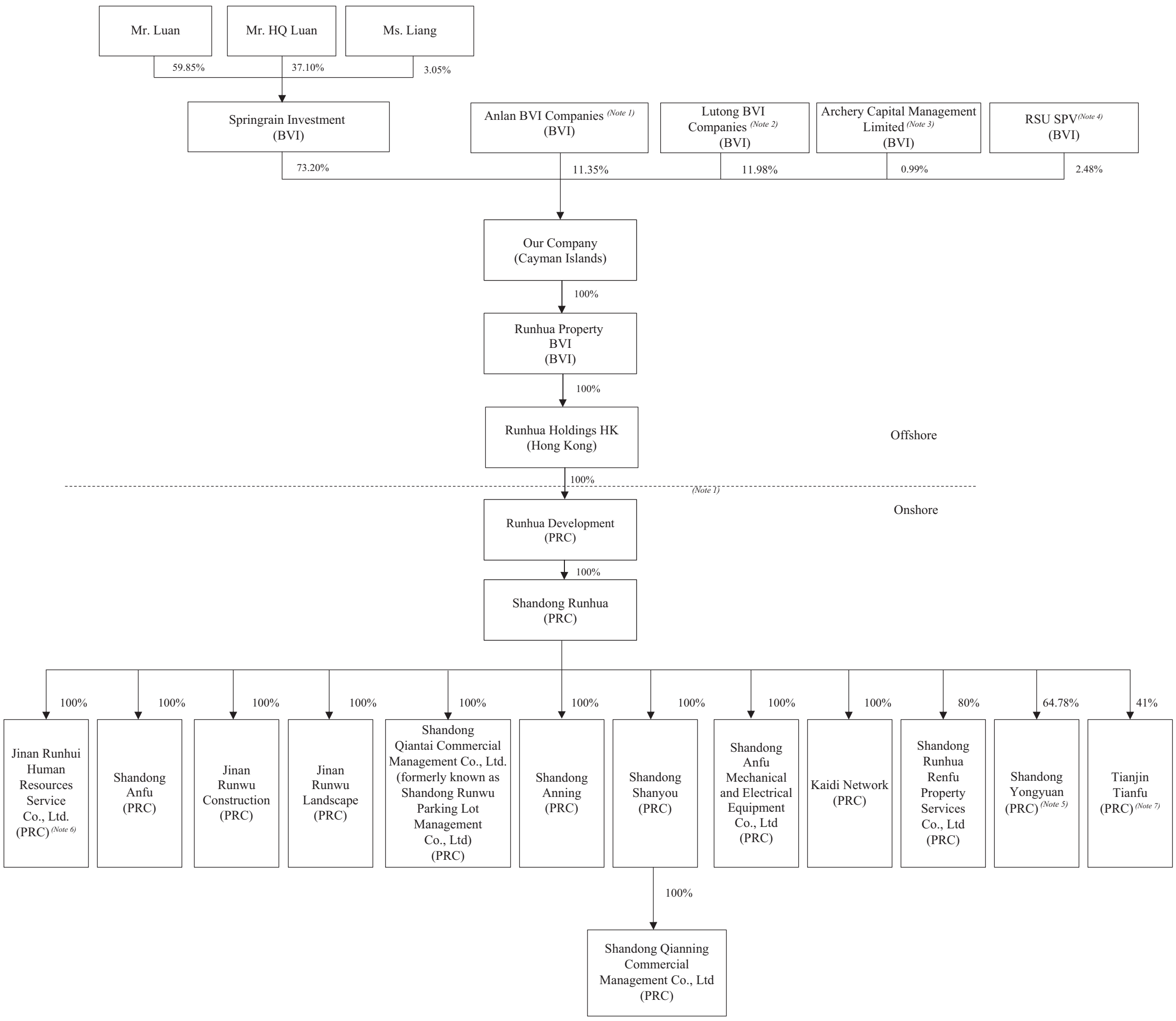
[REDACTED]

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the **[REDACTED]** pursuant to the **[REDACTED]**, our Directors shall be authorised to allot and issue a total of **[REDACTED]** Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the **[REDACTED]** becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalisation of the sum of **[REDACTED]** standing to the credit of the share premium account of our Company. The Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares.

CORPORATE STRUCTURES

Corporate Structure before the [REDACTED]

The following chart sets forth the shareholding and beneficial ownership structure of our Group immediately following the completion of the Reorganisation and prior to the completion of the **[REDACTED]**:



Notes:

1. Please refer to the paragraph headed "— "Step 1: Establishment of offshore corporate structure" for details.

2. Please refer to the paragraph headed "— "Step 1: Establishment of offshore corporate structure" for details.

3. As of the Latest Practicable Date, Archery Capital Management Limited is an independent third party of our Company.

4. RSU SPV is a special purpose vehicle wholly owned by RSU Trustee [to be set up] for holding certain Shares reserved for any future grant of share award under a share incentive scheme of our Company to be set up by our Board in the future.

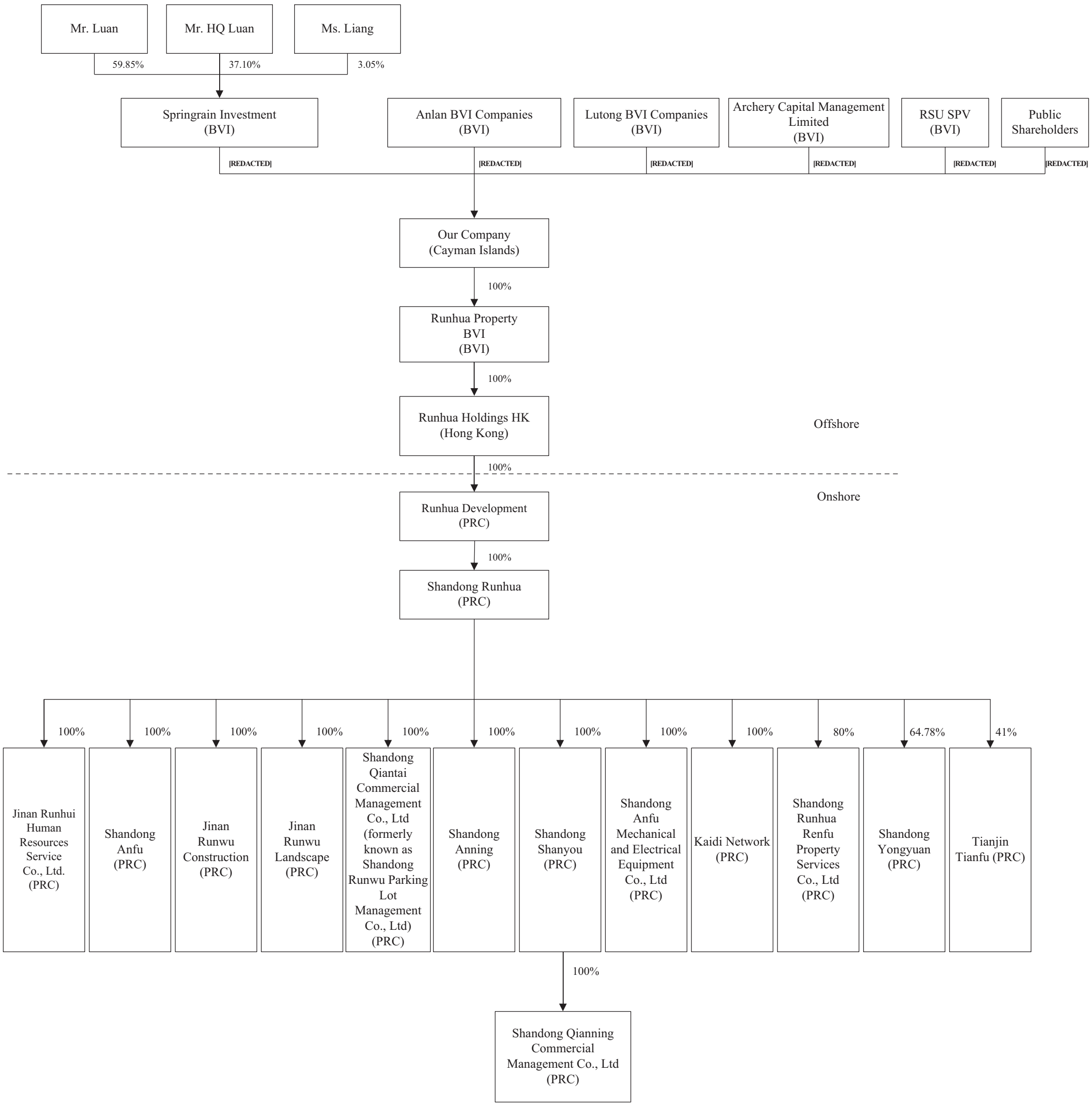
5. Shandong Yongyuan was established on 25 November 2020. As of the Latest Practicable Date, it is held as to approximately 64.78% and approximately 35.22% by Shandong Runhua and Heze Peony Airport Commercial Service Co., Ltd. (菏澤牡丹機場商務服務有限公司), an independent third party.

6. Jinan Runhui Human Resources Service Co., Ltd. was established on 23 August 2021.

7. Please refer to the paragraph headed "— "Major Acquisition during the Track Record Period"" for details.

Corporate structure immediately after the [REDACTED]

The following chart sets forth the shareholding and beneficial ownership structure of our Group immediately following the completion of the **[REDACTED]** and the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised:



Note:

Please refer to the notes underneath the corporate and shareholding structure chart of our Group under "Corporate Structure—Corporate structure before the **[REDACTED]**" in this section.

[REDACTED] INVESTMENT

On 12 August 2020, the shareholders of Shandong Runhua resolved to increase the registered capital of Shandong Runhua from RMB50 million to RMB50.5 million, with additional capital contribution of RMB0.5 million by MedEvolve Company Limited. Following such increase, the equity interests of Shandong Runhua was owned as to approximately 42.08% by Mr. Luan, 24.75% by Mr. HQ Luan, 14.85% by Jinan Anlan, 14.85% by Jinan Lutong, 2.48% by Ms. Liang and 0.99% by MedEvolve Company Limited. The registration of the registered capital increase with the relevant authority was completed on 14 August 2020. MedEvolve Company Limited is indirectly wholly owned by Mr. Xie, our **[REDACTED]** Investor via Archery Capital Management Limited. On 20 October 2020, MedEvolve Company Limited injected a total sum of HK$1,270,000 (approximately RMB1,096,772) in Shandong Runhua, of which RMB0.5 million was regarded as the registered capital of Shandong Runhua. Pursuant to the Reorganisation, on 26 October 2020, our Company allotted 2,000,000 Shares to Archery Capital Management Limited, a company incorporated in the BVI and wholly owned by Mr. Xie, representing 0.99% of the entire issued shares of our Company as at 26 October 2020. The table below sets out details of the **[REDACTED]** Investment:

Name of the [REDACTED] Investor	:	**Mr. Xie**
Background of the **[REDACTED]** Investor	:	Mr. Xie is a chartered financial analyst and has experience working as a director/representive/responsible officer in a number of investment consulting and financial advisory companies. He was introduced to our Group by his acquaintance (the "**Acquaintance**"), who was a classmate of Mr. Xie through a telephone conference. The Acquaintance is an ex-employee of our Group from 1996 to 2002 and has worked in various department of Shandong Runhua from 1996 to 2002 and his last position before his departure from Shandong Runhua was vice supervisor of the human resource department. As our Group has expressed to the Acquaintance that it would like to look for a **[REDACTED]** investor to finance the business operation and part of the **[REDACTED]**, the Acquaintance therefore introduced Mr. Xie to our Group, who is an investor with experience in the capital market and listing process in Hong Kong. Apart from that, our Company confirms that the acquaintance 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, Directors of senior or any of their respective associates. Mr. Xie invested in the Company because of the reputation of our Group in Shandong and our expertise and experience in providing property management services to hospitals and public properties. He believes that there is great potential in the development of our

Name of the [REDACTED] Investor	:	**Mr. Xie**
		Company the investment in our Company will be rewarding. To the best knowledge and belief of the Directors and having made all reasonable enquiries, each of MedEvolve Company Limited, Archery Capital Management Limited and their ultimate beneficial owner, Mr. Xie, is an independent third party.
Date of payment of funds	:	20 October 2020
Consideration	:	A total sum of HK$1,270,000 (approximately RMB1,096,772), of which RMB0.5 million was regarded as the registered capital of Shandong Runhua
Source of fund	:	Personal fund sourced from the personal savings of Mr. Xie
Completion of the subscription	:	14 August 2020
Cost per Share paid under the **[REDACTED]** Investment	:	Approximately HK$**[REDACTED]**. This is derived based on **[REDACTED]** Shares to be held by Archery Capital Management Limited, a wholly owned by Mr. Xie upon completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]**). For details, please refer to the paragraph headed "**[REDACTED]**" above.
Discount to the **[REDACTED]**	:	Approximately **[REDACTED]**%. The discount to the **[REDACTED]** is calculated based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]**.
[REDACTED] from the **[REDACTED]** Investment	:	The **[REDACTED]** was used as our general working capital. As at the Latest Practicable Date, all of the **[REDACTED]** had been utilised.
Strategic benefits the **[REDACTED]** Investor brought to our Company	:	Our Directors believe that the **[REDACTED]** Investment is a demonstration of confidence of the **[REDACTED]** Investor in our operation, which serve as an endorsement of our performance and prospects. In addition, as at the Latest Practicable Date, Mr. Xie is the holder of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) licences issued by the SFC. Together with his prior work experience as a director in Credit Suisse (Hong Kong) Limited and a vice president in BOCI Asia Limited, where he was responsible for assisting the listing of various PRC companies on the Stock Exchange, our Directors believe that the our Group could benefit from Mr. Xie's respective knowledge and experience in the capital market and listing process in Hong Kong.

Name of the [REDACTED] Investor	:	**Mr. Xie**
Approximate shareholding of the **[REDACTED]** Investor in Shandong Runhua upon the completion of the **[REDACTED]** Investment	:	0.99% equity interest in Shandong Runhua
Approximate shareholding of the **[REDACTED]** Investor in our Company immediately following the completion of the **[REDACTED]** and the **[REDACTED]**	:	**[REDACTED]**%
Special rights granted to the **[REDACTED]** Investor	:	Nil
Public float	:	To the best of our Directors' knowledge, the **[REDACTED]** Investor is not a core connected person of our Company. As a result, approximately **[REDACTED]**% of the total issued Shares (upon completion of the **[REDACTED]** and assuming the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued pursuant to the **[REDACTED]** Share Option Scheme) with a market capitalisation of approximately HK$**[REDACTED]** (based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid- point of the indicative **[REDACTED]**) will count towards the public float.
Lock-up arrangements after **[REDACTED]**	:	The **[REDACTED]** Investment is subject to a lock-up period of six months following the **[REDACTED]**.

The consideration for the **[REDACTED]** Investment was determined after arm's length negotiations with reference to: (i) an independent valuation report (the "**Valuation Report**") on Shandong Runhua as at 30 March 2020, of which the market value of Shandong Runhua was RMB110 million using asset-based approach; (ii) the historical financial results of the Group in 2019; (iii) the potential profitability, business growth and prospects of the Group; and (iv) the valuation of comparable companies in the market of the Group. Other factors were taken into account in the determination of the consideration including but not limited to:

(i) the investment risk assumed by Mr. Xie in investing in an unlisted company including the uncertainty of the completion of the **[REDACTED]** and **[REDACTED]**;

(ii) the six-month lock-up restriction undertaken by Mr. Xie commencing on the **[REDACTED]**. Furthermore, the consideration of the **[REDACTED]** Investment had not taken into consideration the proposed **[REDACTED]** as it was determined before the submission of the **[REDACTED]** application of our Company and the expected market capitalisation of our Group upon successful **[REDACTED]**; and

(iii) our Company's belief that Mr. Xie's extensive experience in the Hong Kong capital market, listing process and other related matters would bring long term benefits to our Group and shareholders as a whole throughout the **[REDACTED]** process and upon **[REDACTED]**.

Pursuant to the Valuation Report, the appraised value of a company can be determined based on either asset-based approach, market-based approach or income-based approach. In determining the market value of Shandong Runhua, the valuer is of the view that asset-based approach would be a more appropriate method to ascertain the appraised value of Shandong Runhua due to the following reasons:

(i) asset-based approach is an appropriate valuation method as net asset value, which is calculated by deducting total liabilities from total assets, is a reflection of Shandong Runhua's total value as at 30 March 2020 and the asset-based approach is a common valuation method for non-listed companies.

(ii) market-based approach is not the most appropriate method as there are limited comparable precedents in the market involving companies with similar business nature of Shandong Runhua; and

(iii) income-based approach is not the most appropriate method as there is uncertainty in predicting the future income to be generated from the principal business (property management services) of Shandong Runhua.

Therefore, the valuer is of the view that asset-based approach, which determines the appraised value of a company by referring to the value of its assets and liabilities, would be an appropriate method for determining the appraised value of Shandong Runhua. Based on the above, our Director is of the view that the use of asset-based approach in determining the appraised value of Shandong Runhua is reasonable.

Compliance with Guidance Letters

Based on the review of the relevant agreements, the Sole Sponsor is not aware of any special circumstances or incidents that would lead to a belief that the terms of the **[REDACTED]** Investment as described above are not in compliance with the Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017 and the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

MAJOR ACQUISITION DURING THE TRACK RECORD PERIOD

On 26 September 2019, Shandong Runhua has entered into an agreement to acquire the equity interests in Tianjin Tianfu (the "**Tianfu Agreement**") and a supplemental agreement simultaneously on the same day (the "**Supplement Agreement**") upon the completion of the competitive bidding process for Tianjin Tianfu. 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 was determined with reference to the net asset value of Tianjin Tianfu as at 31 August 2018 determined by an independent valuer. Tianjin Tianfu was established in the PRC on 8 September 1995 by independent third parties and is principally engaged in providing property management service in the PRC. On 26 September 2019, to supplement the Tianfu Agreement, Shandong Runhua entered into the Supplemental Agreement with the vendor and Tianjing Tianfu, pursuant to which Shandong Runhua agree to transfer 10% of the equity interests in Tianjian Tianfu for a consideration of not more than RMB2.96 per RMB1 registered share capital to members of the senior management and core members of Tianjing Tianfu to provide incentives and rewards to them for contributing to the success of Tianjing Tianfu. The acquisition was made as part of our Group's strategy to expand its market in the PRC. The acquisition was completed in November 2019.

On 28 December 2020, we completed the transfer registration process of the 10% equity interests in Tianjin Tianfu to Tianjin Zhongtian Tongxin Management Partnership (Limited Partnership)* (天津中天同鑫管理合夥企業(有限合夥))("**Tianjin Zhongtian**"), an entity wholly-owned by members of the senior management and core members of Tianjing Tianfu, for the consideration of RMB 5,911,590. Such consideration was determined with reference to the net asset value of Tianjin Tianfu as at 31 August 2018 determined by an independent valuer and was settled on 1 July 2020. As confirmed by our Directors, our Company and Tianjin Zhongtian have confirmed the transfer of 10% equity interests and the consideration for transfer before October 2019. Also, Tianjin Zhongtian has settled the consideration for the transfer on 1 July 2020. The terms of the agreement and the transfer of shares were finalised by Tianjin Tianfu and Tianjin Zhongtian in December 2020 due to internal process of Tianjin Tianfu and Tianjin Zhongtian.

According to Rule 4.05A of the Listing Rules, the acquisition of Tianjin Tianfu would have been classified at the date of application for our **[REDACTED]**, as a major transaction under Chapter 14 of the Listing Rules. For further details of the financial performance of Tianjin Tianfu, please refer to Note 17 and Note III to the Accountants' Report in Appendix I to this document.

PRC LEGAL COMPLIANCE

SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關于境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, "**Circular 37**"), promulgated by SAFE and which became effective on 4 July 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties.

As confirmed by our PRC Legal Advisers, Mr. Luan, Mr. HQ Luan and 27 other ultimate beneficial owners of our Shares who are PRC resident had completed the registration under Circular 37.

M&A RULES

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, SAIC, CSRC and SAFE, jointly issued the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (the "**M&A Rules**"), which became effective on 8 September 2006, and was amended on 22 June 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the "**Regulated Activities**").

As advised by our PRC Legal Advisers, Shandong Runhua became a sino-foreign entity after the investment of the **[REDACTED]** Investor (via his indirectly wholly-owned subsidiary, MedEvolve Company Limited), Shandong Runhua had completed the relevant registration pursuant to the M&A Rules with the relevant authorities. Given that Shandong Runhua was a sino-foreign entity, the acquisition of 100% equity interests in Shandong Runhua by Runhua Development is not subject to the M&A Rules and does not require approval from MOFCOM under the M&A Rules.

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 third and accounted for approximately 1.0% in the property management services market in Shandong Province.

We, through our operating subsidiaries and branches, provide a wide range of property management services and other ancillary services. 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 leasing services; and (iv) other services. The below table sets out the breakdown of our revenue by types of services for 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 leasing services	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.

In respect of the 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 46 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.

We are dedicated to the utilisation and development of digitalisation and operation automation systems and have employed technological solutions to strengthen our competitiveness, improve our service quality and customer satisfaction, reduce our reliance on manual labour, and reduce costs and expense to be incurred by providing our services. In March 2019, we launched an online information technology operation centre, namely OSCS Service Centre, serving the hospitals under our management by offering diversified and tailored hospital logistics services in aspects of cleaning management, centralised logistic management, clinical waste management, facilities management, patient companion and operation management, which are comprehensive and professional solutions to manage, support and optimise the entire operation process of the hospitals under our management. By utilising the OSCS Service Centre, we are able to facilitate our daily operation in hospital sector and provide 24-hour services to hospital staff and/or patients of the hospitals under our management. For details of our hospital logistics services and information technology systems, please refer to the paragraphs headed "Property Management Services — Scope of our property management services — Hospital logistics services" and "Our Information Technology Systems" in this section.

We have achieved diversified coverage in property portfolio, by providing property management services to both non-residential and residential properties. During the Track Record Period, our managed projects can be grouped into four categories, which comprised (i) hospitals; (ii) public properties; (iii) commercial and other non-residential properties (including office buildings, industrial parks and car parks); and (iv) residential properties. The below table sets forth the breakdown of our revenue generated from providing property management services by the types of properties for the Track Record Period:

	FY2019			FY2020			FY2021			1H2021			1H2022		
	Number of managed projects	Revenue	% of revenue generated from providing property management services	Number of managed projects	Revenue	% of revenue generated 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	31	143,776	39.2	30	144,715	36.0	46	215,941	39.8	33	98,786	39.4	46	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	163	366,970	100.0	194	402,198	100.0	233	542,838	100.0	200	250,679	100.0	239	307,244	100.0

The majority of our revenue was generated from customers who are independent third parties, which accounted for approximately 88.6%, 80.3%, 87.8% and 93.8% of our total revenue for FY2019, FY2020, FY2021 and 1H2022, respectively. We were mainly engaged by them as an independent property management company for the provision of our property management services to their properties in the PRC. Our Group obtains new property management agreements from them mainly by way of open tendering. For FY2019, FY2020, FY2021 and 1H2022, our tender success rate for securing property management agreements recorded approximately 28.4%, 32.5%, 48.1% and 40.7%, respectively; and the renewal rate of our property management agreements was approximately 87.4%, 90.6%, 90.8% and 87.4% for the corresponding period, respectively. We pride ourselves for having a relatively high renewal rate for our property management agreements, which is a reflection of high customer satisfaction.

With years of steadfast practise and establishment, we have committedly endeavoured to provide comprehensive, sophisticated and specialised services to our customers by continuingly diversifying our services and enhancing our capabilities on serving different types of properties, and our Group has been accredited with GB/T19001-2016/ISO 9001:2015 (Quality management system certification), GB/T 20647.9-2006/ZMCC-TC-10-2018 (5-star service certification), GB/T24001-2016/ISO 14001:2015 (Environmental management system certificate), GB/T45001-2020/ISO45001-2018 (Occupational safety management system certificate), ISO 56002-2019 (Innovation management system certificate), ISO50001:2018 RB/T 107-2013 (Energy management system certificate), Jinan City Property Comprehensive Service Standardization Pilot Enterprise[Note 1] and Good Standardising Practice Certificate Grade AAA[Note 2].

COMPETITIVE STRENGTHS

We believe our success and potential for further growth are attributable to our competitive strengths as set out below:

We have established strong presence in the property management industry in Shandong Province, and built up stable business relationship with our major customers in result of our satisfying services and market reputation in the industry

The property management industry in the PRC is highly regionalised and featured by high level of fragmentation. Established in 1996, we have an operating history of over 25 years, with a primary focus in Shandong Province by upholding our strategy of "Shandong Focus (精耕山東)". By building upon our brand, "Runhua Property" (潤華物業), and the reputation we earned throughout the years of our operation, our Directors believe that our Group has become one of the established service providers in the mid-to-high-end property management service industry, especially in hospital and public sectors, in Shandong Province. For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from Shandong Province accounted for approximately 94.9%, 95.3%, 93.2% and 92.3% of our total revenue, respectively. According to the F&S Report, we ranked third among property management service providers in Shandong Province in terms of total revenue in 2021, representing a market share of approximately 1.0%. In recognition of our strength and market position, we were awarded several highly regarded honours in the industry such as:

- TOP500 Property Management Companies of China in 2020 (2020年物業服務企業綜合實力測評TOP500);
- Shandong Premium Brand — Service Category* (山東優質品牌 — 服務類);
- High and New Technology Enterprise* (高新技術企業);
- Shandong Famous Brand* (山東知名品牌);
- Key Service Enterprises in Shandong* (山東省重點服務業企業); and
- High-end Cultivation Enterprise in Service Industry in Shandong* (山東省服務業高端培育企業).

For further details, please refer to the paragraph headed "Awards, Accreditations and Certifications" in this section.

According to the F&S Report, it is rather difficult for new entrants to shape their own brand reputation in short time and obtain a similar level of experience and expertise to compete against the leading services providers like us in Shandong. Comparing to our competitors in the industry, we have a more deep-rooted presence in the property management industry in Shandong Province, expanding our geographic presence from Jinan, the provincial capital of Shandong Province to cover 15 of the 16 prefecture-level cities in Shandong Province. As at Latest Practicable Date, we had 14 operating subsidiaries and 24 branches in the PRC, providing property management services to over 200 projects. In 2010, we obtained the Property Management Enterprise Qualification Certificate Level One* (物業服務企業資質證書一級), which has enabled us to undertake property management projects across the PRC, irrespective of property size, business scale and location. Given the reliable quality of our services and long history in the industry, we believe our market position and industry recognition have translated into a word-of-mouth reputation and increased customer's confidence in our services, which in turn secure new business opportunities, maintain existing customers and consolidate our market share.

We have built a strong rapport with our major customers over the years. Apart from our related parties, the business relationship between our Group and most of our top five customers during the Track Record Period ranges from seven years to 18 years. Our Directors believe that customers' satisfaction is fundamental in maintaining good and long-term relationships between our Group and our customers, which enables our Group to secure new agreements or renew the existing agreements with these customers in the future. Also, with the long-term cooperation with our major customers, we are able to develop our capability with reference to high-level standards in terms of safety and quality assurance and enhance our chance to obtain high-profile agreements. For details of our customers, please refer to the paragraph headed "Our Customers" in this section.

Our expertise and experience in managing hospitals and public properties allow us to strengthen our property management capabilities to cater for the customers' high-standard requirement of specialised services and thus position ourselves as an established service provider in hospital sector as well as public sector

With the long-term professional operation and brand cultivation, we have achieved an active position in providing property management services to hospitals and public properties in Shandong Province. For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from the hospitals accounted for approximately 39.2%, 36.0%, 39.8% and 42.2% of our revenue generated from providing property management services and approximately 38.3%, 37.5%, 35.5% and 35.4% of our revenue generated from providing property management services was from the public properties. For FY2021, we had 46 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 hospital, public properties and commercial properties) sector among the respective property management service providers in Shandong Province in terms of the revenue generated from the respective sectors in 2021, representing the market share of approximately 7.2% and 2.1%, respectively. In terms of the revenue generated from the 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.

According to the F&S Report, the management of hospitals and public properties generally requires the property management service providers, like our Group, to have a high brand reputation, standard of services as well as operation and management capacity. In respect of hospital sector, we have been providing property management services to five out of the Top 10 Grade 3A Hospitals in terms of outpatients visits in Shandong

Province in 2020 and the total number of outpatient visits of the hospitals we served exceeded 13.6 million in 2020. To distinguish ourselves from other service providers, we focus on provision of our services to provincial-level and prefectural-level hospitals, who require higher quality and standard of services. According to the "Top 100 Hospitals in China" (中國頂級醫院100強) in 2021, we served five among the Top 100 Grade 3A Hospitals in the PRC during the Track Record Period. In respect of public sector, we served Baotu Spring Park (趵突泉公園) — an AAAAA Tourist Attraction of PRC, Shandong Provincial Capital Culture and Art Center Grand Theatre (山東省會文化藝術中心大劇院), Linyi Grand Theatre (臨沂大劇院) and Shenzhen Guangming Culture and Arts Centre (深圳光明文化藝術中心), all of which are well-known landmark cultural facilities, as well as railway stations in seven cities across Shandong Province, including Jinanxi Railway Station. Our Directors are of the view that unlike traditional property management service providers who focus on providing services to residential and commercial properties, we have developed and have been strengthening our strong property management capabilities in environmental hygiene management, crowd control and emergency response by having a proven track record in managing hospitals and public properties. Our Directors also believe that with the in-depth cooperation, customers in hospital and public sectors are also willing to enter into additional ancillary service agreements to their existing services providers on top of the typical property management services.

According to the F&S Report, high customer stickiness is one of the main characteristics in the hospital logistics market, whilst the hospitals will not change their services providers easily mainly as the successful cooperation between the hospitals and their services providers requires long-term accumulation. If the property management services providers are changed frequently, it will increase the costs of hospitals in the management, coordination and communication with services providers as well as the risk of affecting its daily operation given that hospital logistics services is deeply integrated into hospital's operation chain. Therefore, customers in hospital sector are more cautious when selecting service providers and have high requirements for past experience as well as operation and management capability. On top of typical property management services, we provide an integrated platform to the hospitals under our management by offering diversified and tailored hospital logistics services, which are comprehensive and professional solutions to manage, support and optimise the entire operation process of the hospitals under our management. In view of our participation and support in the anti-epidemic works in the hospitals under our management during the outbreak of COVID-19, we were accredited as "Epidemic prevention and control work in Jinan City — Advanced Property Services Company* (濟南市疫情防控工作 — 先進物業服務企業)" in June 2020.

Meanwhile, public properties, in particular public transportation properties, are characterised with public, openness and security, with high standards and strict requirements on the environment, facilities and service qualities which require higher expertise for property management services providers. Therefore, once the customers in public transportation industry have built a successful cooperation with the property management services providers, the customers generally have the preference to their existing suppliers and property management services providers can enjoy higher customer stickiness in managing public transportation.

Notes:

1. Jinan City Property Comprehensive Service Standardization Pilot Enterprise was nominated by Jinan City Market Supervision Administration and approved by Shandong Provincial Market Supervision Administration, the official agency directly in charge of regulating areas such as market competition, monopolies, intellectual property, and drug safety.
2. Good Standardizing Practice Certificate Grade AAA was awarded by China Association of Standardisation (中國標準化協會), which is an association managed by the Standardization Administration of the PRC (國家標準化管理委員會).

Our Directors believe that our Group's commitment to quality of service has set a benchmark for high-quality property management in the market, which forms the crux to achieving customer loyalty and retention. Hence, the renewal rate of our property management agreements sustained at a relatively high level of approximately 87.4%, 90.6%, 90.8% and 87.4% for FY2019, FY2020, FY2021 and 1H2022, respectively. We pride ourselves for having a relatively high renewal rate for our property management agreements which is a reflection of high customer's satisfaction.

We have a diversified customer base which encourages us to continuously develop our property portfolio and types of services and thus expand our revenue streams

Our Group has strived to strengthen and develop our customer base since our establishment. During the Track Record Period, the majority of our revenue was generated from customers who are independent third parties, which accounted for approximately 88.6%, 80.3%, 87.8% and 93.8% of our total revenue for FY2019, FY2020, FY2021 and 1H2022, respectively. We were engaged by them as an independent property management company for the provision of professional and quality property management services to their properties in the PRC. As an independent service provider, we have full management autonomy in our business development and operation to develop a wide range of our services and property portfolio. Our Directors believe that independent property management companies are more innovative and flexible to cater for the requests of each individual customer and the constantly changing market trends.

Besides, we have maintained a stable business relationship with our related parties. During the Track Record Period, we provided a variety of our services, including property management services and property engineering and landscape construction services, to them, which our revenue contributed by them accounted for approximately 11.4%, 19.7%, 12.2% and 6.2% of our total revenue for FY2019, FY2020, FY2021 and 1H2022, respectively. Our Directors believe that the collaboration enables us to secure a stable source of revenue in the future.

Our Directors are of the view that various types of services can create synergies with each other and generate diversified revenue streams. By leveraging our local network, industry experience and our understanding of different types of customers, we have also achieved a diversified coverage in property portfolio by providing property management services to different kinds of non-residential and residential properties, including hospitals, transport terminals, railway stations, office buildings, governmental buildings, exhibition and convention centres, residential properties, universities and schools, industrial parks and tourist attractions. Having considered our qualification, diversified service coverage and experience, our Group is capable to undertake for the property management agreements for different types of properties, diversify our customer base and enhance our capability to generate revenues from various property portfolios.

Besides, our service offering is multi-faceted to serve customers' multifarious needs. During the Track Record Period, our Group has provided more than one type of service to the same customers (including both related parties and independent third customers) attributable to our capabilities to meet the various needs of our customers. On top of typical property management services, we provide an integrated platform to the hospitals under our management by offering diversified and tailored hospital logistics services, which are comprehensive and professional solutions to manage, support and optimise the entire operation process of the hospitals under our management. We established Jinan Runwu Landscape in 2014 and Jinan Runwu Construction in 2015, to offer property engineering and landscape construction services. We have also been providing leasing services to generate rental income as additional recurring revenue stream. Our Directors consider that, under most of the circumstances, we came to know the customers' needs for property engineering and landscape construction services whilst providing daily on-site property management services to them and thus were able to reach the customers and introduce the business opportunity to the responsible departments in our Group in the first place. For FY2019, FY2020, FY2021 and 1H2022, there were 10, 13, 12 and seven independent customers who were in business relationship with us for more than one type of services, respectively.

We achieved operational and cost efficiency improvement through our standardised property management methodologies as well as utilisation of advanced information technology in our daily operation, and improved customer satisfaction

We focus on streamlining and standardising our property management services with advanced information system and standardised property management methodologies to strengthen our internal reporting system and operational efficiency as well as control on our operating costs. During the Track Record Period, we have formed numerous on-site management teams, comprising of project managers and supervisors, who are designated to our managed projects for ensuring those projects to be managed in a proper manner and with a quality standard acceptable to our customers. In order to streamline and standardise our property management services, we established a set of operation booklets covering different kinds of property management services to all types of properties under our management.

According to the F&S Report, the wide application of new technologies can improve operation capability and comprehensive strength of property management service providers. We are dedicated to the utilisation and development of digitalisation and operation automation systems and have employed technological solutions to strengthen our competitiveness, improve our service quality and customer satisfaction, reduce our reliance on manual labour, and reduce costs and expense to be incurred by providing our services. In March 2019, we launched an information technology operation centre, namely OSCS Service Centre, which is a centralised management platform providing 24-hour services to manage, support and optimise the entire operation process of the hospitals under our management. In line with the trend in the development of mobile technology, we established Runzhiyun and QR Code Pass to provide fast and convenient access to OSCS Service Centre to the hospital staff who can submit their requests for our services. Meanwhile, through Runzhiyun and QR Code Pass, our frontline workers can respond promptly to the customers' orders, review work schedule as well as attend online study and assessment on work-related technique and skill. Through the OSCS Service Centre, We handle over 11,000, 30,000, 62,000 and 59,000 service orders in FY2019, FY2020, FY2021 and 1H2022, respectively. Our Directors believe that the application of these technologies allows us to improve our cost effectiveness and profitability of property management services for hospitals. The gross profit margin of our property management services for hospitals improved from approximately 10.9% for FY2019 to 15.6%, 13.3% and 16.3% for FY2020, FY2021 and 1H2022, respectively. Apart from the hospitals under our management, we also developed a series of management supporting systems for other properties with special features, such as public transportation properties and schools, to facilitate our daily operation activities. For details, please refer to the paragraph headed "Our Technology Information Systems" in this section.

In light of the practical application of standard property management methodology methodologies and utilisation of advanced technology in our daily operation, our Directors belive that it will enhance our competitiveness and capability for securing new property management agreements.

We have stringent quality control and high safety standard and environmental impact control

We place emphasis on providing consistently high-quality services and have adopted a "three-tier quality assurance system" to supervise and maintain the quality of our services. For details of the quality assurance measures adopted by us, please refer to the paragraph headed "Quality Assurance" in this section. Our Group has been accredited with GB/T19001-2016/ISO 9001:2015 (Quality management system certification), GB/T 20647.9-2006/ZMCC-TC-10-2018 (5-star service certification), GB/T24001-2016/ISO 14001:2015 (Environmental management system certificate) and GB/T45001-2020/ISO45001-2018 (Occupational safety management system certificate), ISO 56002-2019 (Innovation management system certificate), ISO50001:2018 RB/T 107-2013 (Energy management system certificate) and Good Standardising Practice Certificate Grade AAA. Our Directors believe that these certifications can enhance our public image, credibility and customers' confidence in our Group.

To enhance the service quality and safe awareness of our staff and workers of our subcontractors, we provide them with trainings tailored to the needs of their position and duties and provide online training courses and assessment to them to improve their professional knowledge and skills. Our Directors are of the view that both our staff and customers have benefited from our stringent quality control system especially during the COVID-19 when our customers improved their awareness of safety and increased the standard of our services (especially environmental hygine management) whilst our staffs were able to satisfy their demands as well as protect themselves in the process of delivering professional service.

Our Directors also believe that the continued success of our business primarily depends on our ability to meet our customers' requirements, particularly in respect of safety, environment and quality aspects, and that our certified status will continue to bring us more business opportunities and uphold our competitiveness in the market.

We have experienced and competent management team

We have an experienced and competent management team with extensive operational expertise and in-depth understanding of the property management industry in the PRC, which is invaluable to the development of our business.

Mr. Yang, the chairman of our Board and executive Director, has joined Runhua Group since June 1993 and started to work for our Group since January 2011. His insights and strategic visions have allowed us to develop and pursue sustainable business strategies as well as seize profitable market opportunities, thus contributing to our success to date. Mr. Fei, our executive Director, has over 10 years of experience in the property management industry. Four of our deputy general managers, who are members of our senior management, also have solid experience in the property management industry in the PRC. For details of the qualifications and experience of our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this document.

In light of the experience and technical knowledge of our executive Directors and senior management, our Directors are confident that our Group will remain competitive and reputable in the industry owing to the in-depth industry knowledge of our senior management. The leadership of our Directors and senior management will continue to bring business growth and profitability, thereby strengthening our market position in the property management industry in the PRC.

BUSINESS STRATEGIES AND FUTURE PLANS

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. We intend to achieve our business objective by implementing the following strategies:

Further expand our business scale, increase our market share and bolster our geographic presence in Shandong Province and tap into other developed neighbouring regions

Since our establishment, we have been primarily focusing in the provision of our services in Shandong Province and upholding our strategy of "Shandong Focus (精耕山東)". In view of the PRC's continuous growth in the economy and urbanisation, as well as the expected increase in the number of new properties, both in residential and non-residential, apart from growing our business through organic growth initiatives, we plan to increase our market share in cities where we have presence in Shandong Province, via acquisitions as well as business collaboration with business partners, as well as penetrate into the market in other developed neighbouring regions, such as Yangtze River Delta Region and Beijing-Tianjin-Hebei Region, via acquisitions of well-established local property management companies.

Selectively pursue merger and acquisition opportunities within the property management industry

We envision and strive to be one of the leading property management service providers based in Shandong Province. The degree of concentration of the property management services market is increasing in recent years as a result of policy environment, market competition and information technology. Especially, a few of the leading property management services companies begin to raise management standards and core competitiveness through mergers and acquisitions. Moreover, property management services companies are making efforts to develop alliance and consolidation to achieve economies of scale resulting in the increasing concentration level of China's property management services market in the future. Many property management companies use mergers and acquisitions as tools to mitigate risks when expanding into new markets, helping new entrants to access the local market by leveraging the established resources and goodwill of the merged or acquired entity. According to the F&S Report, the trend of the mergers and acquisitions activities of the property management companies will continue and will remain as the dominant method for the expansion of their business. As a result, the PRC property management industry will be increasingly consolidated, with major industry players tapping into new markets and diversifying their business to further strengthen their presence.

After having established a strong footprint in Shandong Province, we have expanded our business to first-tier cities with a high population in the PRC such as Beijing and Shenzhen. As at the Latest Practicable Date, we had five and one properties under our management located in Beijing-Tianjin-Hebei Region and Yangtze River Delta Region, respectively. Leveraging our strategic presence in the Yangtze River Delta Region and Beijing-Tianjin-Hebei Region, we expect to further penetrate target markets across China.

Therefore, we believe that the potential acquisitions will provide us with efficient access to new geographic markets and support our strategy to expand our operations. We plan to capture new business opportunities and increase our geographical coverage by seeking and considering suitable acquisition opportunities to enhance our capabilities in undertaking different types of property management projects or acquiring local knowledge or connections. We primarily target medium sized property management service companies located in cities in Shandong Province with better economic development or industrial foundation, such as Jinan and Qingdao, and in other developed neighbouring regions, such as Yangtze River Delta Region and Beijing-Tianjin-Hebei Region, 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. As at the Latest Practicable Date, we had not identified any target company for acquisition. For further details of the selection criteria relating to the target companies, please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

Continuously expand our property portfolio to cover more types of public properties via business collaboration with business partners

Leveraging our extensive experience in Shandong Province, we actively explore and pursue opportunities to expand our property portfolio and bolster our geographic presence across Shandong Province by securing more projects, with a specific interest in high-end hospitals and public properties for improving our Group's profile and exposure in the market. In October 2020, we have formed business collaboration with a state-owned medical research and property management company ("**Business Partner A**"). Detailed ways of cooperation shall be finalised in separate formal agreements. The cooperation agreement can be renewed and extended for a further term by mutual consent. Pursuant to the cooperation agreement, Business Partner A would introduce us to manage the properties operated by it. The background of Business Partner A and major terms of the cooperation agreement are as follows:

Background	A state-owned enterprise registered in Jinan, established to provide medical research and property management services solely for the properties located in a biomedical industrial park in Jinan City with the total size of approximately 45 square kilometer. As confirmed with Business Partner A, they did not provide property management services to the properties outside the said biomedical industrial park during the Track Record Period. As confirmed with the Business Partner A, their property management services mainly involved the management of conferences and exhibitions in the biomedical industrial park operated by them. Due to the lack of professional property management talents and internal resources, they generally outsource the typical property management services, such as cleaning, security and repair and maintenance works, which are labour intensive works, to the suppliers like us.
Scope of cooperation	Both parties will cooperate in exchanging of information regarding business development in healthcare industry and market trend and exploring the areas of integrated marketing and promotion; and carry out in-depth cooperation in various aspects focusing on staff training, building of corporate culture and business operation.

	As advised by our PRC Legal Advisers, the information we shared with the Business Partner A is in compliance with the Personal Information Protection Laws (《個人資訊保護法》) and the Data Security Laws (《數據安全法》).
Term	19 October 2020 to 18 October 2022
Conditions of termination	The parties can terminate the framework agreement immediately in case of material breaches of the framework agreement and/or the formal property management agreement(s)

In FY2021 and 1H2022, we provided property management services including cleaning, security and repair and maintenance works to Business Partner A for the said biomedical industrial park and a property selling center, which generated an aggregate revenue of approximately RMB4.3 million and RMB0.6 million, respectively; and gross profit of approximately RMB0.3 million and RMB0.1 million, respectively. Our Directors believe that serving such medical research company can allow us to diversify the types of our managed property portfolio and enlarge our customer base.

According to the F&S Report, under the government support on developing urban agglomerations, growing numbers of non-residential properties are expected to be constructed, such as office buildings, industrial parks and public properties, which has stimulated the increasing demands for non-residential property management services and bring new development opportunities to companies that can provide professional non-residential property management services. For instance, according to China Association of Metros, the number of cities that operate subways increased from 30 in 2016 to 50 in 2021, with the length of subways increasing from 3,168.7 kilometres to 7,209.7 kilometres, with a CAGR of 17.9% from 2016 to 2021. The accelerated construction of public transportation infrastructures has stimulated the increasing demands for property management services.

During the Track Record Period, we provided our property management services to different public transportation properties, such as railway stations in seven cities across Shandong Province (including Jinanxi Railway Station), airports and metro as well as some of the tollbooths in Shandong highway. In view of the continuous development of airports and highways in Shandong Province and our successful cooperation with these public transportation properties, we plan to explore business opportunities to further increase the number of public transportation properties under our management by both actively participating in tendering and establishing business cooperation relationships with business partners. In November 2020, we established Shandong Yongyuan with our business partner, a state-owned airport operator, and as at the Latest Practicable Date, we have undertaken three property management agreements for Heze Mudan Airport (菏澤牡丹機場), with the aggregate contract value of approximately RMB5.8 million. Our Directors believe that investment in new business collaboration is cost effective and has a high growth potential. Moreover, serving these key public transportation properties could enhance our corporate image and demonstrate our property managements prowess in the industry.

Develop advanced information technology and mobile application functions to optimise our business model to increase our cost effectiveness

Our current information technology systems mainly focus on serving the hospitals under our management. In March 2019, we have launched OSCS Service Centre to facilitate our daily operation in hospital sector and provide 24-hour services to hospital staff and patients of the hospitals under our management. The OSCS Service Centre can gather different kinds of data, such as service data (e.g. number of handled orders and customer satisfaction score); environmental data (e.g. lighting, temperature and humidity); architectural data (e.g. floor plan, physical features of a building and security patrolling route); facilities data (e.g. elevators, fire service system and sewage system); and human data (e.g. staff training record, attendance rate and details of supervisors in each service segment). Based on the data collected from OSCS Service Centre, our on-site management teams can implement or adjust our property management plan accurately. We handled service orders, through our systems, for over 11,000, 30,000, 62,000 and 59,000 tasks in FY2019, FY2020, FY2021 and 1H2022, respectively. The gross profit margin of our property management services for hospitals increased from approximately 10.9% for FY2019 to 15.6%, 13.3% and 16.3% for FY2020, FY2021 and 1H2022. Therefore, our Directors believe that the continuous development and penetration of the information technology into our operation could improve our profitability and cost control in the long term. For FY2019, FY2020, FY2021 and 1H2022, we incurred expenses for information technology development of approximately RMB2.3 million, RMB1.9 million, RMB1.3 million and RMB1.4 million, respectively. We plan to continue to develop information technology system on the property management level and headquarter management level in order to strengthen our operational efficiency and control our costs effectively.

Property management level

We intend to integrate the data collection function 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, and thereby assist senior management in identifying and responding to key trends rapidly and efficiently. The new system is expected to collect the operation data and transfer them to the headquarters and regional branch offices, 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. In particular, through connecting facilities with the system, data can be stored and analysed in order to detect any potential equipment hazards and failures in advance. New system will help us to achieve remote operation of the facilities in our managed properties from our operation centre. This will lower the cost of manual inspection, and ensure standardisation and automation of inspections. The system enables us to reduce labour costs in patrolling the premises and inspecting our equipment and operation cost by monitoring energy consumption. We also plan 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.

Our Directors believe that a wide array of information technology systems would build up our competitive advantages. Our database contains updated property and facility management including existing site information. Appropriate strategies and tailored service packages can be devised for project bids through the analysis of such data. We plan to upgrade our existing tender management system by linking up with our database. In addition, marketing tools and materials such as presentation kits and management proposal templates for different types of properties and facilities can be deployed through our database to assist our Group in securing property management agreements.

Given that we adopt the "lump sum basis" for our revenue model, our profitability is basically dependent largely upon our ability of cost control and budgeting. We intend to develop a budgeting system to monitor and adjust the budget planning of each of our managed projects. The budgeting system can monitor 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. If the budget amount reaches our preset threshold rules, the system will automatically issue an alert notification to our business department and on-site management team. Request for adjustment of budget amount shall be submitted, through our system, to our headquarters for approval and the revised budget amount will be updated in our system to reduce the time consumption in communications.

Headquarter management level

Given a large number of frontline workers to be assigned to our managed projects, our Directors consider that it is essential 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. Such data integration could streamline our Group's operation and administration including but not limited to enhance relevant employees' efficiency in managing and handling their respective functions which could in turn enhance their capacity in undertaking increasing tasks and mitigate the risk of manual error to cope with our Group's business expansion. We also plan to invest in the improvement of our existing management system in aspect of human resource and contract management. The upgraded system is able to calculate the salaries and overtime payments of our staff based on their time card records, and achieve payroll automation.

In respect of contract management, we expect our staff can, through the upgraded system, review the amount of trade receivables of each contract to prepare our bills and/or demand letters. We expect such upgrade can improve our standardisation, centralisation, digitisation and automation level in our operations in relation to calculate and analyse financial data for our operations and enhance the communication between our business departments and finance department in collection of our service fees. We also plan to develop online payment functions for individual customers and outstanding payment alerts, to optimise our management capacity.

Continue to improve staff motivation mechanism to attract, cultivate and retain talents

Success in the market requires a professional team in both management and technology as well as a stable talent development mechanism. Further, our success depends, to a large extent, on our ability to continually provide quality services to our customers by our employees and those of our subcontractors; and our ability to maintain a committed professional and dedicated team of management and employees who are committed to our corporate spirit which was instrumental in our growth over the past 25 years. To support our business expansion set out above, it is important for us to develop and attract more talent for filling up various positions in our Group.

We plan to adhere to the "talent-oriented" management policy and will respond quickly to the human resource demands and adopt measures to optimise the allocation of human resources. In order to enhance the morale of our employees and provide more incentives for them to work with us, we intend to promote our internal staff members to managerial level positions. In view that our employee training programmes primarily consist of induction training and on-the-job training, we plan to enhance our training programmes by developing a promotion assessment programme to provide career development opportunities to our employees and promote them internally. If necessary, the promoted staff will be sponsored to attend professional qualification trainings conducted by external organisations or professionals, in relation to the overall property management knowledge and skill.

To cope with our business expansion, we will recruit property management talents in the market to supervise our managed projects as well as improve our capabilities in sales and marketing and quality control. As we plan to execute further acquisitions, we will also selectively retain appropriate talent who specialise in locating quality property management projects in the relevant regions. We believe that having a sufficient pool of talented employees provides crucial support to our planned business growth and maintain our service quality.

Enhance project execution efficiency and service quality by acquiring suitable new automated cleaning machineries and equipment

According to the F&S Report, the property management market is a labour-intensive industry and requires substantial manpower to carry out the daily works and some property management service companies tend to use advanced equipment to reduce labour costs. Project execution efficiency is mainly reflected by our ability to meet work schedule and our budget control. We plan to acquire suitable new automated cleaning machineries and equipment mainly for rendering cleaning and disinfection services. Our Directors consider that it is necessary to acquire new automated machineries and equipment in order to meet the contract obligations to render the cleaning services promptly and efficiently to meet our customers' needs. For example, our cleaning activities of the railway station platforms are required to be done within a limited time between the internals of trains to minimise disruption to passengers as well as maintain the safety of all users of the railway network.

Aiming at the characteristics of hospitals and high standard in cleaning management, we provide intensified disinfection and sterilisation services covering the hospital areas of wards, operating theatres, clinics and laboratories. Therefore, we also intend to deploy some intelligent sterilisation robots to the key hospitals under our management for disinfecting environmental air and subject surface, via automatic robot with ultra-violet light, hydrogen peroxide and filtering. Our Directors believe that equipping ourselves with intelligent sterilisation robots to maintain the quality consistency will allow us to enhance our competitiveness during the stage of tender bidding and negotiation for renewal.

OUR BUSINESS MODEL

During the Track Record Period, the services we provide can be broadly divided into four business segments in terms of their nature. Details of our business segments are summarised as follows:

- **Property management services**: We provide (a) typical property management services, such as (i) cleaning and disinfection services, including the regular cleaning and disinfection of common areas of our managed projects, waste management, pest control, floor waxing maintenance, regular greening and gardening maintenance on the greening areas in the properties under our management; (ii) security services, including 24-hour surveillance, patrolling, guarding, access control, crowd control, visitor handling, emergency handling and fire drilling; (iii) general repair and maintenance services, including daily inspection, repair and maintenance of facilities and equipment in common areas, fire facilities and safety signs, utilities facilities and security facilities; and (iv) customer services, including value-added services (including concierge services, ushering services, catering services, housekeeping services, vehicle cleaning services and delivery services), carpark management services, canteen management services conference services, elevator operations services and chauffeur services; and (b) hospital logistics services, which are comprehensive and professional solutions to manage, support and optimise the entire operation process of the hospitals under our management.

- **Property engineering and landscape construction services**: Our services include (i) the major maintenance services for building components and systems, interior renovation services, alteration and addition work of existing buildings and facilities and installation of elevators, in order to enhance the quality of the property management systems of our customers; and (ii) the sales, leasing and planting of trees, shrubs and flowers, modification of the shape and elevation of terrain used for landscaping, instalment of related equipment and landscape maintenance work during/after the provision of our landscape construction services;

- **Property leasing services**: We rent out our investment properties to satisfy our customers' needs; and

- **Other services**: Our 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 below table sets out the breakdown of our revenue by types of services for 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 leasing services	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

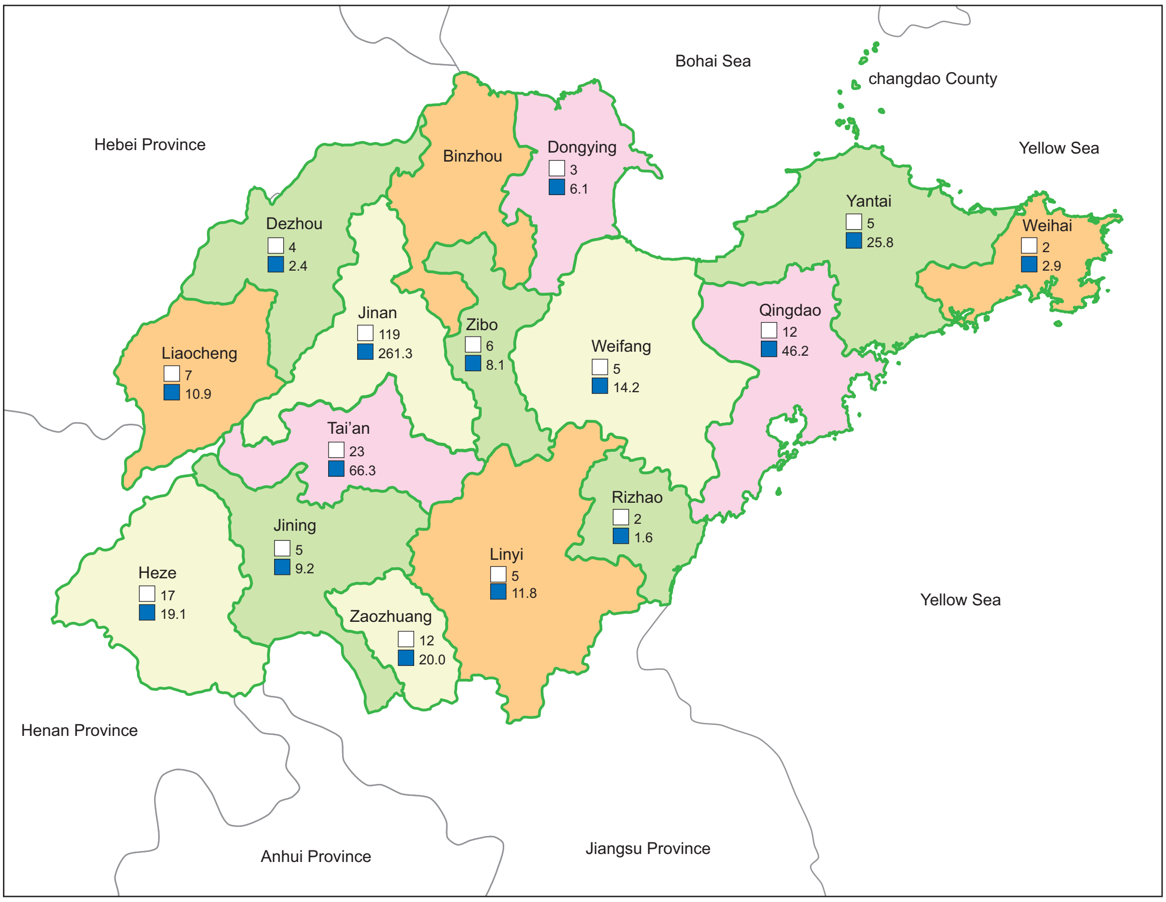
Note: Other services mainly include (i) patient nursing and post-natal caring services; and (ii) sales of software supporting systems developed by us and daily server maintenance services.

PROPERTY MANAGEMENT SERVICES

Our Group has been providing property management services since the establishment of our first operating subsidiary, Shandong Runhua, in 1996. We have achieved a diversified coverage in property portfolio by providing property management services to non-residential and residential properties. In particular, we have a comprehensive understanding of their daily operation and sufficient project experiences to provide high-quality services to the hospitals and public properties. For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from providing property management services was 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% of our total revenue, respectively. The number of our managed projects was 163, 194, 233 and 239 for FY2019, FY2020, FY2021 and 1H2022, respectively.

Geographic Presence

Since our establishment, we have been primarily focusing in the provision of our services in Shandong Province and upholding our strategy of "Shandong Focus (精耕山東)". Over the years, we have gradually expanded our geographic presence from Jinan to cover 15 of the 16 prefecture-level cities in Shandong Province. The map below illustrates the locations of our managed projects in Shandong Province for FY2021:



Number of our managed projects which contributed to our revenue in FY2021

Revenue contributed in FY2021 (RMB in millions)

Apart from the above properties located in Shandong Province, we had managed projects located in Beijing, Shenzhen, Hebei Province, and Jiangsu Province. The below tables set forth the breakdowns of the number of our managed projects and our revenue from providing property management services by geographical locations for the Track Record Period:

	FY2019			FY2020			FY2021			1H2021			1H2022		
	Number of managed projects	Revenue	% of total revenue from providing 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 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	94	203,790	55.5	105	230,857	57.4	119	261,331	48.1	105	137,268	54.7	127	150,819	49.1
- Other regions	65	144,636	39.4	84	152,525	37.9	106	244,648	45.1	89	100,905	40.3	104	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	163	366,970	100.0	194	402,198	100.0	233	542,838	100.0	200	250,679	100.0	239	307,244	100.0

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

Portfolio of properties under our management

We manage a diversified portfolio of properties including non-residential and residential properties. Based on the nature and type of the properties under our management, it can be broadly divided into four categories (i) hospitals; (ii) public properties; (iii) commercial and other non-residential properties (including office buildings, industrial parks and car parks); and (iv) residential properties.

The below tables set forth the breakdowns of the number of managed projects and our revenue from providing property management services by types of properties for 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	31	143,776	39.2	30	144,715	36.0	46	215,941	39.8	33	98,786	39.4	46	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	163	366,970	100.0	194	402,198	100.0	233	542,838	100.0	200	250,679	100.0	239	307,244	100.0

(i) Hospitals

We position ourselves as one of the major service providers in the hospital sector in Shandong Province. Our Directors believe that our strong management and operation capability, our expertise in hospital logistics services and our deep understanding of the operation of hospitals allow us to cater for the demands of our customers in the PRC. During the Track Record Period, our revenue generated from hospitals remained stable, which amounted to approximately RMB143.8 million, RMB144.7 million, RMB215.9 million and RMB129.6

million, representing approximately 39.2%, 36.0%, 39.8% and 42.2% of our revenue generated from providing property management services, respectively. During the Track Record Period, all our customers in hospital sector are independent third parties. According to the F&S Report, we ranked second in the hospital sector among property management service providers in Shandong Province in terms of the revenue generated from hospital sector in 2021, representing market share of approximately 7.2%.

To distinguish ourselves from other service providers, we focus on provision of our services to high-end provincial-level and prefectural-level hospitals. For FY2021, we provided property management services to 46 Grade 3A Hospitals, including Shandong Provincial Hospital (山東省立醫院), The Affiliated Hospital of Qingdao University (青島大學附屬醫院), Shandong University Qilu Hospital (山東大學齊魯醫院), Shandong Provincial Qianfoshan Hospital (山東省千佛山醫院) and China-Japan Friendship Hospital (中日友好醫院). According to the F&S Report, we have been providing property management services to five out of the Top 10 Grade 3A Hospitals in terms of outpatients visits in Shandong Province in 2020 and the total number of outpatient visits of the hospitals we served exceeded 13.6 million in 2020. According to the "Top 100 Hospitals in China" (中國頂級醫院100強) in 2021, we served five among the Top 100 Grade 3A Hospitals in the PRC during the Track Record Period.

During the Track Record Period, all the properties under our management in hospitals were owned or developed by independent third parties.

Photos of some of the key hospitals managed by our Group are shown below:

Shandong Provincial Qianfoshan Hospital
(山東省千佛山醫院)

Shandong Provincial Hospital
(山東省立醫院)

The Affiliated Hospital of Qingdao University
(青島大學附屬醫院)

China-Japan Friendship Hospital
(中日友好醫院)

Shandong University Qilu Hospital
(山東大學齊魯醫院)

(ii) Public properties

For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from the public properties amounted to approximately RMB140.6 million, RMB150.8 million, RMB192.6 million and RMB108.8 million, representing approximately 38.3%, 37.5%, 35.5% and 35.4% of our revenue generated from providing property management services, respectively. During the Track Record Period, all our customers in public sector are independent third parties. The public properties under our management can be divided into the following sub-categories:

- *Public arenas*: We provided property management services to public arenas, such as tourist attractions, theatres, cultural venues, stadiums and exhibition halls, which are characterised by their openness to the public with high level of visitor flow. During the Track Record Period, we have provided services to a number of public properties, such as Baotu Spring Park (趵突泉公園), Shandong Provincial Capital Culture and Art Center Grand Theatre (山東省會文化藝術中心大劇院), Linyi Grand Theatre (臨沂大劇院), Impressions Jinan Spring World (印象濟南•泉世界) and Shenzhen Guangming Culture and Arts Centre (深圳光明文化藝術中心);

- *Public transportation properties*: The public transportation properties to which we provided property management services include railway stations in seven cities across Shandong Province (including Jinanxi Railway Station), airports, metro, and some of the tollbooths in Shandong highway. Besides, by securing the main contracts with the transportation service providers, the tenants of retail shops and restaurants located therein would also enter into separate service agreements with us for the provision of daily cleaning services of their responsible surrounding public areas;

- *Government institutions*: We provide property management services to government properties, such as government office buildings, public affairs centres and subdistrict offices and prisons; and

- *Universities and schools*: We serve a wide range of education institutions in Shandong Province, from local primary schools, secondary schools to sizeable universities.

During the Track Record Period, all the public properties under our management were owned or developed by independent third parties.

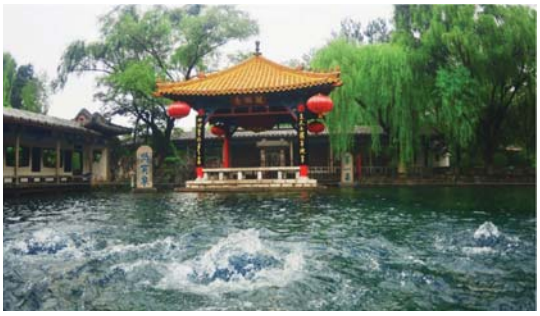
Photos of some of the key public properties managed by our Group are shown below:

Jinanxi Railway Station
(濟南西站)

Shandong Provincial Capital Culture and Art Center Grand Theatre
(山東省會文化藝術中心大劇院)

Linyi Grand Theatre
(臨沂大劇院)

Impressions Jinan Spring World
(印象濟南 • 泉世界)



Baotu Spring Park
(趵突泉公園)

Shenzhen Guangming Culture and Arts Centre
(深圳光明文化藝術中心)

(iii) Commercial and other non-residential properties

For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from commercial and other non-residential properties amounted to approximately RMB42.9 million, RMB64.5 million, RMB86.1 million and RMB44.3 million, representing approximately 11.7%, 16.0%, 15.9% and 14.4% of our revenue generated from providing property management services, respectively. The commercial and other non-residential properties to which we provided property management services were mainly office buildings, industrial parks and car parks in Shandong Province.

During the Track Record Period, certain of the commercial properties under our management were developed by the Controlling Shareholders Group. The table below sets forth a breakdown of our revenue generated from the provision of property management services attributable to the commercial and other non-residential properties developed by the Controlling Shareholders Group and third-party property developers for the Track Record Period:

	FY2019		FY2020		FY2021		1H2021		1H2022	
	Revenue	% of total revenue from commercial and other non-residential properties	Revenue	% of total revenue from commercial and other non-residential properties	Revenue	% of total revenue from commercial and other non-residential properties	Revenue	% of total revenue from commercial and other non-residential properties	Revenue	% of total revenue from commercial and other non-residential properties
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Commercial and other non-residential properties										
- Developed by the Controlling Shareholders Group	22,617	52.8	29,582	45.9	33,635	39.1	14,006	36.8	16,331	36.9
- Developed by independent third parties	20,247	47.2	34,937	54.1	52,477	60.9	24,045	63.2	27,969	63.1
Total	42,865	100.0	64,519	100.0	86,112	100.0	38,051	100.0	44,300	100.0

During the Track Record Period, the commercial and other non-residential properties developed by the Controlling Shareholders Group mainly included automobile industrial parks while the commercial and other non-residential properties developed by independent third parties mainly included office buildings and car parks. For FY2019, FY2020, FY2021 and 1H2022, the revenue generated from the commercial and other non-residential properties developed by the Controlling Shareholders Group was approximately RMB22.6 million, RMB29.6 million, RMB33.6 million and RMB16.3 million, representing approximately 52.8%, 45.9%, 39.1% and 36.9% of the total revenue from providing property management services to commercial and other non-residential properties under our management, respectively. The Controlling Shareholders Group, as the property owners, has a discretion to decide the property management service providers for the commercial and other non-residential properties developed by them.

(iv) Residential properties

Apart from the above properties, we also provide property management services to various residential properties in Shandong Province. For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from residential properties amounted to approximately RMB39.8 million, RMB42.1 million, RMB48.2 million and RMB24.5 million, representing approximately 10.8%, 10.5%, 8.9% and 8.0% of our revenue generated from providing property management services, respectively.

During the Track Record Period, certain of the residential properties under our management were developed by the Controlling Shareholders Group. The table below sets forth a breakdown of our revenue generated from the provision of property management services attributable to the residential properties developed by the Controlling Shareholders Group and third-party property developers for the Track Record Period.

	FY2019		FY2020		FY2021		1H2021		1H2022	
	Revenue	% of total revenue from residential properties	Revenue	% of total revenue from residential properties	Revenue	% of total revenue from residential properties	Revenue	% of total revenue from residential properties	Revenue	% of total revenue from residential properties
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Residential properties										
- Developed by the Controlling Shareholders Group	16,889	42.5	17,324	41.1	19,898	41.3	7,143	34.6	10,357	42.2
- Developed by independent third parties	22,886	57.5	24,800	58.9	28,263	58.7	13,477	65.4	14,183	57.8
Total	39,775	100.0	42,124	100.0	48,161	100.0	20,620	100.0	24,540	100.0

For FY2019, FY2020, FY2021 and 1H2022, the revenue generated from the residential properties developed by the Controlling Shareholders Group was approximately RMB16.9 million, RMB17.3 million, RMB19.9 million and RMB10.4 million, representing approximately 42.5%, 41.1%, 41.3% and 42.2% of the total revenue from providing property management services residential properties under our management, respectively. The Controlling Shareholders Group has a discretion to decide the property management service providers for the residential properties developed by them. During the development phase of the properties, the Controlling Shareholders Group, as the property developers, entered into preliminary property management services agreements with us on behalf of property owners, which shall be reflected in the property purchase agreement entered into by the property developer and the purchaser who later becomes the property owner. Shall property owners wish to engage another property management services provider at a later stage, they may establish a property owners' committee to act on their behalf, who will enter into a property management services agreement with the new property management services provider. However, it is not mandatory under applicable PRC laws and regulations that a property owners' association is established. As at the Latest Practicable Date, none of the residential properties developed by the Controlling Shareholders Group has established a property owners' committee.

Our managed properties' GFA

During the Track Record Period, we generally charge our customers with property management fees for our property management services, which are mainly calculated without reference to the GFA of the properties under our management but based on a fixed agreed price with reference to the stipulated number of employees and workers to be deployed for each position. These are generally referred to as the fees related to non-revenue-bearing GFA. On the other hand, during the Track Record Period, we charged property management fees for a public properties, certain commercial properties, and all residential properties at a pre-determined fixed lump sum price per sq.m. on a monthly basis. These are generally referred to as the fees related to revenue-bearing GFA. In this connection, the GFA of our managed properties can be broadly divided into revenue-bearing GFA and non-revenue bearing GFA. For details of pricing strategy, please refer to the paragraph headed "Sales and

Marketing — Pricing strategy" in this section. The table below sets forth a breakdown of revenue generated from revenue-bearing GFA and non-revenue-bearing GFA during the Track Record Period:

	FY2019		FY2020		FY2021		1H2021		1H2022	
	Revenue	% of total revenue from providing project management services	Revenue	% of total revenue from providing project management services	Revenue	% of total revenue from providing project management services	Revenue	% of total revenue from providing project management services	Revenue	% of total revenue from providing project management services
	RMB$'000		RMB$'000		RMB'000		RMB'000 (Unaudited)		RMB'000	
Non-revenue-bearing GFA										
- Hospitals	143,776	39.2	144,715	36.0	215,941	39.8	98,786	39.4	129,569	42.2
- Public properties	124,248	34.0	135,250	33.6	178,555	32.9	84,999	33.9	100,785	32.8
- Commercial and other non-residential properties	39,118	10.6	61,652	15.3	81,363	15.0	35,220	14.0	42,233	13.7
Sub-total	307,142	83.8	341,617	84.9	475,859	87.7	219,005	87.3	272,587	88.7
Revenue-bearing GFA										
- Public property	16,306	4.4	15,590	3.9	14,069	2.6	8,223	3.3	8,051	2.6
- Commercial and other non-residential properties	3,747	1.0	2,867	0.7	4,749	0.9	2,831	1.1	2,066	0.7
- Residential properties	39,775	10.8	42,124	10.5	48,161	8.8	20,620	8.3	24,540	8.0
Sub-total	59,828	16.2	60,581	15.1	66,979	12.3	31,674	12.7	34,657	11.3
Total	366,970	100.0	402,198	100.0	542,838	100.0	250,679	100.0	307,244	100.0

During the Track Record Period, most of our revenue were generated from non-revenue-bearing GFA which experienced a steady growth from approximately RMB306.1 million in FY2019 to RMB474.8 million in FY2021 due to the increase in number of property management projects for public properties and commercial and other non-residential properties. Since a significant portion of revenue-bearing GFA was from the residential properties, the revenue generated from revenue-bearing GFA increased from approximately RMB60.8 million in FY2019 to RMB68.1 million in FY2021 mainly because we secured two new residential properties in FY2021 and most of the existing residential properties were delivered to the relevant property owners and tenants.

The table below sets forth a breakdown of the GFA of our managed properties during the Track Record Period:

	FY2019		FY2020		FY2021		1H2021		1H2022	
	GFA	% of total GFA	GFA	% of total GFA	GFA	% of total GFA	GFA	% of total GFA	GFA	% of total GFA
	'000 sq.m.		'000 sq.m.		'000 sq.m.					
Non-revenue-bearing GFA(Note)										
- Hospitals	1,759	14.0	1,538	11.5	2,345	14.0	1,988	13.0	2,393	15.3
- Public properties	5,915	47.2	6,516	48.7	8,027	47.7	7,254	47.6	7,676	49.2
- Commercial and other non-residential properties	1,073	8.6	1,305	9.8	1,898	11.4	1,810	11.9	1,716	11.0
Sub-total	8,747	69.8	9,359	70.0	12,270	73.1	11,052	72.5	11,785	75.5
Revenue-bearing GFA										
- Public property	295	2.4	295	2.2	295	1.8	295	1.9	295	1.9
- Commercial and other non-residential properties	250	2.0	453	3.4	564	3.4	557	3.7	578	3.7

	FY2019		FY2020		FY2021		1H2021		1H2022	
	GFA	% of total GFA	GFA	% of total GFA	GFA	% of total GFA	GFA	% of total GFA	GFA	% of total GFA
	'000 sq.m.		'000 sq.m.		'000 sq.m.					
- Residential properties	3,231	25.8	3,265	24.4	3,602	21.5	3,346	21.9	2,960	18.9
Sub-total	3,777	30.2	4,013	30.0	4,461	26.9	4,198	27.5	3,833	24.5
Total	12,523	100.0	13,372	100.0	16,731	100.0	15,250	100.0	15,618	100.0

Note: The GFA was calculated by the aggregate GFA under management as at the end of each month dividing by the number of months in the corresponding period. Such information is sourced from (i) the GFA set out in the property management agreements; (ii) the property information stated in official website; or (iii) the confirmations from our customers.

Non-revenue bearing GFA

The table sets forth (i) the number of employees and workers deployed by each type of properties under our management; and (ii) the average monthly property management fee per GFA, for illustration purpose only, which the fees charged for these properties referred to non-revenue-bearing GFA, during the Track Record Period:

	FY2019		FY2020		FY2021		1H2022	
	Number of employees and workers deployed(1)	Average monthly management fee per GFA(2)	Number of employees and workers deployed(1)	Average monthly management fee per GFA(2)	Number of employees and workers deployed(1)	Average monthly management fee per GFA(2)	Number of employees and workers deployed(1)	Average monthly management fee per GFA(2)
		RMB		*RMB*		*RMB*		*RMB*
Hospitals	3,942	6.81	3,456	7.84	4,177	7.67	5,147	9.02
Public properties	3,266	1.75	3,172	1.73	3,775	1.85	3,896	2.19
Commercial and other non-residential properties	805	3.04	903	3.94	1,094	3.57	1,202	4.10
Overall	8,013	2.93	7,531	3.04	9,046	3.23	10,245	3.85

Notes:

1. The number of employees and workers (including subcontractors' workers) deployed is calculated by the total number of employees and workers (including subcontractors' workers) deployed as at the end of each month divided by the number of months in the corresponding period.

2. Most of the non-residential properties under our management during the Track Record Period were charged on a fixed contract amount i.e. non-revenue-bearing GFA. The property management fees charged under such agreements did not directly correspond to the actual GFA under our management, as they mainly reflected key factors such as the stipulated number of employees and worker required to service the property and service standards required for the type of property. Accordingly, the average monthly property management fee for such non-residential properties calculated as the relevant revenue divided by GFA under management is for illustration only and would not accurately reflect the financial aspect of the property management services provided by us to non-residential properties during the Track Record Period and therefore is not presented herein.

In FY2020, the total number of employees and workers deployed experienced a decrease mainly due to the temporary lockdown of some public arenas during the outbreak of COVID-19, there was a decrease in the number of employees and workers deployed to public properties in early 2020. The total number of employees and workers deployed increased in FY2021 which was in line with the number of additional non-residential projects secured in FY2021.

The average monthly property management fee per GFA for the hospitals increased from RMB6.81 in FY2019 to RMB7.84 in FY2020 due to the termination of a sizeable hospital project located in Hebei Province in FY2019, which its GFA was approximately 200,000 sq.m. and only contributed a revenue of approximately

RMB0.3 million in FY2019; and the average monthly property management fee per GFA for the commercial and other non-residential properties increased from RMB3.04 in FY2019 to RMB3.94 in FY2020 mainly attributable to the increase in our revenue by offering additional value-added property management services since FY2020.

Revenue-bearing GFA

The table sets forth the average monthly property management fee per GFA by each type of properties under our management, which the fees charged for these properties referred to revenue-bearing GFA, during the Track Record Period:

	FY2019	FY2020	FY2021	1H2022
	RMB	*RMB*	*RMB*	*RMB*
Revenue-bearing GFA				
- Public property	4.61	4.40	3.97	4.55
- Commercial and other non-residential properties	1.25	0.53	0.70	0.60
- Residential properties	1.03	1.08	1.11	1.38
Overall	1.31	1.28	1.25	1.51

Note: The average property management fee was calculated by the revenue for the period divided by the aggregate GFA under management as at the end of each month in the corresponding period. Most of the non-residential properties under our management, i.e. non-revenue-bearing GFA, during the Track Record Period were charged on a fixed contract amount. The property management fees charged under such agreements did not directly correspond to the actual GFA under our management, as they mainly reflected key factors such as the stipulated number of employees and worker required to service the property and service standards required for the type of property. Accordingly, the average property management fee for such non-residential properties calculated as the relevant revenue divided by GFA under management would not accurately reflect the financial aspect of the property management services provided by us to nonresidential properties during the Track Record Period and therefore is not presented herein.

The average monthly property management fee per GFA for a public property referred to revenue-bearing GFA decreased from RMB4.61 per sq.m. in FY2019 to RMB4.40 per sq.m. in FY2020 and further decreased to RMB3.97 per sq.m. in FY2021 because the public property were newly developed in late 2018 and most of the units were under decoration. As an incentive arrangement for property management company, the owner agreed to pay the property management fees for the vacant units until the overall occupancy rate of the public property was over 80%. In FY2021, the occupancy rate reached 80% and the owner did not provide property management fees for the vacant units. For FY2019, FY2020, FY2021 and 1H2022, we received the property management fees from the owner of approximately RMB11.0 million, RMB9.2 million, RMB2.8 million and nil, respectively. The average monthly property management fee per GFA increased to RMB4.55 per sq.m. in 1H2022 due to the relatively higher occupancy rate of such public property.

In FY2020, the average monthly property management fee per GFA for commercial and other non-residential properties referred to revenue-bearing GFA experienced a decrease due to the fact that we secured a new commercial property project in November 2019 and most of the units were pending for rent in FY2020 and FY2021. As stipulated in the relevant contracts, the property management fees of that commercial property were borne by the tenants and hence we did not receive property management fees during the period where these units were vacant in FY2020 and FY2021.

Throughout the Track Record Period, the average monthly property management fee per GFA for residential properties experienced a stable growth from RMB1.03 per sq.m. in FY2019 to RMB1.08 in FY2020 and RMB1.11 in FY2021. Such growth trend was due to the delivery of certain higher-end residential properties charging relatively higher property management fees from property owners and tenants during the Track Record Period, which led to higher average monthly property management fees charged by our Group in FY2020 and FY2021. The average monthly property management fee per GFA increased to RMB1.38 because two higher-end residential properties were sold and delivered to purchasers in around the end of 2021 and early 2022.

Scope of our property management services

Our property management services include (a) typical property management services, such as cleaning and disinfection services, security services, general repair and maintenance services and customer services; and (b) hospital logistics services, which are comprehensive and professional solutions to manage, support and optimise the entire operation process of the hospitals under our management.

Typical property management services

We focus on streamlining and standardising our property management services with advanced automation and standardised property management methodologies to strengthen our internal reporting system and operational efficiency as well as control on our operating costs. According to the F&S Report, there is no uniform standard for governing the typical property management services provided by property management services companies in the PRC. As a result, the quality of property management services from different companies could be vary significantly. In order to streamline and standardise our property management services, we established a set of operation booklets covering different kinds of property management services provided by us.

(a) Cleaning and disinfection services

Our cleaning services generally include the regular cleaning and disinfection of common areas, waste management, pest control, floor waxing maintenance, regular greening and gardening maintenance on the greening areas in the properties under our management. Our hygiene management system is designed according to the system guidelines of GB/T24001-2016/ISO 14001:2015 (Environmental management system certificate) in order to ensure that our managed projects are in a hygienic condition and uphold environmental conservation.

Hygiene management is important to hospitals and public properties with high level of visitor flow. Therefore, our Group has established strict cleaning and disinfection standard and requirements for such properties. For instance, to minimise disruption to passengers as well as maintain the safety of all users of the railway network, our on-site management teams will prepare the cleaning schedule based on the timetable of train arrivals. Our cleaning activities of the railway station platforms are required to be done within a limited time between the intervals of trains. We also provide overnight cleaning services to conduct intensive cleaning of the railway station platforms. For the details of the hygiene management measures for hospitals, please refer to the paragraph headed "Hospital logistics services - Cleaning management module" below in this section.

Reducing the risk of exposure to COVID-19 by cleaning and disinfection is an important task that will require us to prepare a careful cleaning plan for each of our managed projects. We evaluate the workplace and the usage of each property to determine the cleaning method and frequency. For example, most surfaces and objects will need normal routine cleaning. Frequently touched surfaces and objects, like light switches and doorknobs, will need to be cleaned and then disinfected by diluted bleach once an hour to further reduce the risk of germs on surfaces and objects. Given our reliable cleaning and disinfection services provided during the outbreak of COVID-19, we were accredited as "Epidemic prevention and control work in Jinan City — Advanced Property Services Company* (濟南市疫情防控工作 — 先進物業服務企業)" in June 2020 in respect of epidemic prevention and control in Jinan City.

(b) Security services

The security services provided by our Group primarily include 24-hour surveillance, patrolling, guarding, access control, crowd control, visitor registration, emergency handling and fire drilling. We provide security services in ensuring that the managed properties and their tenants and users are safe and well protected. Additional manpower will be engaged in the public properties with high level of visitor flow or for the activities or events organised in the properties.

We have developed a security operation system integrated with the mobile devices carried by our security guards which enables us to track the whereabouts of our security guards on a real time basis and digitalise the patrolling records at each patrolling checkpoint when the security guard passes the checkpoint. These automated records will be uploaded to our system under the monitor of our on-site management team instead of traditional paper records. We have also adopted on-site standing instructions to provide clear guidelines and workflows to our security staff in handling daily operation matters, event support and emergency cases in each of our managed projects.

(c) General repair and maintenance services

We are generally responsible for the inspection, repair, maintenance and management of (i) common area facilities, such as elevators, escalators, central air conditioning system, lighting system, communication system and ventilation system; (ii) fire facilities and safety signs, such as fire alarm system, smoke sensors and fire extinguisher; (iii) utilities facilities, such as power distribution system, drainage and sewage systems, water supply system, water pump and tank systems as well as heating system; and (iv) security facilities, such as entrance barrier and surveillance cameras in common areas. We also actively monitor energy consumption levels and devise ways of achieving operational savings, such as (i) reviewing operating hours of elevators, escalators and lighting system; and (ii) introducing energy efficient materials such as energy saving light bulbs.

Our in-house technicians perform routine management and inspections of certain systems and equipment and take charge of planning equipment maintenance and maintaining records to ensure the normal operation of the equipment in the serviced areas. We employ competent personnel with requisite qualifications to perform the repair and maintenance works of fire-service, air-conditioning, and elevator and escalator systems.

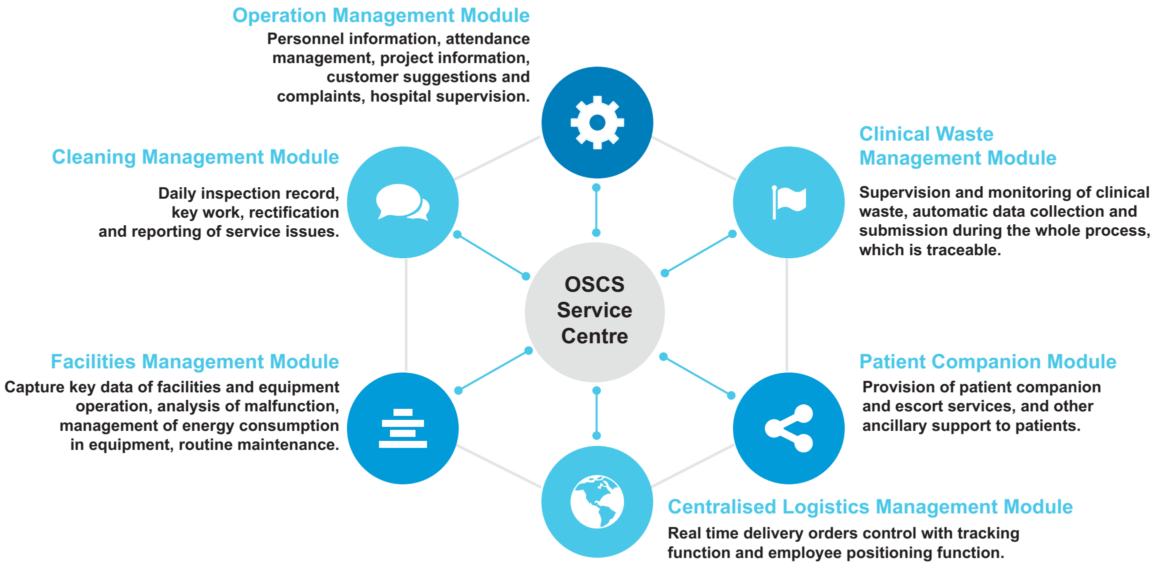
(d) Customer services

We are fully aware that our customers have different needs and preferences. As such, we also provide a wide range of additional tailored customer services as may be required by our customers for their properties or in relation to particular areas or facilities of their properties to address their specific needs. Our customer services include value-added services (including concierge services, ushering services, catering services, housekeeping services, vehicle cleaning services and delivery services), carpark management services, canteen management services, conference services, elevator operation services, chauffeur services. Our Directors believe that these tailored customer services can enhance our competitiveness as compared with other traditional property management service providers and allow us to charge higher fees.

Hospital logistics services

According to the F&S Report, hospital logistics services are a crucial foundation to support and ensure the normal operation of hospitals including medical treatment, scientific research, disease prevention, health care, etc.. Professional knowledge and strong management and operation capability are required for hospital logistics services providers to provide high-quality and a full range of hospital logistics services.

To cater for the needs of hospitals, we provide an online information technology operation centre to the hospitals under our management by offering diversified and tailored hospital logistics services, which are comprehensive and professional solutions to manage, support and optimise the entire operation process of the hospitals under our management. Also, in view of the characteristics of timeliness, contingency and uncertainty in hospital's operation and the essential of ensuring the continuity of logistics services in terms of facility configuration, staffing, and rules and regulations, we have launched an online information technology operation centre, namely OSCS Service Centre, which is a centralised management system, to manage, support and optimise the entire operation process of the hospitals under our management by utilising a series of information technology management systems in the following areas:



- Cleaning management module

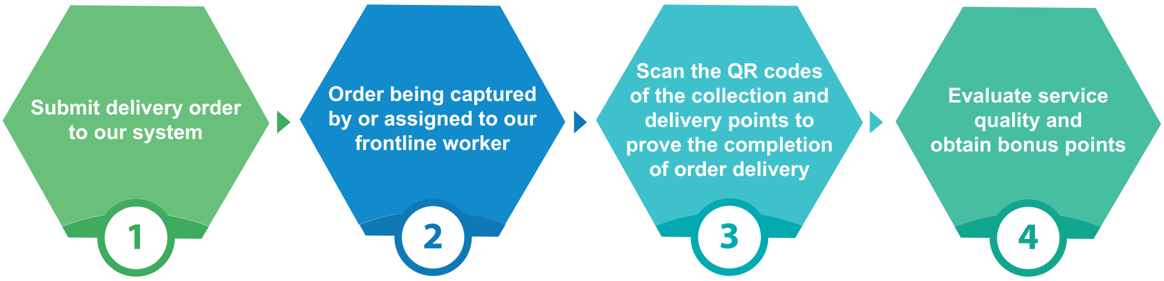
Aiming at the characteristics of hospitals and high standard in cleaning management, we provide intensified disinfection and sterilisation services covering the hospital areas of wards, operating theatres, clinics and laboratories in accordance with the scope, frequency, standards and requirements prescribed in the Hospital Infection Management Specifications* (醫院感染管理規範) and Disinfection Technical Specifications for Medical Institutions* (醫療機構消毒技術規範), both of which were published by the National Health Commission of the PRC. For example, the cleaning services of operating theatres shall be performed at between surgery cases, end-of-day and end-of-week and we have to strictly monitor the cleanliness of operating theatres by the level of microbiological (like bacteria and moulds) and indoor air dust.

To avoid leakage of pathogens and harmful substances, we require our frontline workers to perform surface cleaning for the used medical devices, equipment and consumables and deliver them to the central sterile services department, which is an integrated place that performs sterilisation on medical devices, equipment and consumables, in accordance with strict disinfection, isolation and protection systems. In practice, we will use different methods, such as approved disinfectants and sterilants, pressure steam, ethylene oxide sterilisers and ultraviolet, for the purpose of disinfection and sterilisation. Each of the sterilised medical devices, equipment and consumables will then be packed in an individual sealed package and delivered to the wards, operating theatres, clinics or laboratories, based on stock level in our system or request from hospital staff.

- Centralised logistics management module

Our centralised logistics management module involves (i) planning, designing, implementing and managing logistic flows within the hospital and inventory control of material stock; (ii) collecting and delivering documents, specimens, medicines, disinfected medical equipment and clinical waste; and (iii) bookkeeping medical records and other documentation. We require our on-site management teams and frontline workers to strictly follow the standard and requirements of Hospital Infection Management Specifications* (醫院感染管理規範) ensuring the materials being transported safely and without infection by hazardous materials.

The following chart shows the major steps involved for delivery orders:

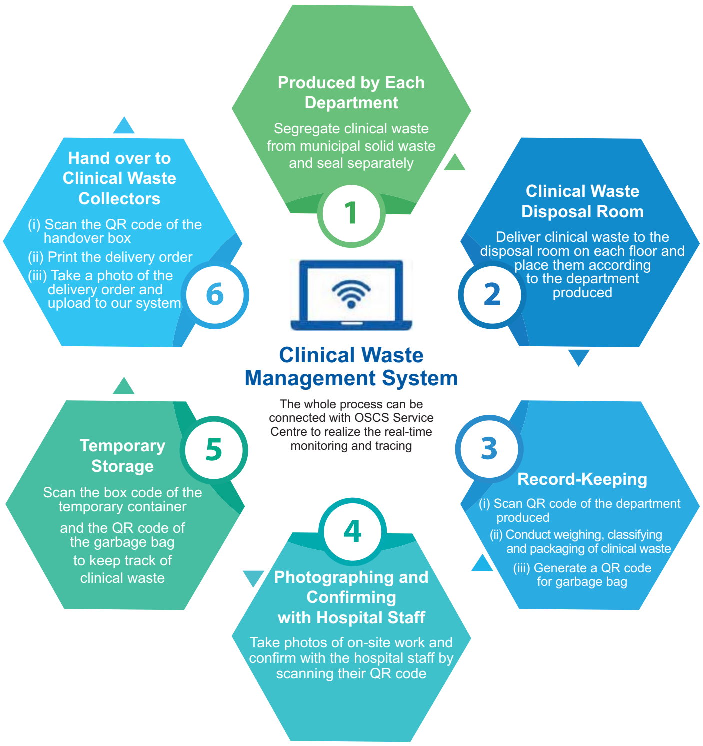


Our system allows hospital staff to input delivery orders, including delivery of various items (such as documents, specimens, medicines, disinfected medical equipment and clinical waste). By utilising the positioning system and intelligent task allocation system, delivery orders will be showed on the mobile devices of our frontline workers nearby and open for them to catch the orders in time. The responsible worker shall arrive at the pick-up point and complete the task within the requested time. For each of the completed orders, hospital staff can, through our system, submit their feedback, comment or even complain in relation to our services. In order to motivate our own staff being more proactive in providing high-quality services, we reward our staff based on the number of orders captured by them and the feedback from hospital staff. In addition, our on-site management teams can input the recurring orders into our system. The recurring orders will be distributed to our frontline workers regularly according to the planned cycle.

By having consents from our customers, our system can also connect to their intranet so that we can closely monitor the stock level of medical consumables and distribute them to different departments in the hospital as requested. It allows us to reduce human error of hospital staff when placing delivery orders and enhance our work efficiency.

- Clinical waste management module

Hospitals frequently produce a large amount of hazardous clinical waste every day. The clinical waste shall be segregated from municipal solid waste and sealed separately to prevent clinical waste entering other disposal chains. Therefore, we have set up a clinical waste management module by using our information technology to manage clinical waste , which allows us to (i) locate the clinical waste to prevent potential risks caused by the loss of clinical waste as well as to ensure the safety of hospital against hazardous clinical waste; (ii) upload the records to our system and analyse the data for formulation of management plans; and (iii) reduce the manpower and resource involved. The following flow chart shows the major steps involved in our clinical waste management module:



Each of the garbage bags in clinical waste disposal rooms and temporary containers will have a QR code posted for scanning. The collection, transportation, storage and handover processes as well as the data of number, weight and status of clinical waste will be recorded in our system. We conduct video surveillance on the temporary storage of clinical waste, which is trackable to prevent potential risks caused by the loss of clinical waste as well as to ensure the safety of hospitals against hazardous clinical waste. In addition, hospital staff and on-site management team can generate daily report from our system to analyse and improve the clinical waste management plan.

- Facilities management module

Our engineering management module covers facilities and equipment inspection, repair and maintenance. To enhance our work efficiency, we labelled the major facilities with QR codes and through scanning the QR codes, we can get the details of operating status and life cycle of the facilities.

Our system will remind our staff to conduct periodic inspection as scheduled by the on-site management teams. The inspection report will be uploaded to our system and a list of issues identified, together with the relevant photos of the issues, will be sent to our technicians. After the rectification of such issues, our technicians shall inform the on-site management teams by filing the proof to our system.

Hospital staff and our on-site management teams can also initiate repair orders so that our technicians can respond to the orders in time.

- Patient companion module

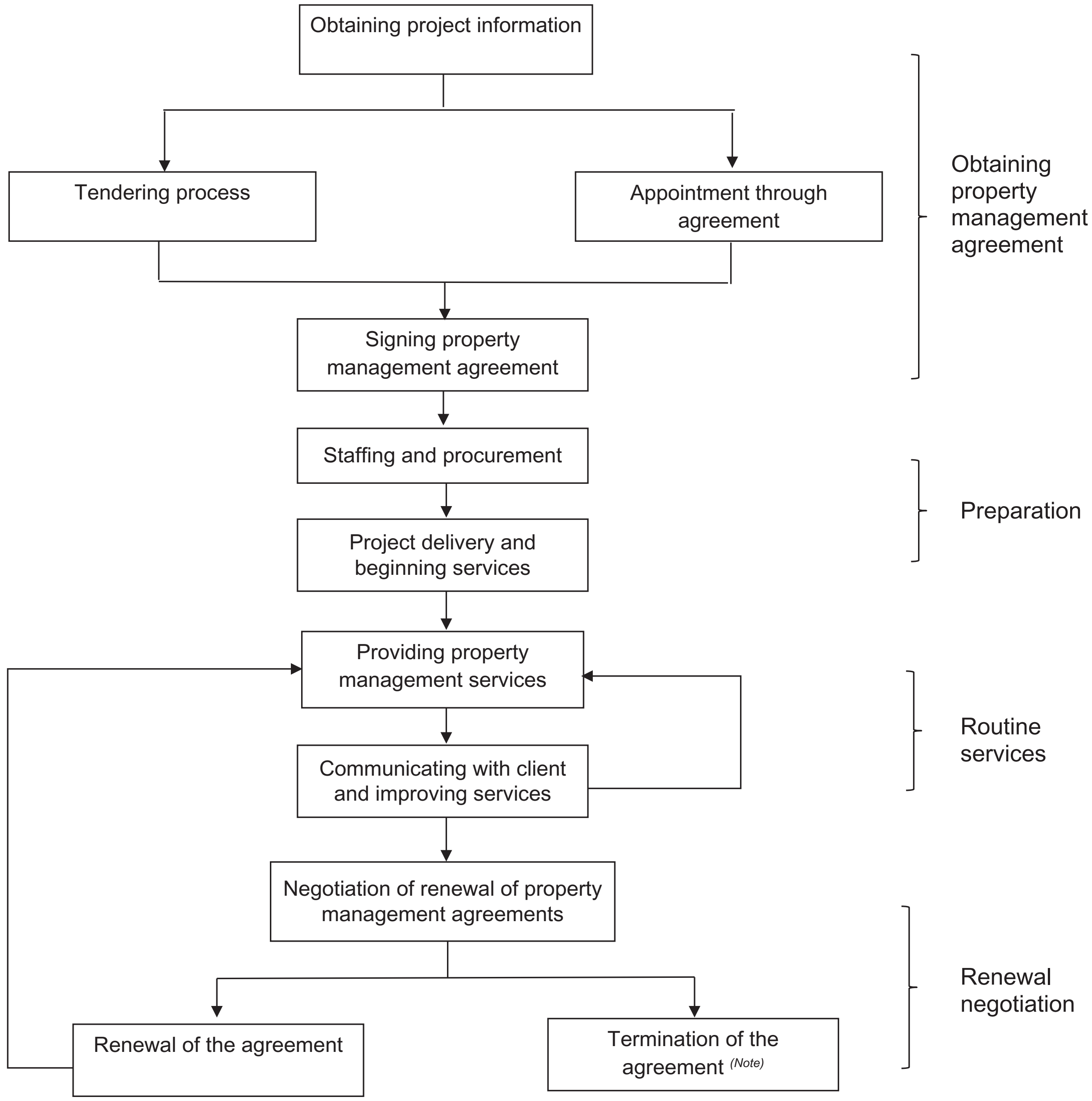
In order to offer comprehensive services to hospitals, we also devote ourselves to patient caring. For the patients who are without family accompanies, our nursing staff will provide patient companion services and assist patients in making appointments via the green channel for timely treatment to them.

- Operation management module

The OSCS Service Centre focuses on, among others, gathering data for application in other systems. The data gathered on this level includes service data (e.g. number of handled orders and customer satisfaction score); environmental data (e.g. lighting, temperature and humidity); architectural data (e.g. floor plan, physical features of a building and security patrolling route); facilities data (e.g. elevators, fire service system and sewage system); and human resource data (e.g. staff training record, attendance rate and details of supervisors in each service segment). Based on the data collected from OSCS Service Centre, our on-site management team can implement or adjust our property management plan accurately. We can also enhance the user experience of hospital staff by allowing them to submit their suggestions and feedback to our system.

Operation flow

The following flow chart illustrates a brief process of our property management services, from identifying a project to renewal/termination of a service agreement:



Note: Sometimes we choose to terminate our property management agreement voluntarily based on our internal consideration such as projected profitability.

Obtaining property management agreement

Our Group obtains new property management agreements mainly by way of open tendering. Our marketing department actively explores new tender opportunities in the market. After identifying the opportunity, we would conduct a feasibility study on the tender, taking into account factors such as the size of the project, the resource and qualification requirement and the scope of services. Once the feasibility study is completed and approved by the management, we will start to prepare the tender documents and file the tender documents within the required time frame.

For the properties developed by our related parties, we may undergo the tender process or directly enter into property management agreements. We consider that such arrangement was primarily attributable to, among others, our ability to provide quality property management services and our historical cooperation relationship with the related parties of our Group, which enabled us to better understand and fulfil their needs and requirements.

The following table sets out the statistics of our tenders for property management services to customers during the Track Record Period:

	FY2019	FY2020	FY2021	1H2022
Number of tenders submitted (Note 1)	81	120	270	108
Number of projects awarded (Notes 1&2)	23	39	130	44
Tender success rate (Note 2)	28.4%	32.5%	48.1%	40.7%

Notes:

1. For FY2019, FY2020 and FY2021, we submitted two, two and three tender(s) to our related parties, respectively, all of which were awarded to us. Our Group did not submit tender to our related parties in 1H2022.

2. Success rate for a financial year was calculated based on the number of successful tenders (whether awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year.

With respect to our Group's tendering strategy, we take into account the manageability and profitability of projects with reference to our resources and capacity. As such, we may decline to respond to certain tender and quotation invitations after our internal feasibility study and evaluation. The number of tenders submitted, number of projects awarded, tender success rate boosted up throughout the Track Record Period due to our manpower allocation measures by engaging subcontractors for undertaking the low-skilled works, such as daily cleaning and security services, which allows us to focus on project management and to respond to additional tender invitations. Such trend was also in line with our business growth throughout the Track Record Period.

Preparation

Once our engagement is confirmed, we will form an on-site management team which comprises a project manager and/or one or more supervisor(s), depending on the size and complexity of the property. The on-site management team will perform internal assessment, check the scope of services, prepare the allocation of frontline workers and equipment to be assigned to the property, and liaise with our operation department in relation to procurement and subcontracting arrangements. A handover meeting may be convened with the customer and other parties to inspect the status quo of the property and discuss on the particular management arrangements and customer's requirements.

Routine services

We, through our frontline staff and workers of our subcontractors, carry out the property management services according to the scope of services set out in the agreement entered into between the customer and us.

Our on-site management team is responsible to review the daily progress and quality of our services and to resolve any problems encountered.

We adopted a "three-tier quality assurance system" to supervise and maintain the quality of our services. Our regional branch offices regularly communicate with the on-site management teams in their region and report to the relevant business departments in charge. Our business departments regularly report to our quality assurance director at the headquarters level and our quality assurance director is responsible for overseeing the overall quality assurance function.

During the ordinary course of our business operations, we may receive suggestions and complaints from our customers, tenants or visitors from time to time regarding our services. We encourage our customers to lodge their suggestions and complaints through Runzhiyun or our regional branch offices, business departments and headquarters directly. For details, please refer to the paragraph headed "Quality Assurance" in this section.

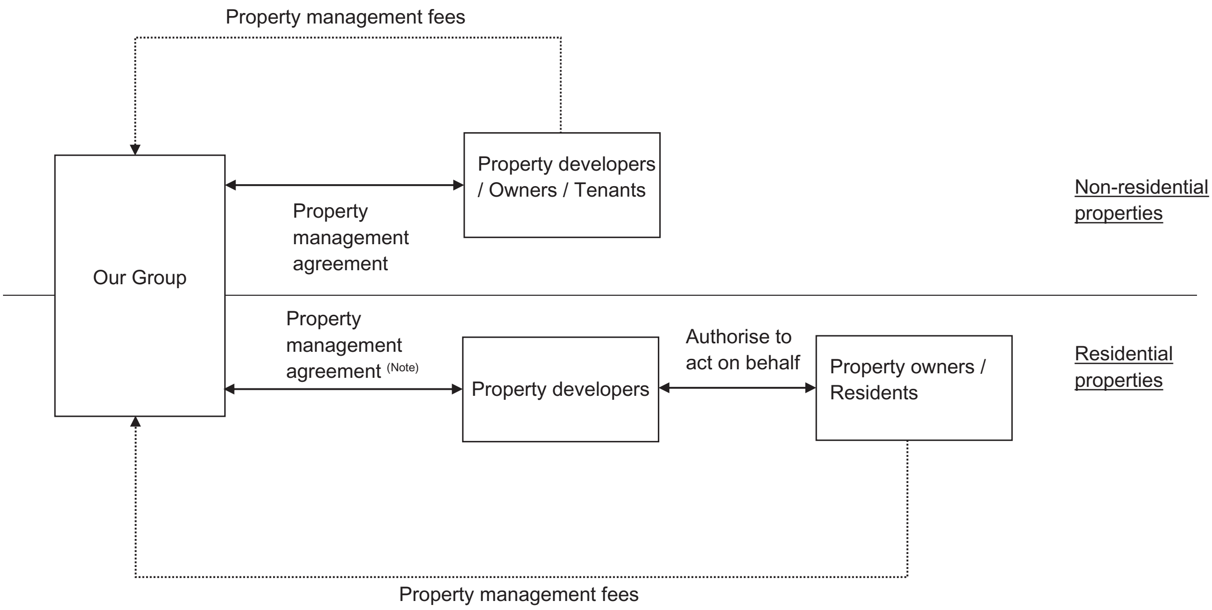
Renewal negotiation

The terms of our engagement generally range from one to five years and subject to a renewal for an extension up to two years upon mutual consent. We usually begin negotiations with customers or begin preparation for tenders, which are mandatory processes for certain projects, within three months before expiration of the existing property management agreement. Our business departments will review the financial performance of the existing engagement and evaluate the projected profitability for the renewal. Sometimes we choose to terminate our property management agreement voluntarily based on our internal consideration. The agreements provide that the term thereof may be extended, either through a formal contract renewal or automatically for an additional term.

For FY2019, FY2020, FY2021 and 1H2022, the renewal rates (calculated based on the number of renewed property management agreements in a given year divided by the number of expiring property management agreements in the same year) of our property management agreements were approximately 87.4%, 90.6%, 90.8% and 87.4%, respectively. We pride ourselves for having a relatively high renewal rate for our property management agreements, which is a reflection of high customer satisfaction and a high customer retention rate, especially considering that the customers in public sector are more cautious when selecting services providers and have high requirements for past experience as well as operation and management capability.

Key terms of our property management agreements

If we are successful in obtaining the tender, we will then enter into property management agreement with the contracting party and complete the subsequent necessary filings with the relevant government authorities. The following diagram illustrates our relationship with various contracting parties under our property management agreements:



Note: As advised by our PRC Legal Advisers, a property management agreement entered into between a property developer and us, before the owners' committee of the property is established and/or the property is delivered to property owners, is legally binding on the future property owners in accordance with the applicable PRC laws.

The terms of each property management agreement are different, whilst some of our customers prefer entering into a master property management agreement with all services to be provided by us, other customers prefer entering into a separate agreement with us, with respect to different services to be provided by us. We have summarised and generalised the usual key terms as follows:

Duration : The duration ranges from one to five years and subject to a renewal for an extension up to two years upon mutual consent. Some agreements provide that the term thereof may be extended, either through a formal contract renewal or automatically for an additional term.

We usually begin negotiations with customers or begin preparation for tenders, which are mandatory processes for certain projects, within three months before expiration of the existing property management agreement.

Scope of services : The scope of our services generally includes cleaning services, security services, general repair and maintenance services, and customer services. Upon customers' requests and needs, we also provide a wide range of hospital logistics services for the hospitals under our management.

Property management fees	:	Our customers pay us based on lump sum basis. For details, please refer to the paragraph headed "Property Management Services — Revenue model" below in this section.
Area and facilities to be managed by us	:	The agreement would specify the serviced areas to be managed by us, which are mainly the common areas of the properties (including the roof-top, corridors and easements, lobbies, restrooms, car parks, canteen and private roads etc.) and the facilities (generally including water pipes, elevators, escalators, water plumbing systems, lightings, electricity power systems, air conditioning systems and fire systems in the properties etc.).
Performance standards	:	The agreement sets forth the standards that we are expected to attain. It will also specify the areas where we need to provide our services as well as the time and duration expected of our services and responses, such as the time expected for our response to an urgent repair work request.
Termination	:	The agreement is generally voluntarily terminable by a party serving a three-month prior written notice on the counterparty at their expiry.

Our Directors confirmed that the property management agreements entered into with the related parties of our Group are generally in line with the ones between independent customers and us.

Backlog of property management agreements

During the Track Record Period, the total number of property management agreements entered into between our customers and us grew from 173 as at 1 January 2019 to 570 as at 30 June 2022. The following table indicates the movement of the total number of property management agreements and backlog revenue related to our managed projects (including the agreements which had expired but we continued to provide property management services) during the Track Record Period and up to Latest Practicable Date:

	FY2019		FY2020		FY2021		1H2022		From 1 July 2022 to the Latest Practicable Date	
	Number of agreements	RMB'000	Number of agreements	RMB'000	Number of agreements	RMB'000	Number of agreements	RMB'000	Number of agreements	RMB'000
Opening number of agreements / Opening value of backlog	173	158,392	185	141,534	224	237,054	413	258,376	570	283,673
Add: New agreements secured / Contract value awarded (Note)	303	350,112	368	497,718	471	564,160	290	332,541	26	30,703
Less: Agreements completed / Revenue recognised	(291)	(366,970)	(329)	(402,198)	(282)	(542,838)	(133)	(307,244)	(40)	(113,555)
Closing number of agreements / Closing value of backlog (Note)	185	141,534	224	237,054	413	258,376	570	283,673	556	200,821

Note: An aggregate annual contract value of approximately RMB37.8 million, RMB46.3 million, RMB67.4 million and RMB74.3 million was included for the agreements without a definite expiration date, but will expire pending the establishment of property owners' associations and agreements which are terminable by agreement between the parties for FY2019, FY2020, FY2021 and 1H2022, respectively.

The following table sets forth the revenue to be recognised for the property management agreements of our Group from the Latest Practicable Date to 31 December 2022, in the year ending 31 December 2023 and the period after 31 December 2023:

	Number of agreements	Revenue to be recognised RMB'000
From the Latest Practicable Date to 31 December 2022 (Note 1)	225	59,422
In the year ending 31 December 2023 (Note 2)	110	113,610
Period after 31 December 2023 (Note 2)	40	27,789
Properties we provided services to beyond agreement expiration (Note 3)	181	N/A
Total	556	200,821

Notes:

1. Includes approximately RMB28.8 million revenue to be recognised from the property management agreements, in respect of mainly residential properties, without a definite expiration date, but will expire pending the establishment of property owners' associations and a few agreements which are terminable by agreement between the parties. The revenue to be recognised is equal to the aggregate annual contract value of these agreements of approximately RMB92.5 million multiplied by the number of calendar days from the Latest Practicable Date to 31 December 2022 (i.e. 117 days) and divided by the total number of calendar days for the year of 2022 (i.e. 365 days).

2. Revenue to be recognised from property management agreements without a definite expiration date but will expire pending the establishment of property owners' associations and agreements which are terminable by agreement between the parties are excluded for prudence purpose.

3. This refers to the property management agreements, in respect of mainly public properties, which have expired but are still ongoing pending the signing of formal property management agreements.

Revenue model

During the Track Record Period, we charged our customers on a lump sum basis, pursuant to which, our customers pay us the "all-inclusive" fee for our property management services and at the same time, we bear all related costs and expenses involved in the property management. If any excessive expenditure is incurred, we are generally not entitled to request that our customers to pay us the shortfall. Hence, under the lump sum basis, our costs saving ability through the course of our provision of the property management services, has a direct correlation to our profitability.

Therefore, under the agreements where our fee is calculated and paid to us on lump sum basis, the costs involved in the ordinary management of a property or facility would be borne by our Group after receiving a payment covering the relevant expenditure. The gross profit margin of these projects depends on our ability to control costs, which is recognised as cost of services through the accounts of our Group. For FY2019, FY2020, FY2021 and 1H2022, the gross profit margin for our property management services was 15.8%, 20.5%, 18.4% and 20.7%, respectively.

To avoid loss-making agreements, we have established various internal measures. Before entering into a lump sum basis agreement, we would normally analyse the risk and costs of the potential project to prepare the tender quotation or negotiate appropriate property management fees. In general, we will not enter into an agreement if our Directors anticipated that the projected profitability would fall below our minimum requirement. After we have signed a lump sum basis agreement with our customer, our business department would establish a financial budget for the project and finance department would review the revenue and cost of each project on a monthly basis. We would also actively implement cost saving measures, such as allocating labour-intensive works to our subcontractors, standardisng facilities management methodologies and implementing energy management system. In addition, we negotiate with our customers to increase the property management fees when the costs involved in project management increase or upon renewal of agreement.

For FY2019, FY2020, FY2021 and 1H2022, we incurred losses on 20, 18, 29 and 23 managed projects for which we charged on a lump-sum basis, respectively. For details of our loss-making projects, please refer to the paragraph headed "Sales and Marketing — Pricing strategy" in this section.

PROPERTY ENGINEERING AND LANDSCAPE CONSTRUCTION SERVICES

Property engineering and landscape construction services

Our service offering is multi-faceted to serve customers' multifarious needs. Our Directors consider that, under most of the circumstances, we came to know the customers' needs for property engineering and landscape construction services whilst providing daily on-site property management services to them and thus were able to reach the customers and introduce the business opportunity to the responsible departments in our Group in the first place. We commenced our property engineering and landscape construction services in 2014, through our operating subsidiaries, Jinan Runwu Construction and Jinan Runwu Landscape, based on genuine needs of our customers in the property management business. For FY2019, FY2020, FY2021 and 1H2022, the revenue generated from providing property engineering services was 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% of our total revenue, respectively, of which approximately RMB11.8 million, RMB62.5 million, RMB38.9 million and RMB4.0 million was generated from our related parties, representing approximately 70.2%, 83.5%, 78.9% and 43.2% of total revenue from providing property engineering and landscape construction services, respectively. For FY2019, FY2020, FY2021 and 1H2022, approximately RMB0.2 million, RMB1.1 million, RMB0.9 million and RMB0.5 million were generated from Runhua Group, respectively; and approximately RMB11.6 million, RMB54.7 million, RMB35.3 million and RMB3.5 million were generated from Hang Qian Group for the corresponding years, respectively. Our property engineering and landscape construction services include:

- the major maintenance services, involving the upkeep, restoration and improvement of existing buildings components and systems;
- the interior renovation services of re-roofing, external and internal walls refurbishment, floor screeding and retiling, spalling repair, repairing and replacement of existing facilities, plastering, painting, improvement of fire services system, plumbing and drainage works;
- the alteration and addition work of building layout and structural works;
- the installation of elevators;
- sales, leasing and planting of trees, shrubs, flowers, hedgerows and seedlings;
- modifying the shape and elevation of terrain used for landscaping through grading, backfilling, mounding and terracing;

- carrying out related equipment installation such as water sprinkler system, water well pipeline, inspection well and water metre; and
- providing landscape maintenance work such as irrigation, pruning, fertilisation, pest control and weed removal during/after the provision of our landscape construction services.

During the Track Record Period, we completed 185 property engineering and landscape construction agreements, with the aggregate contract value of approximately RMB158.7 million. As at 30 June 2022, we had 62 property engineering and landscape construction agreements on hand, with the aggregate contract value of approximately RMB38.2 million and the outstanding contract value of which recorded approximately RMB15.1 million.

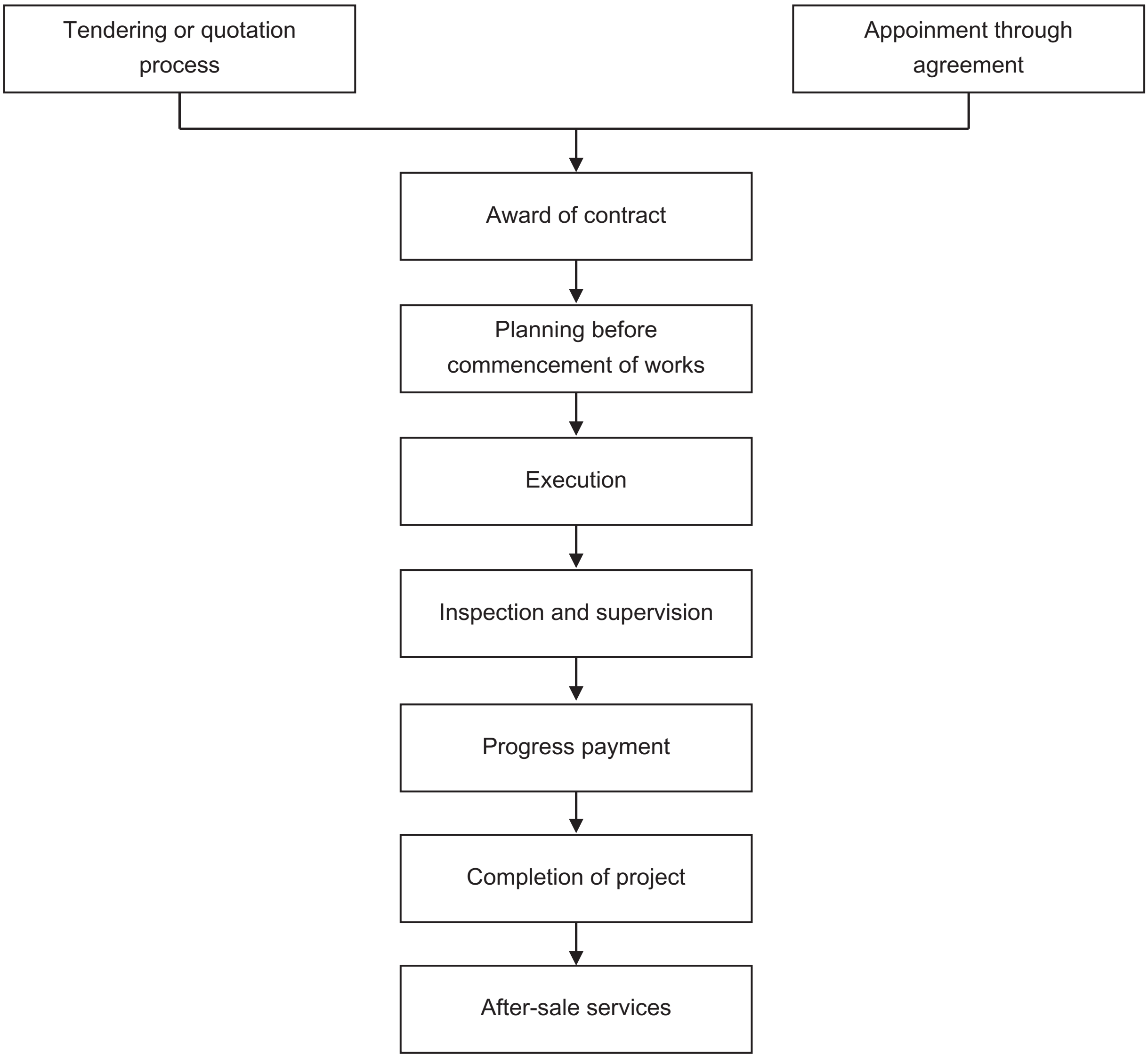
During the Track Record Period, a significant amount of revenue from the provision of property engineering and landscape construction services were related to a large-scale property development project ("**XTJD Project**") developed by Hang Qian Group, which amounted to approximately RMB6.6 million, RMB61.5 million, RMB25.1 million and RMB0.9 million, representing approximately 39.0%, 82.2%, 50.8% and 9.4% of the total revenue generated from the provision of property engineering and landscape construction services, respectively. According to the construction planning approved by the relevant government authorities, XTJD Project has four construction sites, with an aggregate GFA of approximately 632,000 sq.m., involving the developments of 17 residential buildings, 12 commercial buildings and seven ancillary buildings and facilities. The estimated construction schedule of XTJD Project is from August 2017 to October 2023. We mainly provided landscape construction, pipeline renovation and elevator installation works in the XTJD Project. Most of the construction works undertaken by us for the XTJD Project were substantially completed in around the end of FY2021, which led to a drop in our revenue generated from the provision of property engineering and landscape construction services in 1H2022.

To the best knowledge of our Directors, Hang Qian Group engaged us to provide property engineering and landscape construction services in the XTJD Projects primarily due to the fact that (i) our Group has a valid Construction Enterprise Qualification Certificate (Level 2), which allows us to undertake property construction and building decoration engineering projects with contract value of a single project not more than RMB20 million; (ii) our operating subsidiaries, Jinan Runwu Construction and Jinan Runwu Landscape, have solid experience in the provision of landscape construction, pipeline renovation and elevator installation works for certain property development projects of Hang Qian Group before and hence Hang Qian Group engaged us to be one of the contractors among many others with different expertise in the large scale property development project; (iii) we have an experienced engineering team with members equipped with valid qualifications and licences, such as registered electrical workers, welding operators, bricklayers, joiners and gardeners, to supervise the specific site works; (iv) the principal businesses of Hang Qian Group are mainly property development and hotel operations, they could not perform the property engineering and landscape construction services due to the lack of internal human resources and requisite licences. As advised by the F&S, it is not uncommon for small and medium sized property developers, like Hang Qian Group, to engage construction companies for the provision of property engineering and landscape construction services.

Apart from the property engineering and landscape construction services provided to our related parties, we have served not less than 40 independent customers during the Track Record Period. For FY2019, FY2020, FY2021 and 1H2022, there were 10, 13, 12 and seven independent customers who were in business relationship with the Group for both property management services and property engineering and landscape construction services, respectively, which generated revenue of approximately RMB30.9 million, RMB39.9 million, RMB50.1 million, RMB59.8 million, respectively. It is evident that the property engineering and landscape construction services is a complementary service of property management services and offering of such property engineering and landscape construction services can better satisfy the various needs of customers and bring in additional revenue to the property management companies. Therefore, our Directors believe that our Group is capable to provide property engineering and landscape construction services.

Operation flow

The operation flow of our typical property engineering and landscape construction project is set out below:



Obtaining property engineering and landscape construction project

We may receive from third party customers an invitation to quote or tender for a project of property engineering and landscape construction services, after which our marketing department will review the tender documents and/or project requirements and prepare the tender documents. For some sizeable projects, we may engage external pricing consultant to assist us in (i) tender preparation and contract negotiation; (ii) implementation of cost allocation and selection of construction materials and technique to be used in the potential project; (iii) participation of project meeting with customer; and (iv) measurement of the value of works done by our subcontractors. Pricing consultant is a licensed engineering professional firm which is responsible for the evaluation of contract value, budgeting the project costs, examining the value of works completed and verifying or adjusting the amount of the final accounts and setting estimated contract value in the tendering or quotation process based on market price. As advised by F&S, it is not uncommon for small and medium-sized construction and engineering companies to engage external pricing consultants for the evaluation of contract value and estimation of project costs. For public projects, it is essential for the property developers or construction companies to engage pricing consultant to justify the contract value. Once our engagement is confirmed, we will enter into a formal agreement with our customers. On the other hand, our related parties engaged us through directly entering into a property engineering and landscape construction service agreement. During the Track Record Period, apart from our related parties, we have responded to 13 tender/quotation invitations for property engineering and landscape construction projects from third party customers and secured seven out of 13 property engineering and landscape construction projects.

Planning and design

We will (i) liaise with the customer in relation to the planning and execution of the project according to the specifications and designs provided by our customers; (ii) prepare the schedule to be executed and the resources required at each stage; (iii) procure and arrange with suppliers for the required materials for the project; and (iv) negotiate on finalising the subcontract, if necessary.

For details of the procurement of materials and subcontracting arrangements, please refer to the paragraph headed "Our suppliers" in this section.

Execution and completion

We will (i) monitor, inspect and test the quality of the projects from time to time during the execution; (ii) arrange for customer inspection and acceptance of our works; and (iii) arrange for payment, which is generally due upon achieving certain milestones or successful completion of the projects. As at 31 December 2019, 2020 and 2021 and 30 June 2022, we had 10, 12, 15 and 13 staff in our engineering team, who are responsible for overseeing the project execution, identifying on-site issues, seeking for possible remedial actions and reporting working progress to our customers on a regular basis.

We normally engage subcontractors to carry out all site works under close supervision and management by our engineering team and we oversee and supervise the works conducted by our subcontractors to ensure their conformity to contractual specifications and that projects are completed on time and within budget. As advised by F&S, the engagement of subcontractors to carry out the execution of property engineering and landscaping construction services is in line with the industry practice. Subject to the negotiation with our subcontractors, we may require our subcontractors to bear the cost of construction materials or the materials may be procured by us on our own account for the use of our subcontractors. For sizeable projects, we may require external pricing consultant to (i) set the estimated contract value in the tendering process based on the market price; or (ii) measure the value of the works done by our subcontractors and reach settlement on the final accounts.

The entire process from the time of entering into a contract to completion of a typical property engineering and landscape construction project takes one week to 12 months. The length of completion for a project varies according to a number of factors, including the size of the project site, technical features and complexity of the project, progress of the site construction, timelines specified by our customers and timing of approvals.

Similar to the arrangement between our subcontractors and us, our customers may also engage pricing consultants to examine the value our portion of works completed and reach settlement on the final accounts with us.

After-sales services

We typically provide a warranty period of one to two years for our customers which we are liable to performing the rectification work on construction defects subsequently identified by our customers. For waterproof engineering projects, the warranty period will be five years. In general, we require our subcontractors to provide us the same warranty period as we granted to our customers. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material financial or operational impact in rectification of project defects.

Key terms of our property engineering and landscape construction agreements

The key terms of our property engineering and landscape construction agreement are summarised as follows:

Work specifications	:	The contract contains work scope, quality standards, materials required, staffing requirements and the expected date of delivery of the works or service period.
Contract price	:	The contract price is expressed in a fixed total amount for undertaking the project or in a tentative total amount with the final total amount determined upon issuance of a settlement report by our customers.
Payment terms	:	We normally claim for the final contract price (other than the retention money) when the work undertaken by us is completed, inspected and accepted by our customers. For agreements with a larger contract price, we generally claim 30%-80% of the total contract price as prepayment upon the agreement taking into effect and the outstanding payment (other than the retention money) shall become payable upon issuance of the settlement report.
Retention money	:	The contract provides for the entitlement of our customer to retain a pre-fixed percentage (normally ranging from 3% to 5%) of the total contract price as retention money, which will be released to us upon expiry of the warranty period.
Quality assurance	:	We provide quality assurance in respect of works undertaken by us. The contract normally provides for warranty period for one to two years, pursuant to which we are responsible for rectifying any defects caused by us. The cost of rectifying any defective work is borne by us. We are required to remedy any defects identified by our customers within a specified time, failing which our customers may deduct costs incurred for undertaking such repairs from the retention money.

During the Track Record Period, we did not incur any costs of significant amount to rectify any defective work.

Events of default : The contract contains clause imposing the liability on the default party in case of project delay, sub-standard work quality or other events of breach of contract.

Our Directors confirmed that the property engineering and landscape construction agreements entered into with the related parties of our Group are generally in line with the ones between third-party customers and us.

PROPERTY LEASING SERVICES

With an intention to establish an alternative recurring revenue stream, since 2018, we have started to acquire and/or rent certain commercial properties located in Jinan, Shandong Province, from our related parties and third parties. Such properties were leased out to satisfy our customers' daily needs for commercial purpose. For FY2019, FY2020, FY2021 and 1H2022, the revenue generated from our property leasing services was 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% of our total revenue, respectively.

As at the Latest Practicable Date, we had 35 owned investment properties, all of which were located in one commercial building and developed by Hang Qian Group and we entered into the respective sale and purchase agreements in June 2017 and May 2019, respectively. The total consideration of the above acquisitions was approximately RMB14.5 million which was determined with reference to the market value and we settled the consideration by our working capital and bank loans. As at the Latest Practicable Date, we also had four leased properties, each rented from (i) Runhua Group, (ii) a commercial services company which its parent company is listed on Shanghai Stock Exchange, (iii) a state-owned enterprise ultimately controlled by the State Council and (iv) a state-owned enterprise ultimately controlled by Shandong State-owned Assets Supervision and Administration Commission, respectively.

During the Track Record Period, we had 35 owned investment properties located in one commercial building and six leased investment properties. The following table sets out, by way of illustration only, the details of our investment properties and their respective rental yield as compared to the market yield during the Track Record Period:

Owned investment properties

Property	Year of acquisition	Usage	Tenants	Total gross floor area[(1)]	Total gross floor area rented out[(1)]				Total acquisition cost attributable to our Group	Total market value[(2)] of the rented out units at the year end				Total annual rent of the rented out units at the year end				Rental yield[(3)]				Market yield			
					FY2019	FY2020	FY2021	1H2022		FY2019	FY2020	FY2021	1H2022	FY2019	FY2020	FY2021	1H2022	FY2019	FY2020	FY2021	1H2022	FY2019	FY2020	FY2021	1H2022
				sq.m.	*sq.m.*	*sq.m.*	*sq.m.*	*sq.m.*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	%	%	%	%	%	%	%	%
Unit 307 on 3/F, whole floors of 5/F and 17/F, Building No. 1-2 Lemeng Center, No. 28988 Jingshi Road, Huaiyin District, Jinan City	2017 and 2019[(4)]	Office	Related Parties	2,205.40	401.05	401.05	307.92	307.92	14,532	3,580	3,600	2,573	2,500	300	300	200	200	8.4	8.3	7.8	8.0	5-9	5-9	5-9	5-9
			Independent third parties		1,804.35	1,629.27	1,589.47	1,629.03		17,770	16,220	14,872	14,680	1,100	1,100	1,100	1,200	6.2	6.8	7.4	8.2				

Notes:

1. The difference between total gross floor area and total gross floor area rented out represents the gross floor area that were self-use by us.

2. The rental yield for FY2019, FY2020, FY2021 and 1H2022 was calculated by the total annual rent of the rented out units set out in the tenancy agreements at the end of the corresponding years divided by the market value of the rented out units at the end of the corresponding periods.

3. We acquired whole floors of 5/F and 17/F in 2017, and Unit 307 on 3/F in 2019.

Leased properties

Property	Usage	Landlord	Tenants	Total gross floor area rented by us[1]				Total gross floor area rented out[1]				Annual rental cost attributable to our Group set out in the last tenancy agreement	Total reference market value[2] of the rented out units at the year end				Total annual rent of the rented out units at the year end				Rental yield[3]				Market yield			
				FY2019 sq.m.	FY2020 sq.m.	FY2021 sq.m.	1H2022 sq.m.	FY2019 sq.m.	FY2020 sq.m.	FY2021 sq.m.	1H2022 sq.m.	RMB'000	FY2019 RMB'000	FY2020 RMB'000	FY2021 RMB'000	1H2022 RMB'000	FY2019 RMB'000	FY2020 RMB'000	FY2021 RMB'000	1H2022 RMB'000	FY2019 %	FY2020 %	FY2021 %	1H2022 %	FY2019 %	FY2020 %	FY2021 %	1H2022 %
Nos. 111, 102, 201, Building No. 11 (Now Unit 1 of Building No. 9) Guanzhaying Pianqu, Tian Cheng Road/ Street, Tianqiao District, Jinan City	Commercial	Independent third party	Independent third parties	5,236.4	5,236.4	5,236.4	5,236.4	4,387.76	4,387.76	4,387.76	4,387.76	3,017	36,270	36,300	36,760	33,950	2,500	2,600	2,600	2,600	6.9	7.2	7.1	7.7	5-12	5-12	5-13	5-13
Building No. 1-2 Lemeng Center, No. 28988 Jingshi Road, Huaiyin District, Jinan City[4]	Office	Independent third parties	Independent third party	711.52	382.6	N/A	N/A	56.82	56.82	N/A	N/A	137	447	454	N/A	N/A	28	28	N/A	N/A	6.2	6.1	N/A	N/A	5-9	5-9	N/A	N/A
No. 2, Danfeng Street, Dong Gongshang Helu, Tianqiao District, Jinan City	Commercial	Independent third party	Independent third parties	1,674.34	1,674.34	1,674.34	1,674.34	1,674.34	1,674.34	1,674.34	1,674.34	320	4,480	4,320	4,120	3,970	400	400	400	500	8.9	9.3	9.7	12.6	5-12	5-12	5-13	5-13
West of the middle section of Mingbu East Road, Zhangqiu District Development Zone, Jinan City[5]	Industrial	Related party	Independent third parties	N/A	13,089.1	10,480.02	10,480.02	N/A	13,089.1	10,480.02	10,480.02	1,761	N/A	30,270	27,030	24,210	N/A	2,400	2,000	2,000	N/A	7.9	7.4	8.3	N/A	7.3-13	7-13	7-13
Nos. 113, 114, 115, 219, 220, 305-313, 403-415 and 5-24/F, The Door Of Qilu, Qi Zhou Lu, Huai Yin District, Jinan City, Shandong Province, the PRC[6]	Office	Independent third party	Independent third parties	N/A	N/A	38,327.16	38,327.16	N/A	N/A	N/A	7,038	13,989	N/A	N/A	N/A	50,300	N/A	N/A	N/A	4,500	N/A	N/A	N/A	8.9	N/A	N/A	5-9	5-9
No. 239, Jingshi West Road, Jinan City, Shandong Province, the PRC[7]	Industrial	Related party / Independent third party[8]	Related parties	41,728	41,728	N/A	N/A	29,718	28,983	N/A	N/A	515	6,500	6,300	N/A	N/A	800	800	N/A	N/A	12.3	12.7	N/A	N/A	7.3-13	7-13	N/A	N/A
			Independent third parties					7,877	8,612	N/A	N/A		1,700	1,900	N/A	N/A	200	200	N/A	N/A	11.8	10.5	N/A	N/A				

Notes:

1. The difference between the total gross floor area rented by us and the total gross floor area rented out represents the gross floor area that were self-use by us.

2. Reference market value has been assigned as at the valuation date for illustration purpose, assuming the property could be freely transferred in the market.

3. The rental yield for 2019, 2020 and 2021 was calculated by the annual rent of the rented out units set out in the tenancy agreements at the end of the corresponding years divided by the reference market values of the rented out units at the end of the corresponding years.

4. The tenancy agreement was terminated in December 2020.

5. We started to rent the property in March 2020.

6. We started to rent the property in December 2021.

7. The tenancy agreement was terminated in December 2020.

8. The property was transferred from related parties to independent third party in May 2019.

The property valuer is of the view that the rental yield of the owned investment properties and leased properties were in time with the market yield of the relevant property in the region as the rental yield of each of the owned and leased investment property was within the range of the respective market yield during the Track Record Period.

During the Track Record Period, we entered into lease agreements with tenants with terms ranged from six months to nine years. In a typical lease agreement, we require the tenants to provide a security deposit that amounts up to one month's rent. We are entitled to terminate the lease agreement with a tenant under circumstances including, among other things, that the tenant has defaulted the rental payment for more than 10 days.

For the leased investment properties, we offer to renovate or decorate by our own engineering team in order to subsequent sublease to multiple tenants for the purpose of maximising the income to be generated. As confirmed with Runhua Group, the subleasing arrangement allows them to enhance their cashflow, reduce the cost for renovation and ease their burden on sourcing tenants since the Group was responsible for the renovation costs of the leased investment properties and also the sourcing, selecting and managing of tenants for these leased investment properties. As confirmed with Runhua Group, apart from the investment properties leased to our Group, there was no other investment property held by Runhua Group as at the Latest Practicable Date. As advised by the property valuer, our Directors confirmed that (i) the purchase prices for our owned properties were comparable to the prevailing market prices at the material time; and (ii) all of the tenancy agreements and lease agreements were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

OTHER SERVICES

During the Track Record Period, we provided ancillary services in respect of (i) patient nursing and post-natal caring services; and (ii) sales of software supporting systems developed by us and daily server maintenance services. The revenue generated from these services was approximately RMB7.1 million, RMB0.6 million, RMB3.2 million and RMB1.5 million, representing approximately 1.8%, 0.1%, 0.5% and 0.5% of our total revenue for FY2019, FY2020, FY2021 and 1H2022, respectively. Such decrease was mainly due to (i) the reduced sales volume of our software supporting systems; and (ii) change of our focus to develop in-house software supporting systems for our property management business.

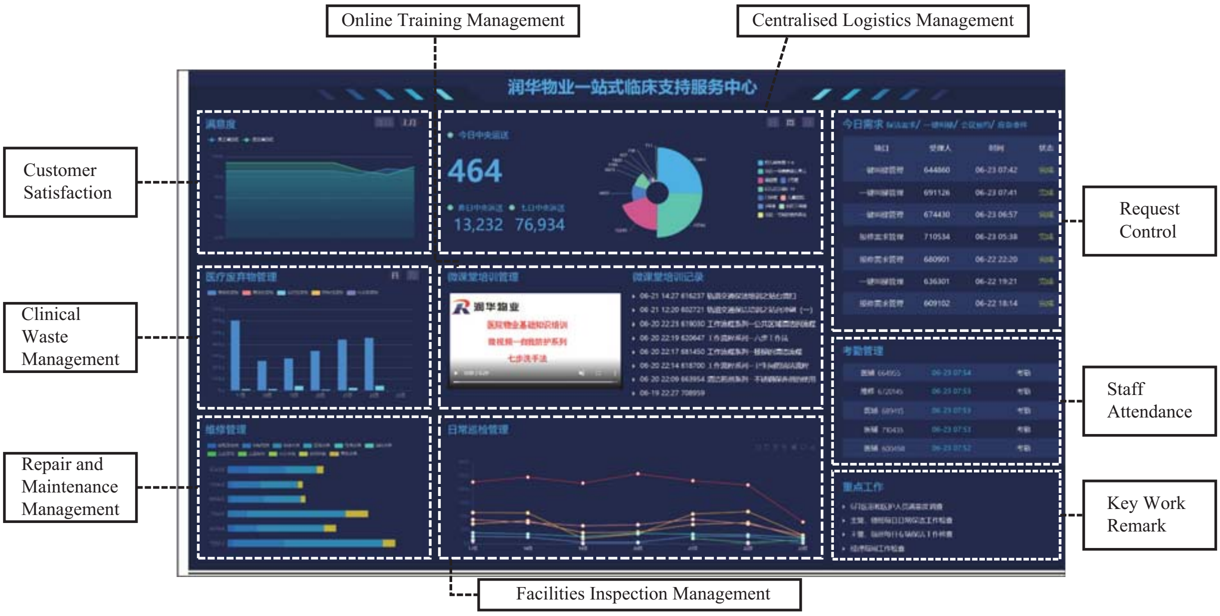
OUR INFORMATION TECHNOLOGY SYSTEMS

We are dedicated to the utilisation and development of digitalisation and operation automation systems and have employed technological solutions to strengthen our competitiveness, improve our service quality and customer satisfaction, reduce our reliance on manual labour, and reduce costs and expense to be incurred by providing our services.

OSCS Service Centre (一站式臨床支持服務中心)

According to the F&S Report, along with the development of hospital logistics services market in China, hospital logistics services providers have utilised a series of new technologies such as Internet technology, Internet of Things (IoT), big data and cloud computing in various application scenarios including cleaning services, medical auxiliary transportation and patrol and inspection services to reduce costs, improve management efficiency and promote the transformation and upgrading of traditional hospital logistics which primarily relies on large number of work force. In March 2019, we have launched an online information technology operation centre, namely OSCS Service Centre, which is a centralised management system developed by our Group, to manage, support and optimise the entire operation process of the hospitals under our management. The service orders handled by us through OSCS Service Centre were over 11,000, 30,000, 62,000 and 59,000 in FY2019, FY2020, FY2021 and 1H2022, respectively. For details, please refer to the paragraph headed "Property Management Services — Scope of our property management services — Hospital logistics services" in this section.

The following screenshot illustrates the user interface and key functions of our OSCS Service Centre:



Runzhiyun (潤之雲)

In line with the trend in the development of mobile technology, we also established Runzhiyun based on our understanding of the preferences and habits of our customers through our frequent interactions with them with the aim to provide fast and convenient access to OSCS Service Centre for our hospital logistics services. Apart from the functions opened to hospital staff and patients, our mobile application also allows users from different kinds of properties to submit requests for our typical property management services. Runzhiyun has multiple functions for the customer users including:

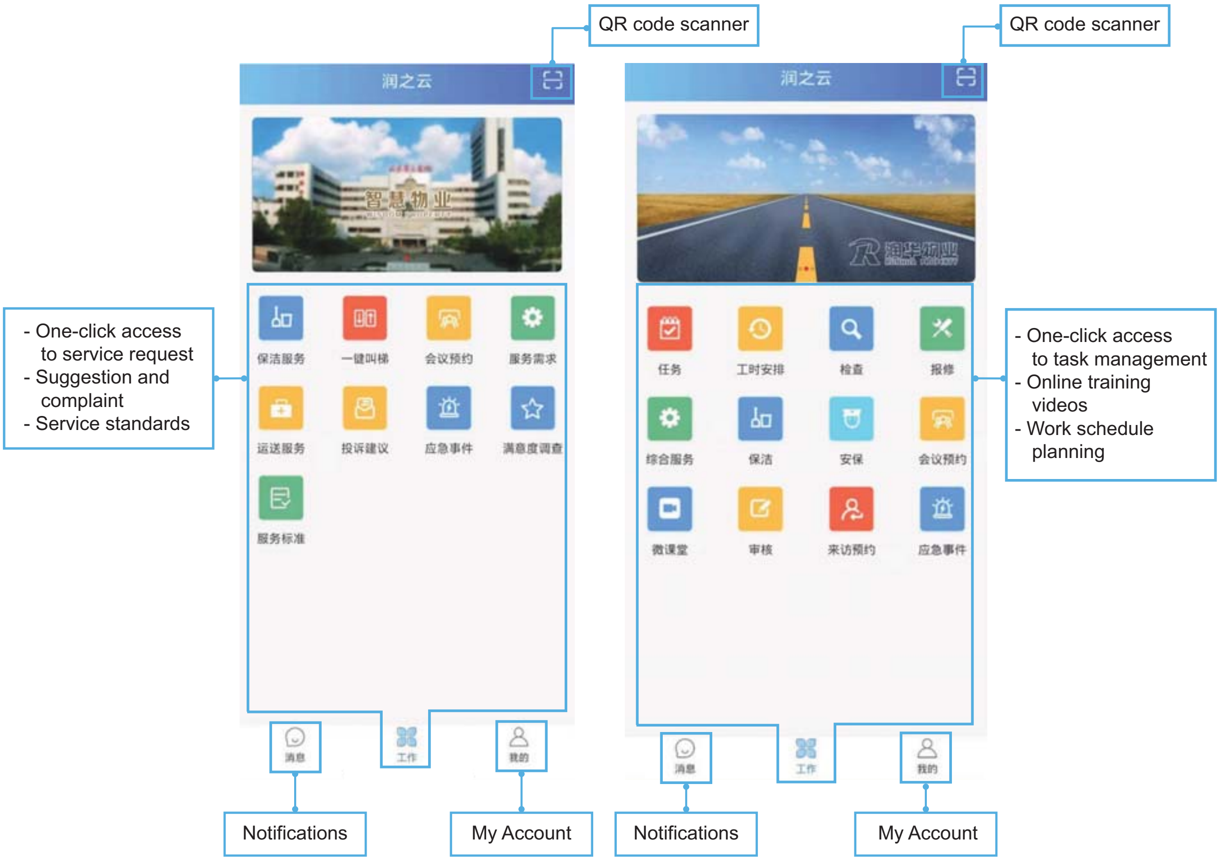
(i) *Request of services*: Users can place orders for our services. They can also review the standards and scope of our services online;

(ii) *Booking conference room:* Customers can check the availability and seating capacity of each of the conference rooms in the properties under our management and reserve the conference rooms as well as our hosting services and booking multimedia equipment;

(iii) *Emergency elevator service:* In order to prioritise the emergency and surgical patients, hospital staff can call for elevator in advance; and

(iv) *Service feedback:* Users can score and comment on our services through Runzhiyun and review our investigation result and/or response accordingly.

The following pictures illustrate the interface for customer user and employee user:



Customer user Employee user

QR Code Pass (一碼通)

We posted QR codes at different departments of the hospitals under our management. Through scanning the QR codes, hospital staff and patients can, without installing Runzhiyun, access to our OSCS Service Centre. For the centralised logistics management module under our hospital logistics services, we require our frontline workers to scan the QR codes at pick-up point and end point so that we can inspect the delivery time for each of them to complete a delivery order. All the data will be collected and uploaded to our OSCS Service Centre for our follow-up actions. In addition, our frontline workers can scan the QR codes to login to our training programme to learn the relevant knowledge and skills for the respective department.

We have also established an internal learning programme at our system, which is accessible by Runzhiyun and QR Code Pass, to provide online training courses to our employees and workers of our subcontractors any time and anywhere to improve their professional knowledge and skills. As at the Latest

Practicable Date, there were over 200 training videos and materials available to our employees at our system. Our Directors believe that this new technology trend in mobile technology will enhance our competitiveness and capability for securing new property management agreements as compared to the traditional property management service providers in the market.

Operation Automation and Technology Solutions

In addition, we utilised other information technology systems in our business in order to improve operational efficiency, ensure consistent service quality, help develop a scalable business model and alleviate the pressure of increasing labour cost. Apart from the hospitals under our management, we also developed a series of software supporting systems for other properties with special features, such as public transportation properties and schools, to facilitate our daily operation activities. Moreover, we employed standardised management solutions in the following aspects to enhance operational efficiency, ensure consistent service quality and improve customer experience:

- *Security operation*: Our system integrated with the mobile devices carried by our security guards which enables us to track the whereabouts of our security guards on a real time basis and digitalise the patrolling records at each patrolling checkpoint when the security guard passes the checkpoint. These automated records will be uploaded to our system under the monitor of our on-site management team instead of traditional paper records;

- *Facilities inspection*: Our system generates metre reading route and tasks, including metre reading data of current and voltage and operating frequency, etc), for our frontline workers to follow up;

- *Conference room management*: The information about the availability and seating capacity of each of the conference rooms in the properties under our management would be uploaded to our system and customers can reserve the conference rooms as well as our hosting services and booking multimedia equipment through our system;

- *Repair request management*: Similar to our OSCS Service Centre, customers can initiate repair orders to us through our hotline and Runzhiyun;

- *Internal communication management*: Our on-site management teams can, through our system, confirm that our frontline workers have read and accepted the request for our services;

- *Complaint management*: We posted a QR Code at each property under our management. Customers can submit their suggestion and complaints to us through scanning the QR Code;

- *Work schedule planning*: For planned works, such as daily inspection, monthly inspection, quarterly inspection, and equipment maintenance, our system can automatically distribute the work orders to our employees and formulate their work schedule; and

- *Visitor management*: A registered users can make appointment for visitors including, among others, families and delivery men, property agency, handymen, through our system and our receptionists will confirm the visitors' identification through scanning their identity cards.

Having considered that the growing concern for energy saving and a smooth and efficient building operation has become a top priority in the PRC property management market, as at the Latest Practicable Date, we developed an energy consumption monitoring system as a trial for a residential project 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.

Leveraging on our strong technological capabilities, we have also developed a variety of software supporting systems, including Customer Management Systems and PSI (Purchase, Sales and Inventory) Management Systems, for our related parties and third party customers and provided server maintenance services to them during the Track Record Period.

As confirmed by our Directors, taking into account that our Group has not received any revenue from our information technology systems and mobile application, we are thus not supposed to be required to obtain any licences for the use of our information technology systems and mobile application.

RESEARCH AND DEVELOPMENT

Our operation department is responsible for the planning research and development activities, monitoring the research and development services provided by third party service providers and providing users feedback to them. Their duties also involve the supervision and monitoring the operation of OSCS Service Centre, Runzhiyun and operational systems for our property management services. As at the Latest Practicable Date, our operation department had a team of six research and development personnel, of which four have obtained bachelor's degree. Our total expenditure for research and development amounted to approximately RMB5.4 million, RMB2.0 million, RMB2.3 million and RMB1.1 million for FY2019, FY2020, FY2021 and 1H2022, respectively, which was mainly for the wages of our research and development personnel, depreciation of fixed assets and procurement of software and systems from third party.

OUR CUSTOMERS

Our customers include hospitals, governmental bodies, private enterprises, property owners, property developers and tenants. Most of them were located in Shandong Province.

During the Track Record Period, the majority of our revenue was generated from customers who are independent third parties. We also provided our services to our Group's related parties. The table below sets forth a breakdown of our total revenue by types of customers for 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 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) from 143 in FY2019 to 211 in FY2021.

We experienced a significant increase in revenue generated from our related parties from approximately RMB45.3 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. For details of these property engineering and landscape construction projects, please refer to the paragraph headed "Our Customers — Sales to Hang Qian Group" in this section and the section headed "Financial Information — Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" in this document.

Apart from our related parties, we have maintained a stable relationship with most of our top five customers during the Track Record Period ranging from seven years to 18 years. The sales to our top five customers for FY2019, FY2020, FY2021 and 1H2022 accounted for approximately 32.1%, 33.7%, 25.5% and 21.3% of our total revenue, respectively, while the sales to our largest customer accounted for approximately 8.2%, 13.1%, 7.0% and 5.3% of our total revenue of the corresponding period, respectively. During the Track Record Period, our customers generally pay us by bank transfer and the payment terms granted to our customer were within 120 days.

The following tables set forth details of our top five customers during the Track Record Period:

For FY2019

Rank	Customer	Main services provided to the customer	Relationship with our Group	Number of years of relationship	Approximate amount of revenue	Approximate percentage of total revenue of our Group	Settlement method	Credit terms
					RMB'000	*%*		
1	Customer Group A (Note 1)	Property management services	Independent third party	17	32,671	8.2	Bank transfer	20 business days
2	Shandong Provincial Hospital (Note 2)	Property management services	Independent third party	15	27,908	7.0	Bank transfer	10 business days
3	Runhua Group (Note 3)	Property management services	Related party	18	24,711	6.2	Bank transfer	5 days
4	The Affiliated Hospital of Qingdao University (Note 4)	Property management services	Independent third party	8	22,106	5.6	Bank transfer	90 days
5	Hang Qian Group (Note 5)	Property management, and property engineering and landscape construction services	Related party	7	20,270	5.1	Bank transfer	Property management services: 10 days; Property engineering and landscape construction services: progress payment
				Five largest customers combined	127,666	32.1		
				All other customers	269,430	67.9		
				Total revenue	397,096	100.0		

For FY2020

Rank	Customer	Main services provided to the customer	Relationship with our Group	Number of years of relationship	Approximate amount of revenue	Approximate percentage of total revenue of our Group	Settlement method	Credit terms
					RMB'000	*%*		
1	Hang Qian Group	Property management, and property engineering and landscape construction services	Related party	7	63,681	13.1	Bank transfer	Property management services: 10 days Property engineering and landscape construction services: progress payment
2	Shandong Provincial Hospital	Property management services	Independent third party	15	27,720	5.7	Bank transfer	30 days
3	Runhua Group	Property management services	Related party	18	25,382	5.3	Bank transfer	5 days
4	Customer Group A	Property management services	Independent third party	17	24,135	4.9	Bank transfer	120 days
5	The Affiliated Hospital of Qingdao University	Property management services	Independent third party	8	22,892	4.7	Bank transfer	90 days
				Five largest customers combined	163,810	33.7		
				All other customers	322,285	66.3		
				Total revenue	**486,095**	**100.0**		

For FY2021

Rank	Customer	Main services provided to the customer	Relationship with our Group	Number of years of relationship	Approximate amount of revenue	Approximate percentage of total revenue of our Group	Settlement method	Credit terms
					RMB'000	*%*		
1	Hang Qian Group	Property management, and property engineering and landscape construction services	Related party	7	42,315	7.0	Bank transfer	Property management services: 10 days Property engineering and landscape construction services: progress payment
2	Customer Group A	Property management services	Independent third party	17	30,140	5.0	Bank transfer	120 days
3	Runhua Group	Property management services	Related party	18	28,278	4.7	Bank transfer	5 days
4	Shandong Provincial Hospital	Property management services	Independent third party	15	28,022	4.7	Bank transfer	30 days
5	The Affiliated Hospital of Qingdao University	Property management services	Independent third party	8	24,502	4.1	Bank transfer	90 days
				Five largest customers combined	153,257	25.5		
				All other customers	448,041	74.5		
				Total revenue	**601,298**	**100.0**		

For 1H2022

Rank	Customer	Main services provided to the customer	Relationship with our Group	Number of years of relationship	Approximate amount of revenue	Approximate percentage of total revenue of our Group	Settlement method	Credit terms
					RMB'000	*%*		
1	Customer A	Property management services	Independent third party	17	17,128	5.3	Bank transfer	30 days
2	Shandong Provincial Hospital	Property management services	Independent third party	15	13,947	4.4	Bank transfer	30 days
3	Runhua Group	Property management services	Related party	18	13,802	4.3	Bank transfer	30 days
4	The Affiliated Hospital of Qingdao University	Property management services	Independent third party	8	12,529	3.9	Bank transfer	90 days
5	Customer B (Note 6)	Property management services	Independent third party	7	11,015	3.4	Bank transfer	30 days
				Five largest customers combined	68,421	21.3		
				All other customers	252,970	78.7		
				Total revenue	**321,391**	**100.0**		

Notes:

1. Customer Group A is a group of state-owned enterprises, established in the PRC with limited liability, in which their business activities include railway passenger and freight transportation services covering railway networks within and around Shandong Province.

2. Shandong Provincial Hospital is a comprehensive public Grade 3A Hospital located in Jinan City and ranked 29th in "Top 100 Hospitals in China" (中國頂級醫院100強) in 2021.

3. A group of entities owned by Runhua Group, a company incorporated with limited liability in the PRC on 18 June 1993, which is owned as to approximately 52% by Mr. Luan as of the Latest Practicable Date. The principal business activities of which includes sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business.

4. The Affiliated Hospital of Qingdao University is a comprehensive public Grade 3A Hospital located in Qingdao City and ranked 47th in "Top 100 Hospitals in China" (中國頂級醫院100強) in 2021.

5. A group of entities owned by Hang Qian Holdings, a company incorporated with limited liability in Hong Kong on 18 December 2007, which is wholly owned by Mr. HQ Luan as of the Latest Practicable Date. The principal business activities of which includes property development, property marketing and hotel operations.

6. Customer B is a comprehensive public Grade 3A Hospital located in Jinan City.

Our Directors confirmed that, save for Runhua Group and Hang Qian Group, during the Track Record Period and up to the Latest Practicable Date, none of our Directors or Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company), or their respective close associates, had any interest in any of our top five customers during the Track Record Period.

Sales to Runhua Group

Background of Runhua Group. Runhua Group refers to Runhua Group Company, a company incorporated with limited liability in the PRC on 18 June 1993, which is owned as to approximately 52% by Mr. Luan as at the Latest Practicable Date, and a group of entities owned by Runhua Group Company as its subsidiaries. The principal business activities of Runhua Group include sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business.

Business relationship with Runhua Group. We have long-standing business relationship with Runhua Group for over 18 years. During the Track Record Period, we mainly provided Runhua Group with our property management services to the automobile industrial parks managed by them. For FY2019, FY2020, FY2021 and 1H2022, revenue from Runhua Group remained stable at approximately RMB24.7 million, RMB25.4 million, RMB28.3 million and RMB13.9 million , representing approximately 6.2%, 5.3%, 4.7% and 4.3% of our total revenue, respectively. For details of relationship with Runhua Group, please refer to the section headed "Relationship with our Controlling Shareholders" in this document.

Sales to Hang Qian Group

Background of Hang Qian Group. Hang Qian Group refers to Hang Qian Holdings, a limited liability company incorporated in Hong Kong on 18 December 2007, which is wholly owned by Mr. HQ Luan, and a group of entities owned by Hang Qian Holdings as its subsidiaries. The principal business activities of Hang Qian Group include property development, property marketing and hotel operations.

Business relationship with Hang Qian Group. We have built up business relationship with Hang Qian Group for over six years. During the Track Record Period, we mainly provided Hang Qian Group with our property management services to the residential properties developed by them and the relevant property selling centres as well as property engineering and landscape construction services. For FY2019, FY2020, FY2021 and 1H2022, revenue from Hang Qian Group amounted to approximately RMB20.3 million, RMB63.7 million, RMB42.3 million and RMB5.9 million, representing approximately 5.1%, 13.1%, 7.0% and 1.8% of our total revenue, respectively. The increase in FY2020 was primarily due to four relatively sizeable property engineering and landscape construction projects commenced in FY2020 and contributed an aggregate revenue of approximately RMB44.0 million in FY2020, which involved outdoor landscape construction, pipeline construction, modification of shape and elevation of terrains and planting of trees, shrubs, flowers, hedgerows and seedlings. The abovementioned four projects were related to a large-scale property development project ("**XTJD Project**") developed by Hang Qian Group. The decrease in 1H2022 was mainly due to most of the construction works undertaken by us for the XTJD Project were substantially completed in around the end of FY2021. For details of XTJD Project and relationship with Hang Qian Group, please refer to the paragraph head "Property Engineering and Landscape Construction Services" in this section and the section headed "Relationship with our Controlling Shareholders" in this document.

Our major customers also our suppliers

Runhua Group and Hang Qian Group

During the Track Record Period, we rented from Runhua Group and Hang Qian Group certain properties for (i) being our branch offices and storage of facilities and equipment for carrying out our property management services; and (ii) leasing to third party customers for our property leasing business. Our Directors are of the view that such arrangements allow us to (i) enhance our service efficiency by having our own office in the managed properties to response to our customers' requests promptly; (ii) generate rental income as additional recurring revenue stream; and (iii) manage our investment properties effectively as most of our investment properties are under our management.

For FY2019, FY2020, FY2021 and 1H2022, the purchase amount attributable to Runhua Group was approximately RMB0.1 million, RMB1.2 million, RMB2.7 million and RMB0.8 million, representing approximately 0.3%, 1.2%, 1.2% and 0.6% of our total purchase amount, respectively; and the gross profit generated from Runhua Group amounted to approximately RMB8.5 million, RMB11.9 million, RMB13.4 million and RMB6.4 million for the corresponding period, respectively. The purchase amount attributable to Hang Qian Group was approximately RMB0.2 million, nil, nil and nil for FY2019, FY2020, FY2021 and 1H2022, representing approximately 0.4%, nil, nil and nil of our total purchase amount, respectively; and the gross profit generated from Hang Qian Group amounted to approximately RMB6.7 million, RMB14.9 million, RMB13.4 million and RMB1.1 million for the corresponding period, respectively.

Our Directors confirmed that all of our sales to and our purchases with Runhua Group and Hang Qian Group were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. For details of the future transactions with Runhua Group and Hang Qian Group, please refer to the section headed "Connected Transactions" in this document.

Others

During the Track Record Period, we also rented carpark from Shandong Provincial Hospital for providing carpark management services. Such arrangement allows us to generate additional revenue on top of the typical property management services and satisfy our customers' needs by undertaking the management of their ancillary facilities.

The purchase amount attributable to Shandong Provincial Hospital was approximately RMB0.7 million, RMB2.0 million and RMB1.0 million for FY2020, FY2021 and 1H2022, representing approximately 0.7%, 0.9% and 0.8% of our total purchase amount, respectively; and the gross profit generated from Shandong Provincial Hospital amounted to approximately RMB4.0 million, RMB3.6 million and RMB2.4 million for the corresponding period, respectively.

To the best knowledge and belief our Directors, apart from the abovementioned, none of our major customers during the Track Record Period was also a supplier of our Group.

SALES AND MARKETING

When we were established, we primarily focused in development of our business in Shandong Province by upholding our strategy of "Shandong Focus (精耕山東)". Over the years, we have gradually expanded the coverage of our services to 15 of the 16 prefecture-level cities in Shandong Province and first-tier cities in the PRC, such as Beijing and Shenzhen. Our marketing department actively explores new tender opportunities in the market and focuses primarily on our overall marketing strategy as well as maintains and strengthens our relationships with existing customers. As at the Latest Practicable Date, our marketing department consisted of nine staff who are dedicated to sales and marketing of our services.

We continually provide our existing customers with diversified and quality services and maintain a good communication channel with them with a view to obtaining future property management agreements or extend our existing agreements upon expiration. To enhance our connection with existing customers and improve the customer experience, we also developed Runzhiyun to receive feedback, suggestion and complaint from customers.

To enhance our corporate image, we invite our existing and potential customers to visit our managed projects to deepen their understanding of our Group in relation to the quality of services we provide. We have established an official account at social media platform to promote our business model and publish our Group's business updates. We believe that our marketing efforts have successfully increased customers' familiarity with our brand and our service capacities.

Pricing strategy

For our property management services, we generally charge our customers on a lump-sum basis and determine our price by adopting a cost-plus pricing model. According to the F&S Report, lump sum basis for property management fees is the dominant model in the property management services market for both residential and non-residential buildings in the PRC. During the Track Record Period, all of the hospitals and substantially all of the public properties and commercial and other non-residential properties were charged by a fixed and all-inclusive fee for our property management services, which we provide through our own employees and third-party subcontractors. When we bid for a new property management agreement or negotiate for the renewal of an existing one with our customers, including related parties and independent third parties, we generally price our services with reference to the stipulated/expected 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) pricing of comparable properties, (vi) evaluation of our competitors' pricing, and (vii) the potential growth of business of our Group in general. In addition, we review and evaluate our property management fees charged regularly and compare them against our financial performance to ensure our targeted profit margins can be sustained and to assess whether we should revise the property management fees charged when we renew our property management services agreements.

On the other hand, for a public property, certain commercial properties and all residential properties under our management, the fees of which are related to the revenue-bearing GFA, i.e. we will receive property management fees from our customers which are generally calculated based on the property size in GFA and management fee per sq.m.

The below table sets out (i) the range of monthly management fee per sq.m. charged for the properties related to revenue-bearing GFA; (ii) the range of monthly management fee per sq.m. charged for the properties related to non-revenue bearing GFA, for illustration purpose only; and (iii) the market range of monthly management fee per GFA during the Track Record Period:

	FY2019	**FY2020**	**FY2021**	**1H2022**
	RMB per sq.m.	*RMB per sq.m.*	*RMB per sq.m.*	*RMB per sq.m.*
Revenue-bearing				
Public property (Note 1)	4.56 to 7.6	4.56 to 7.6	4.56 to 7.6	4.56 to 7.6
Commercial properties (Note 2)	1.54 to 2.4	1.54 to 2.4	1.54 to 2.4	1.54 to 8.2
Residential properties				
— Developed by related parties (Note 3)	2.05 to 2.36	2.05 to 2.36	2.05 to 2.36	2.05 to 2.36
— Developed by independent third parties	0.5 to 2.6	0.5 to 2.6	0.48 to 2.6	0.48 to 2.6
Non-revenue-bearing(Note 4)				
Hospitals(Note 5)	1.26 to 11.45	1.26 to 15.68	1.36 to 16.68	1.36 to 16.68
Public properties	1.2 to 4.42	1.2 to 4.46	1.22 to 4.5	1.22 to 4.5
Commercial properties				
— Developed by related parties(Note 6)	2.18 to 6.38	2.06 to 6.78	1.17 to 7.39	1.17 to 8.90
— Developed by independent third parties	0.38 to 7.69	0.3 to 8.53	0.3 to 8.53	0.31 to 8.53

Market range of monthly management fee per GFA during the Track Record Period

	RMB
Hospital	3.0 – 8.0
Public properties	1.2 – 4.5
Commercial and other non-residential properties (Note 7)	0.3 – 9.0
Residential properties	0.4 – 3.5

Notes:

1. During the Track Record Period, we charged a public property with relatively high property management fees by reason of the mixed public and commercial features of such property.

2. For FY2019, FY2020 and FY2021, the commercial properties managed by us with the fees related to the revenue-bearing GFA were industrial parks only. In May 2022, we secured a property management project for an office building with the management fee of RMB8.2 per sq.m..

3. The management fee per sq.m. charged for the residential properties developed by related parties is generally higher as compared to those developed by independent third parties is mainly attributable to the fact that the residential properties developed by related parties are generally higher-end residential properties that are newly developed. Nearly all the residential properties developed by our related parties were rated at level five while the residential properties developed by the independent third parties were rated among level three to level five. The range of management fee per sq.m. excluded the fee we charged for a villa project for RMB6.0 sq.m. During the Track Record Period, such villa project contributed revenue to us of approximately RMB1.9 million, RMB0.8 million, RMB1.5 million and RMB0.6 million, respectively; and gross profit of approximately RMB1.5 million, RMB0.3 million, RMB0.7 million and RMB0.1 million, respectively. As advised by the F&S, the management fee per sq.m. charged for such villa project is in line with market rate.

4. The property management fees charged under such agreements did not directly correspond to the actual GFA under our management, as they mainly reflected key factors such as the stipulated number of employees and worker required to service the property and service standards required for the type of property. Accordingly, the monthly property management fee for such non-residential

properties calculated as the relevant contract value divided by GFA under management is for illustration only and would not accurately reflect the financial aspect of the property management services provided by us to non-residential properties during the Track Record Period and therefore is not presented herein.

5. During the Track Record Period, the management fees per sq.m. charged for nine hospital projects, ranging from RMB1.26 to RMB2.82, were below the market range mainly due to the fact that we only provided regular cleaning services for these projects; while the monthly management fees per sq.m. charged for six hospital projects, ranging from RMB8.44 to RMB16.68, were above the market range due to the fact that we have provided a comprehensive hospital logistics services on top of the typical property management services for these projects, which allowed us to charge a relatively higher management fee.

6. The range of monthly management fee per sq.m. excluded the fees we charged for property selling centers, ranging from RMB27.5 to RMB91.96, which were substantially higher than the market range due to the fact that the size of property selling centers is limited and we were required to deploy a number of hosting staff to serve the visitors, which allowed us to charge a relatively higher management fee.

7. The market range of property management fee per sq.m. for office buildings and industrial parks in Shandong Province was from RMB2.0 to RMB9.0 and from RMB0.3 to RMB3.3 during the Track Record Period, respectively.

According to the "Property Service Charge Management Measures of Shandong Province"(山東省物業服務收費管理辦法), the government-guided price is implemented for the property management fees of residential properties in the preliminary stage. The management fee shall be determined based on various factors, such as the level of the property, service standards, service quality and service cost.

The following table sets out our property management fees charged for residential properties and the headroom for further increase based on the respective government guidance prices as compared to the management fee charged per sq.m.:

Number	Address	City	Relationship with Property developer	Property level(1)	Range of monthly management fee(1) we charged during the Track Record Period	Maximum Government guidance price(1&2)	Headroom for further increase in the monthly management fee
					RMB per sq.m.	*RMB per sq.m.*	*RMB per sq.m.*
1	Intersection of Lashanhe Dong Road and Laiwu Road, Huaiyin District	Jinan	Related party	Five	2.05	2.36	0.31
2	Intersection of Lashanhe Dong Road and Yantai Road, Huaiyin District	Jinan	Related party	Five	2.15	2.36	0.21
3	Intersection of Yantai Road and Dongying Road, Huaiyin District	Jinan	Related party	Five	2.36	2.36	—
4	Intersection of Yantai Road and Binzhou Road, Huaiyin District	Jinan	Related party	Five	2.36	2.36	—

Number	Address	City	Relationship with Property developer	Property level(1)	Range of monthly management fee(1) we charged during the Track Record Period	Maximum Government guidance price(1&2)	Headroom for further increase in the monthly management fee
					RMB per sq.m.	*RMB per sq.m.*	*RMB per sq.m.*
5	South of Taiping Henan Road, North of Hongxi Ganqu, Huaiyin District	Jinan	Related party	Five	2.36	2.36	—
6	25 Shifan Road, Tianqiao District	Jinan	Independent third party	Three	1.62	1.7	0.08
7	Fuyang Street, Jiyang County	Jinan	Independent third party	Three	1.2	1.7	0.5
8	Intersection of Jingwu Road and Weiqi Road, Huaiyin District	Jinan	Independent third party	Three	0.9	1.7	0.8
9	Intersection of Jingwu Road and Weiqi Road, Huaiyin District	Jinan	Independent third party	Three	1.0	1.7	0.7
10	2866 Longding Road, Lixia District	Jinan	Independent third party	Three	1.28	1.7	0.42
11	Intersection of Jiefang Road and Shanguo Road	Zaozhuang	Independent third party	Three	0.85	1.32	0.47
12	288 Tasi Bei Road	Zaozhuang	Independent third party	Three	0.5 – 0.9	0.84 – 1.32	0.34 – 0.42
13	777 Tasi Bei Road	Zaozhuang	Independent third party	Three	0.9	1.32	0.42
14	1677 Beixin Road	Zaozhuang	Independent third party	Three	0.9	1.32	0.42
15	91 Yingsheng Road	Tai'an	Independent third party	Five	1.9 – 2.1	2.28	0.18 – 0.38
16	3 Nanhuang Road, Daiyue District	Tai'an	Independent third party	Four	1.6	1.8	0.2
17	3 Nanhuang Road, Daiyue District	Tai'an	Independent third party	Four	1.6	1.8	0.2
18	Yingsheng Dong Road, Taishan District	Tai'an	Independent third party	Five	2.6	2.28	N/A(3)
19	Intersection of Haili Street and Jinyang Street, Ningyang County	Tai'an	Independent third party	Three	1.0	1.2	0.2
20	Longteng Road, Daiyue District	Tai'an	Independent third party	Four	1.8	1.8	—

Number	Address	City	Relationship with Property developer	Property level[1]	Range of monthly management fee[1] we charged during the Track Record Period	Maximum Government guidance price[1&2]	Headroom for further increase in the monthly management fee
					RMB per sq.m.	*RMB per sq.m.*	*RMB per sq.m.*
21	5 Changcheng Road, Daiyue District	Tai'an	Independent third party	Four	1.6	1.8	0.2
22	Jinyuan Road, Weishan County	Jining	Independent third party	Four	0.9 – 1.4	1.43	0.03 – 0.53
23	Huyuan Road, Liangshan County	Jining	Independent third party	Three	1.1	1.1	—
24	6887 Fangshan Road, Changle County	Weifang	Independent third party	Five	1.3	1.68	0.38
25	966 Changjiang Road, Mudan District	Heze	Independent third party	Four	0.7	1.56	0.86
26	1 Xi'an Road, Mudan District	Heze	Independent third party	Four	0.96	1.56	0.6
27	991 Baihua East Road, Lianchi District	Baoding	Independent third party	Three	0.48	0.74	0.26

Notes:

1. Our Directors confirmed that there was no adjustment on our property management fees charged for residential properties and the respective applicable government guidance prices during the Track Record Period.

2. According to the "Property Service Charge Management Measures of Shandong Province" (山東省物業服務收費管理辦法), the property management fees for preliminary residential property projects shall be guided by the government and charged by hierarchical pricing. Under the local government's pricing guidance applicable to the residential properties under our management, the residential properties are classified into five grades and level five is the highest tier.

3. We overcharged property management fees from the property owners and/or residents at this residential property. For details, please refer to the paragraph headed "Risk Factors — Our property management fees may be subject to the government guidance price, which may adversely affect our profit margin" in this document.

Save for the overcharged property management fees for the residential property located at Yingsheng Dong Road, Taishan District, Tai'an City, based on the advice from our PRC Legal Advisers, our Directors confirm that there was no material non-compliance on the property management fees charged by us in relation to such government price controls.

Loss-making projects

In the event that our cost of services is higher than anticipated, we would not be able to collect additional amounts from our customers to sustain our profit margins. For FY2019, FY2020, FY2021 and 1H2022, we incurred losses on 20, 18, 29 and 23 projects. The total losses generated from the management of the aforesaid loss-making projects amounted to RMB2.0 million, RMB2.6 million, RMB7.6 million and RMB1.3 million for FY2019, FY2020, FY2021 and 1H2022, respectively. During the Track Record Period, all of the loss-making projects were related to independent third parties.

The loss incurred in the abovementioned loss-making projects are mostly from (i) newly secured Grade 3A hospital projects; (ii) AAAAA tourist attraction; and (iii) certain projects which commenced operation in around the end of relevant years. Our Directors consider that the loss was primarily due to the fact that (i) we secured some of our property management agreements with a relatively competitive price, for the purpose of entering into new markets and/or establishing business relationship with well-known customers to build up our profile and brand image for future business growth; (ii) we spent additional costs on management staff and frontline staff to meet our service standard for the projects outside Shandong Province; and (iii) based on our previous experience, relatively higher costs would be incurred in the early stage of a project to satisfy staff cost, subcontracting fees, costs of materials and procurement of equipment, before we receive any payment from our customers. For 1H2022, 16 out of 20 projects, 12 out of 18 projects and 20 out of 29 projects, which were loss-making for FY2019, FY2020 and FY2021 respectively, turned to profit-making as a result of selection of the potential projects to be tendered cautiously 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. We may also choose to terminate our property management agreement voluntarily based on our internal consideration such as projected profitability. As of the Latest Practicable Date, we have voluntarily terminated three out of 20, four out of 18, seven out of 29 and none of 23 loss-making projects for FY2019, FY2020, FY2021 and 1H2022, respectively.

We constantly look for better bargains with subcontractors who can provide quality services at competitive prices. Before taking over a new project, we will conduct due diligence work on potential projects and assess various factors, including but not limited to the risks, costs, and estimated turnover in connection with the potential projects. After entering into the property management agreement, we will set budget on annual and monthly basis and review the overall performance regularly. In the event that we experience unexpected increases in our cost of services, we may negotiate with our customers to increase the property management fees. We intend to improve the profitability of our projects in the future through (i) various cost-saving measures including automation and hardware upgrade to improve our operational efficiency and lower our operational cost; (ii) optimising our staffing structure by the reduction of number of our own low-skilled labour and seeking for subcontractors of quality services at competitive price; and (iii) upgrading our existing equipment which allows us to automate our key business operations to greater degrees.

We charge our property engineering and landscape construction services based on (i) nature, scope and complexity of the work involved; (ii) estimated costs and expenses to be incurred; (iii) the completion time requested by our customers; (iv) estimated tender prices of our competitors; (v) the availability of our manpower and resources; and (vi) relationship with our customers. Payments are usually due monthly or quarterly, upon achieving certain milestones or upon successful completion of our projects. During the Track Record Period, our customers, including related parties and independent third parties, would generally engage external pricing consultants to examine the value of our portion of works completed and adjust the amount of the final accounts based on the view of such external pricing consultants.

For property leasing services, the rental prices of our investment properties vary by the size of investment properties, taking into account several factors, including the market demand, prevailing local market prices and the outlays spent on the investment properties. Therefore, we may adjust the rental prices from period to period according to local market demand. As advised by the property valuer, the rental fees we charged for the investment properties leased or subleased to our customers are in line with the market yield of the relevant property sector in the region.

Credit policy

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 require the customers under our property leasing services to make the payment in advance. We perform credit evaluation on our customers by taking into account the type of services provided, the type of property under our management, the past payment history, and the business relationship and the background of the respective customer. During the Track Record Period, the credit terms and payment terms granted to our related parties were on normal commercial terms as compared with other customers who are independent third parties. In general, our customers settle the payments to us by bank transfer.

In order to minimise our credit risk, our finance department is responsible for monitoring the payment from our customers. When the payment falls overdue, our business department will deliver payment notices to our customers and follow up with payment reminders where necessary. If our customers continue to fail to settle the fees, we will try to negotiate with our customers and may issue demand letters to our customers, failing which we may resolve the dispute through court proceedings.

OUR SUPPLIERS

During the Track Record Period, our suppliers primarily included (i) vendors of materials, consumables, equipment and uniforms needed for our daily operations; (ii) subcontractors providing cleaning, and property engineering and landscape construction services; (iii) consultants for property engineering and landscape construction projects and (iv) property owners of properties used as our branch offices and for our property leasing business. We have established stable business relationships with most of our major suppliers.

Basis of selecting suppliers

We evaluate our suppliers taking into account quality of their products and services, capacity, pricing, past experience with us, professional qualifications and regulatory licences, reliability and creditworthiness. Our operation department conducts evaluation for existing and potential suppliers regularly and compiles the list first by collecting preliminary background information of suppliers through physical visits and online enquiries. We will then shortlist qualified suppliers into a preliminary list for a trial period of three months by our on-site management teams. After the proposed supplier is approved, we will add the supplier to our approved supplier list, and only those suppliers from our approved list will be invited by our Group to submit tenders or quotations.

Once an engagement is confirmed by our customer, we will negotiate the terms of the procurement with our suppliers and discuss with the suppliers our scope of services to ensure they will deliver their products or services on time and in accordance with the customers' requirements.

During the Track Record Period, we have engaged not less than 130 suppliers and most of them were located in the Shandong Province. To negotiate with a better price and manage our purchase orders efficiently, our operation department will collect the requests from each regional branch office and place purchase orders to our suppliers once a month. With our diverse base of suppliers, we did not experience a shortage or delay in the supply of goods or services which had imposed a material impact on us during the Track Record Period and up to the Latest Practicable Date.

Principal terms of engagement of suppliers

In general, quotations from our suppliers of products contain terms relating to the unit price, type and specifications of the materials, payment terms and delivery. For our material purchases, we place purchase orders directly to the suppliers, suppliers will then issue invoices to us. The credit terms offered to us are generally up to 90 days.

Our subcontractors

Subject to the specific services requested by our customers and manpower allocation in the cities outside Shandong Province, we may engage subcontractors to carry out the labour-intensive works, such as general cleaning, and property engineering and landscape construction services, under close supervision and management by our own staff to ensure that the quality of our services can meet our customers' expectation and requirements. Our regional branch offices conduct regular assessment on our subcontractors by reviewing their performance in different aspects, including (i) the timeliness of the services provided; (ii) the quality of the services; (iii) whether there are any complaints from customers; and (iv) customer satisfaction. If the grades attributable to the subcontractor falls below a certain standard, we will withhold part of the services fee payable to them until they have rectified the problems.

We take into account a number of factors, which are similar to our suppliers, when selecting our subcontractors. Our headquarters is responsible for overseeing and supervising the selection and evaluation of potential subcontractors conducted by our regional branch offices. We generally require our subcontractors to bear the labour costs of their own staff and the material costs for the execution, depending on our agreements with our subcontractors on a case-by-case basis, and we will take a supervisory role to regularly monitor the works performed by the subcontractors. Typically, the agreements entered into between us and the subcontractors include the following terms:

- *Term.* Our subcontracting agreements generally are signed for a specific period in line with the agreements between our customers and us and do not contain automatic renewal clauses.

- *Scope of services and standards.* The subcontracting agreements will set out the scope, frequency and location of the services required from subcontractors. We will include the expected service standards by making reference to market standards or official standards implemented by governmental or professional bodies where applicable.

- *Procurement of raw materials.* Our subcontractors are generally responsible for procuring raw materials and equipment for the discharge of their obligations under the subcontracting agreements.

- *Indemnity.* The subcontracting agreements generally contain indemnity clauses whereby the subcontractors are required to indemnify us against damages or losses incurred as a result of (i) their breach of government regulations and policies; (ii) their lack of qualifications; (iii) any loss or damage caused to third parties; and (iv) damage caused to equipment provided by us.

- *Retention money and warranty period.* For property engineering and landscape construction projects, we require our subcontractors to provide us the retention money and warranty period as we granted to our customers.

- *Termination*. We monitor and assess the performance of subcontractors on a regular basis and can terminate the subcontracting agreement in the event of repeated substandard performance.

For FY2019, FY2020, FY2021 and 1H2022, our Group's subcontracting fees amounted to approximately RMB34.1 million, RMB77.8 million, RMB168.6 million and RMB74.7 million, representing approximately 10.3%, 20.3%, 34.6% and 29.3% of our total cost of services, respectively.

Subcontracting arrangement to replace part-time workers

During the Track Record Period, we have deployed a pool of part-time workers to carry out low-skilled works, such as daily cleaning and security services, having considered that (i) most of our project management team members had an increasing workload in terms of number of projects during the Track Record Period and the work capacity of our project management team was gradually occupied due to our business expansion; (ii) it takes much effort and time for the management to arrange and allocate the regular work to part-time workers, each of whom has unfixed and irregular working hours and/or can resign without notice; (iii) it may probably incur additional administrative expenses for recruitment and resignation of part-time workers due to high turnover rate of them; (iv) additional manpower of on-site management team shall be included in a project to supervise the part-time workers and ensure that the quality of their works meets our and our customers' standard and requirements; and (v) the PRC Labour Contract Law imposes stricter requirements in respect of signing of labour contracts with part-time employees, our Group has gradually deployed the use of subcontracting arrangements instead of part-time workers.

In addition, our Directors believe that the subcontracting arrangement could save efforts on certain administrative works while maintaining the continuing provision of quality property management services by the frontline workers, enhance our management efficiency in business operation and flexibility in manpower allocation and enable our management to focus on other aspects of our business to maximise the managerial benefit and profitability of our Group in whole.

In assessing whether to engage subcontractors to replace the deployment of part-time workers, we conducted the cost and benefit analysis by comparing the estimated total costs of labour required in providing the property management services with and without deployment of subcontracting arrangement to replace part-time workers and have found that the relevant costs under both options were comparable. In FY2021, we incurred an additional subcontracting fees of approximately RMB89.1 million for the deployment of subcontracting arrangement to replace part-time workers; while the costs of part-time workers required is estimated to be approximately RMB86.7 million. Our Directors are of the view that there is no material difference in the costs in relation to (i) deploying subcontractors to replace our part-time workers; or (ii) recruiting our own part-time workers. Considering the aforementioned benefits and reasons for engaging subcontractors to replace our part-time workers, our Directors are of the view that the slightly higher costs of approximately 2.8% incurred for the use of subcontracting arrangement is commercially justifiable and engaging subcontractors to replace our part-time workers would be more favourable to the Group's operations in the long run. According to the F&S Report, subcontracting labour-intensive services such as daily cleaning and security services by property management service providers is in line with the industry norm.

In FY2021, we have engaged several subcontractors, who are independent third parties to our Group, to replace the deployment of part-time workers, which provide timely and efficient alternative access to manpower resources and support our business growth.

Our Directors are of the view that the subcontractors have solid experience in provision of general cleaning and garbage collection services and capable to allocate enough manpower to carry out our daily cleaning services and we have allocated certain experienced on-site management team for each managed property to ensure the consistency of satisfying service quality upon transferring to subcontracting arrangements. For details, please refer to the paragraph headed "Quality Assurance" in this section.

Our subcontracting fees for FY2021 substantially increased as compared with FY2020. However, our Directors believe that such arrangement allows us to enhance our flexibility in manpower allocation and thus enable us to mange costs more effectively. We can also focus on the supervision and monitor of the projects and reduce our administrative expenses in recruitment of part-time employees.

Top five suppliers

We have maintained a stable relationship with our major suppliers during the Track Record Period. As of the Latest Practicable Date, we had business relationships ranging from one to five years with our top five suppliers. We consider that it is not difficult to replace any of our suppliers in the market with comparable quality and prices.

For FY2019, FY2020, FY2021 and 1H2022, the total purchase amount from our Group's largest supplier was approximately 9.9%, 7.3%, 22.3% and 17.4% of our Group's total purchase amount, respectively, while the total purchase amount from our Group's five largest suppliers was approximately 27.2%, 21.6%, 49.6% and 49.4% of our Group's total purchase amount, respectively.

The following tables set forth details of our top five suppliers during the Track Record Period:

For FY2019

Rank	Supplier	Main products/ services provided to our Group	Relationship with our Group	Number of years of relationship	Approximate purchase amount	Approximate percentage of total purchase amount of our Group	Settlement method	Credit terms
					RMB'000	%		
1	Supplier A(Note 1)	Subcontracting for property engineering and landscape construction projects	Independent third party	4	4,087	9.9	Bank transfer	Progress payment
2	Supplier B(Note 2)	Supply of plastic products, packaging materials and cleaning supplies	Independent third party	6	2,630	6.2	Bank transfer	60 days
3	Supplier C(Note 3)	Supply of packaging materials and cleaning supplies	Independent third party	4	1,663	4.0	Bank transfer	60 days
4	Supplier D(Note 4)	Subcontracting for property engineering and landscape construction projects	Independent third party	3	1,581	3.8	Bank transfer	30 days
5	Supplier E(Note 5)	Supply of packaging materials and cleaning supplies	Independent third party	4	1,348	3.3	Bank transfer	60 days
				Five largest suppliers combined	11,309	27.2		
				All other suppliers	30,312	72.8		
				Total purchase amount	41,621	100.0		

For FY2020

Rank	Supplier	Main products/ services provided to our Group	Relationship with our Group	Number of years of relationship	Approximate purchase amount	Approximate percentage of total purchase amount of our Group	Settlement method	Credit terms
					RMB'000	%		
1	Supplier F(Note 6)	Supply of food, food additives and flavouring	Independent third party	2	7,228	7.3	Bank transfer	Upon invoice
2	Shandong Zhixin(Note 7)	Subcontracting for property engineering and landscape construction projects	Related party	2	4,200	4.3	Bank transfer	Progress payment
3	Supplier G(Note 8)	Subcontracting for property engineering and landscape construction projects	Independent third party	2	4,164	4.1	Bank transfer	Progress payment
4	Supplier A	Subcontracting for property engineering and landscape construction projects	Independent third party	4	2,954	3.0	Bank transfer	Progress payment
5	Supplier H(Note 9)	Pricing consulting services for property engineering and landscape construction projects	Independent third party	2	2,900	2.9	Bank transfer	Progress payment
				Five largest suppliers combined	21,446	21.6		
				All other suppliers	77,763	78.4		
				Total purchase amount	99,209	100.0		

For FY2021

Rank	Supplier	Main products/ services provided to our Group	Relationship with our Group	Number of years of relationship	Approximate purchase amount	Approximate percentage of total purchase amount of our Group	Settlement method	Credit terms
					RMB'000	%		
1	Supplier I (Note 10)	Cleaning services	Independent third party	1	47,655	22.3	Bank transfer	Upon invoice
2	Supplier J (Note 11)	Cleaning services	Independent third party	1	34,949	16.4	Bank transfer	Upon invoice
3	Supplier K (Note 12)	Cleaning services	Independent third party	1	12,054	5.6	Bank transfer	Upon invoice
4	Supplier L (Note 13)	Cleaning services	Independent third party	1	5,831	2.8	Bank transfer	Upon invoice
5	Supplier F	Supply of food, food additives and flavouring	Independent third party	2	5,381	2.5	Bank transfer	Upon invoice
				Five largest suppliers combined	105,870	49.6		
				All other suppliers	107,656	50.4		
				Total purchase amount	213,526	100.0		

For 1H2022

Rank	Supplier	Main products/ services provided to our Group	Relationship with our Group	Number of years of relationship	Approximate purchase amount	Approximate percentage of total purchase amount of our Group	Settlement method	Credit terms
					RMB'000	%		
1	Supplier J	Cleaning services	Independent third party	1	37,165	29.5	Bank transfer	Upon invoice
2	Supplier I	Cleaning services	Independent third party	1	16,049	12.7	Bank transfer	Upon invoice
3	Supplier L	Cleaning services	Independent third party	1	3,975	3.2	Bank transfer	Upon invoice
4	Supplier F	Supply of food, food additives and flavouring	Independent third party	2	2,820	2.3	Bank transfer	Upon invoice
5	Supplier M (Note 14)	Property leasing	Independent third party	1	2,180	1.7	Bank transfer	Payment in advance
				Five largest suppliers combined	62,189	49.4		
				All other suppliers	63,824	50.6		
				Total purchase amount	126,013	100.0		

Notes:

1. Supplier A is a private entity established in the PRC with limited liability and registered capital of RMB1.0 million as at the Latest Practicable Date. Its business activities include general contracting of construction works; landscaping works, wholesale and retail: building materials, decorative materials, metal materials, textiles; machinery and equipment leasing, slag removal.

2. Supplier B is a private entity established in the PRC with limited liability and registered capital of RMB2.0 million as at the Latest Practicable Date. Its business activities include sales of plastic products, packaging materials, cleaning supplies, hotel supplies, office supplies, paper products, daily-use department stores.

3. Supplier C is a private entity established in the PRC with limited liability and registered capital of RMB12.0 million as at the Latest Practicable Date. Its business activities include wholesale and retail of office supplies, daily necessities, laundry supplies, handicrafts, machinery and equipment and accessories, instruments and metres, decorative materials, building materials, rubber products.

4. Supplier D is a private entity established in the PRC with limited liability and registered capital of RMB5.0 million as at the Latest Practicable Date. Its business activities include subcontracting of construction labour services; landscaping works; leasing of construction machinery and equipment.

5. Supplier E is a private entity established in the PRC with limited liability and registered capital of RMB2.0 million as at the Latest Practicable Date. Its business activities include sales of cleaning supplies, machinery and equipment, construction materials, office supplies and general merchandise.

6. Supplier F is a private entity established in the PRC with limited liability and registered capital of RMB5.0 million as at the Latest Practicable Date. Its business activities include sales of packaged food, bulk food, vegetables, fruit, grain, cold meat, aquatic products and daily necessities.

7. Shandong Zhixin is a private entity established in the PRC with limited liability and registered capital of RMB5.0 million as at the Latest Practicable Date, which is indirectly owned as to 90% by Ms. Liang, one of our Controlling Shareholders. Its business activities include professional contracting of building decoration works; general contracting of construction works; landscaping works; professional contracting of waterproofing, anti-corrosion and insulation works.

8. Supplier G is a private entity established in the PRC with limited liability and registered capital of RMB1.0 million as at the Latest Practicable Date. Its business activities include subcontracting of construction labour services; landscaping works; leasing of construction machinery and equipment; general freight transport.

9. Supplier H is a private entity established in the PRC with limited liability and registered capital of RMB1.25 million as at the Latest Practicable Date, which is indirectly own as to 20% by Ms. Liang. Its business activities include property consulting, property leasing, property management, conference services, market operation management and vehicle leasing.

10. Supplier I is a private entity established in the PRC with limited liability and registered capital of RMB3.0 million as at the Latest Practicable Date. Its business activities include labour dispatch services, construction labour subcontracting services, human resources consultation services, and cleaning and disinfection services.

11. Supplier J is a private entity established in the PRC with limited liability and registered capital of RMB15 million as at the Latest Practicable Date. Its business activities include labour dispatch services.

12. Supplier K is a private entity established in the PRC with limited liability and registered capital of RMB10.0 million as at the Latest Practicable Date. Its business activities include human resource consultation services, labour dispatch services, construction labour subcontracting services, property services, conference services, exhibition services, housekeeping services.

13. Supplier L is a private entity established in the PRC with limited liability and registered capital of RMB30.0 million as at the Latest Practicable Date. Its business activities include labour dispatch services, insurance business, technical training and corporate management.

14. Supplier M is an entity established in the PRC with limited liability and indirectly wholly owned by a public company listed on the Shanghai Stock Exchange, the principal business activities of which include real estate, property development, construction, property investment, real estate financing.

Our major supplier also our customer

Shandong Zhixin was established as a project company in June 2018 to undertake refined renovation works projects under the XTJD Project, a large-scale property development project developed by Hang Qian Group with an aggregate GFA of approximately 632,000 sq.m. involving the development of 17 residential buildings, 12 commercial buildings and seven ancillary buildings and facilities. For details of the XTJD Project, please refer to the paragraph headed "Our Customers — Sales to Hang Qian Group" in this section.

During the Track Record Period, Shandong Zhixin was also our customer and we managed refined renovation projects for Shandong Zhixin, which generated revenue to us of approximately RMB6.9 million; and the gross profit generated from Shandong Zhixin was approximately RMB0.2 million. As confirmed with Shandong Zhixin, such arrangement was due to its lack of internal resources for sizeable projects and the tight project schedule committed to the property developer. In particular, in September 2019, Shandong Zhixin secured a sizeable refined renovation contract for nine residential buildings in XTJD Project with contract value of approximately RMB74.8 million and did not have enough resources to manage the whole project at the same time. Therefore, Shandong Zhixin engaged us to manage a refined renovation works for one among the nine residential buildings considering that our Group is familiar with the site operation of the XTJD Project and our quotation was acceptable to them.

In January 2020, our Group, as the customer of Shandong Zhixin, faced a shortage of construction project managers due to the fact that the construction activities of the XTJD project were suspended by the local authority several times as a safety and social health measure for air pollution problems. Such construction activities were resumed and expedited in February 2020, together with other works in pipeline, all of which have an established schedule of progress and deadline to meet. Therefore, we engaged Shandong Zhixin, as our subcontractor, to monitor the execution of certain of our projects in the XTJD Project and had incurred subcontracting costs of approximately RMB4.2 million for FY2020. Our Directors confirmed that such contracting arrangement was an one-off arrangement.

During the Track Record Period, Shandong Zhixin was engaged to provide refined renovation services for XTJD Project only; while our Group focused on the provision of property engineering and landscape construction services as ancillary services to our existing customers in property management business in order to maximise the synergy effect with the property management business as well as to generate additional revenue on top of the typical property management services. Considering the project nature and the different business focus of Shandong Zhixin and our Group, they engaged us to undertake property engineering and landscape construction projects, involving outdoor landscape construction, pipeline construction, modification of shape and elevation of terrains and planting of trees, shrubs, flowers, hedgerows and seedlings; while Shandong Zhixin was engaged to carry out indoor refined renovation services. For details of business delineation between Shandong Zhixin and us, please refer to the section headed "Relationship with our Controlling Shareholders" in this document. Our Directors confirmed that all of our sales to and our purchases with Shandong Zhixin were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. The shareholders of Shandong Zhixin have further confirmed that Shandong Zhixin has ceased to participate in tendering or bidding acivities and to engage in new project since 30 June 2021 and they will proceed to deregister Shandong Zhixin upon completion of the inspection and acceptance work related to Shandong Zhixin in the XTJD Project.

Save as the abovementioned, none of our Directors or Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company), or their respective close associates, had any interest in any of our five largest suppliers during the Track Record Period. To the best knowledge and belief our Directors, apart from Shandong Zhixin, none of our major suppliers during the Track Record Period was also a customer of our Group. During the Track Record Period, we had not received any material claims or complaints by our customers in respect of the quality of raw materials purchased from our suppliers.

Inventory management

We make procurement of consumables on monthly basis and our suppliers deliver such consumables to each of our property management projects for their daily usage. As such, during the Track Record Period, we did not keep material amount of inventory.

COMPETITION

The degree of concentration of the property management services market is increasing in recent years as a result of policy environment, market competition and information technology. Especially, a few of the leading property management services companies begin to enhance management standards and core competitiveness through mergers and acquisitions. Moreover, property management services companies are making efforts to develop alliance and consolidation to achieve economies of scale resulting in the increasing concentration level of China's property management services market in the future.

According to the F&S Report, the growth of the PRC property management industry is attributable to key drivers such as the accelerated industry concentration, the growing awareness of service quality and expanding service scope and provision of value-added services. Nowadays, property owners pursue better living conditions and are more willing to pay premiums for high quality property management services. In the future, increasing number of property management services companies are expected to keep up with this trend by optimising their traditional property management services, upgrading the quality of their services by applying information technologies and expanding their service scope.

From 2016 to 2021, the total revenue of property management service companies in Shandong Province increased from RMB27.8 billion to RMB49.1 billion, with a CAGR of 12.0%. In 2026, the total revenue of property management services in Shandong Province is expected to reach RMB78.4 billion, with a CAGR of 9.8% from 2021 to 2026. In 2021, the top five local property management service providers in Shandong accounted for approximately 5.9% in terms of the total revenue generated from property management services. Among those service providers, our Group ranked third and accounted for 1.0% in property management services market in Shandong while the top two players accounted for 1.9% and 1.2%, respectively.

For details of the competitive landscape of the property management industry, please refer to the section headed "Industry Overview" in this document.

QUALITY ASSURANCE

We place strong emphasis on high quality services to cope with the customers' requirements, which is the key to our continuous success. We have therefore formulated a set of policy manual covering quality management systems, environmental management systems and occupational, health and safety management systems. A series of measures are imposed to establish a quality control framework.

As at Latest Practicable Date, we had a quality assurance department comprising of five staff, who are responsible for maintaining and enhancing our service standards, standardising service procedures and ensuring service quality at both our corporate level and subcontractor level. Our quality assurance director is responsible for overseeing the overall quality assurance function, and has more than 10 years of experience in quality assurance in the property management industry. We adopted a "three-tier quality assurance system" to supervise and maintain the quality of our services. Our regional branch office will designate a project manager or supervisor to each managed property for daily supervision and report to the business department in charge for all related matters. Our business departments regularly report to our quality assurance director at the headquarters level.

Formulating service standards

In order to provide satisfactory and high-quality standards on our services to preserve our reputation, our quality assurance department, with the participation of business departments, designed different instruction manuals covered all kind of services provided to our customers. We require our employees and the subcontractors we engage to strictly follow our quality standards. Our management system was certified to be in accordance with the requirements of GB/T19001-2016/ISO 9001:2015 (Quality management system certification) and GB/T 20647.9-2006/ZMCC-TC-10-2018 (5-star service certification) accreditations. Our Directors believe that these certifications can enhance our public image, credibility and customers' confidence in our Group.

Quality inspection

At the on-site level, we have assigned to each of our managed projects an on-site management team, who is responsible for monitoring the quality and progress of our services on a daily basis. Our on-site management team will report outstanding issues to the regional branch office for instruction and advice.

Our regional branch offices are responsible for overseeing the properties under their management and conducts weekly on-site inspection. The assessment covers (i) service execution; (ii) record keeping; (iii) complaint records; and (iv) internal management. The assessment will also list out the issues identified and the responsible employees or subcontractors, and follow up on the issues discovered in the previous assessment as to whether they have been rectified.

Our business departments will conduct monthly inspection for each of our managed projects and attend the assessments quarterly conducted by each of regional branch offices under their supervision. The inspection results are linked to performance appraisal of the responsible employees. The business department directors will also attend the monthly inspection for major properties to review the performance of frontline workers and communicate with our customers in relation to the quality of our services.

Our quality assurance department is responsible to carry out annual on-site quality inspection for major properties managed by each business department and to conduct risk identification and customer satisfaction investigation. The inspection findings, together with the quality improvement recommendations, will be delivered to the responsible on-site management team, regional branch office and business department. The responsible on-site management team and regional branch office shall handle and resolve the problem within five days and report to the quality assurance department and business department. Such rectification will be inspected by the business department and recorded by the quality assurance department for the follow-up inspection in the next year.

In view of that our security services include 24-hour surveillance, patrolling, guarding and access control, the above assessments and inspections will also be carried out at midnight to ensure that our staff report their duties as required.

Training to staff and workers of our subcontractors

We provide various systematic and extensive training programmes to our employees and workers of our subcontractors. Our training programmes cover our corporate history, corporate culture, personal development of work efficiency, anti-stress and self-responsibility, and the key areas in our business operations, which provide continuous training to our employees and workers of our subcontractors at different levels to specialise and strengthen their skill sets. The training programmes are primarily classified into the following categories:

1. *Induction training for newcomers:* A detailed induction training is offered to newcomers for them to familiarise themselves with company's history, corporate culture, internal rules and policies and relevant knowledge with respect to property management services;

2. *Routine trainings:* All employees and workers of our subcontractors are required to attend continuing skills trainings. We provide them with trainings tailored to the needs of their position and duties. We have established an internal learning programme at our system, which is accessible by Runzhiyun and QR Code Pass, to provide online training courses to our employees and workers of our subcontractors to improve their professional knowledge and skills. In order to facilitate our employees and workers of our subcontractors to attend the online trainings anytime and anywhere, the length of our training videos is generally designed within one minute. As at the Latest Practicable Date, there were over 200 training videos and materials available to our employees at our system.

3. *Professional qualification trainings:* We offer professional qualification trainings toward our employees of professional expertise upon their application. We cooperate with industry association and local government to conduct training courses or send our employees to the training sessions and competitions organised by such organisations. The qualifications are in relation to the positions, among others, the property managers, electricians, plumber, customer receptionists and security guards.

4. *Continuing education:* We encourage our staff at management level to study in their spare time. During the Track Record Period, we cooperated with Nanjing University and China University of Geosciences to provide courses in aspects of business administration, labour and social security, finance, marketing and accounting etc.

5. *Five-tier assessment programme:* We primarily focus on the service quality of our typical property management services, including cleaning and disinfection services, security services, general repair and maintenance services and customer services. In order to motivate our frontline staff to provide high quality services, we introduced a five-tier assessment programme rating our own frontline workers from beginner (初級), intermediate (中級), advanced (高級), technician (技師) to chief technician (首席技師) who will be entitled to different amount of allowances. We evaluate their belonged tier every two years. Our Directors believe that the five-tier assessment programme improves the service quality of our frontline workers.

Feedback and complaint management

To understand our customers' needs and enhance our quality, our general manager and business department directors will visit our customers to receive their feedbacks from time to time and the quality assurance department will conduct customer satisfaction investigation annually. The services to be improved will be listed out and delivered to the responsible staff for their rectification and follow-up.

During the ordinary course of our business operations, we receive suggestions and complaints from our customers, tenants or visitors from time to time regarding our services. We encourage our customers to lodge their complaints through Runzhiyun or the following office/department directly:

Regional service office

Our customer service personnel in the regional service offices are responsible to register the suggestions and complaints and inform the responsible staff to resolve the issue. Our frontline staff are required to resolve or propose the solution in a timely manner in order to uphold the quality of services.

Business department

Subject to the preference of the complainant, we may introduce the complainant to contact the regional service office in charge or instruction the responsible staff to handle the complaint directly. The business department will request the responsible staff to resolve or propose the solution in a timely manner and to report the status of rectification accordingly.

Headquarters

Our customer service personnel at the headquarters will fill in the complaint form for the complainant and send the form to the responsible regional branch office and/or business department depending on the nature and seriousness. The regional branch office shall analyse the reason and responsibilities for the incident, formulate a rectification plan and, after approved by the business department, resolve the issue or propose the solution within 24 hours. All verbal and written complaints are recorded in the "complaint log-book" which is kept by the quality assurance department.

During the Track Record Period, we have received eight, nine, 12 and 10 valid complaints from our customers, tenants and visitors. Having considered the number of properties under our management and the scope of services provided by us, our Directors are of the view that the number of complaints remained relatively low. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has not received any material complaint or claim for compensation from our customers due to quality issue in relation to the services carried out by our Group or subcontractors.

Quality recognitions

We have obtained the following certifications in recognition of our service quality:

Accreditation and certifications	Valid period	Scope
GB/T19001-2016/ISO 9001:2015 (Quality management system certification)	11 January 2021 to 10 January 2024	Property management services
GB/T 20647.9-2006/ZMCC-TC-10-2018 (5-star service certification)	17 July 2020 to 16 July 2023	Property management services

LICENCES, PERMITS AND APPROVALS

We are subject to various laws, rules and regulations with regard to our business operations, and are required to obtain certain licences, approvals and permits from relevant government entities to operate our business. For details, please refer to the section headed ''Regulatory Overview'' in this document. The table below sets forth the key licences, permits and approvals necessary for our operations on top of the business licence of each operating entity:

Type of licences, permits and approvals	Number	Valid period
Labour Dispatch Business Permit* (勞務派遣經營許可證)	1	20 March 2020 to 19 March 2023
Food Business Certificate* (食品經營許可證)	1	10 November 2020 to 30 October 2022
Construction Enterprise Qualification Certificate* (建築業企業資質證書)	1	10 March 2019 to 11 December 2023
Security Service Permit* (保安服務許可證)	1	N/A
Filing Proof of Self-recruiting Security Guards* (保安員單位備案證明)	91	N/A
Special equipment production licence* (特種設備生產許可證)	2	27 March 2020 to 26 March 2024 and 16 December 2020 to 22 December 2024

As advised by our PRC Legal Advisers, our Group has obtained the requisite licences, permits and approvals in all material aspects which are necessary for its respective operations and there is no legal impediment for our Group to obtain or renew the required licences, approvals and permits provided that we are able to meet the relevant requirements and conditions imposed by the competent government authorities. Our PRC Legal Advisers also advised that save for the abovementioned, no additional qualification and/or licence is required for our Group to provide specialised property management services and value-added hospital logistic services.

We monitor the validity status of our licences, approvals and permits and make timely applications for the renewal of relevant licences, approvals and permits prior to their expiration date. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has not experienced any difficulties in obtaining or renewing any of our licences, permits and approvals necessary for our operations, and we do not expect to have any material difficulty in renewing such licences, approvals and permits in the foreseeable future.

AWARDS, ACCREDITATIONS AND CERTIFICATIONS

Further to the accreditations and certificates disclosed in the paragraph headed "Quality Assurance – Quality recognitions" in this section, we have also received various awards, accreditations and certifications, among which are the following:

Year of first award	Awards, accreditations and certifications	Valid period	Awarding authority
2017	Key Service Enterprises in Shandong* (山東省重點服務業企業)	N/A	Shandong Development and Reform Commission
2019	Shandong Famous Brand* (山東知名品牌)	N/A	Shandong Council for Brand Development

Year of first award	Awards, accreditations and certifications	Valid period	Awarding authority
2020	Good Standardising Practice Certificate Grade AAA	16 December 2020 to 16 December 2023	China Association of Standardisation (中國標準化協會)
2020	TOP500 Property Management Companies of China in 2020 (2020年物業服務企業綜合實力測評TOP500)	N/A	China Property Management Research Institution
2020	High-end Cultivation Enterprise in Service Industry in Shandong* (山東省服務業高端培育企業)	N/A	Shandong Administration for Market Regulation
2020	Shandong Premium Brand — Service* (山東優質品牌 — 服務類)	N/A	Quality Evaluation Association of Shandong Province
2021	High and New Technology Enterprise* (高新技術企業)	N/A	Department of Science & Technology of Shandong Province Shandong Provincial Department of Finance Shandong Provincial Tax Service, State Taxation Administration
2021	GB/T24001-2016/ISO 14001:2015 (Environmental management system certificate)	11 January 2021 to 10 January 2024	ShanDong ZhengMing Certification Service Co. Ltd.
2021	GB/T45001-2020/ISO 45001:2018 (Occupational safety management system certificate)	11 January 2021 to 10 January 2024	ShanDong ZhengMing Certification Service Co. Ltd.
2021	ISO 56002-2019 (Innovation management system certificate)	15 January 2021 to 14 January 2024	ShanDong ZhengMing Certification Service Co. Ltd.
2021	ISO 50001 RB/T 107-2013 (Energy management system certificate)	27 January 2021 to 26 January 2024	Beijing World Standards for Certification Centre Inc. (北京世標認證中心有限公司)

Year of first award	Awards, accreditations and certifications	Valid period	Awarding authority
2021	Jinan City Property Comprehensive Service Standardization Pilot Enterprise	N/A	Jinan City Market Supervision Administration (濟南市市場監督管理局) Shandong Provincial Market Supervision Administration (山東省市場監督管理局)
2022	Top 10 Hospital Property Service Providers in 2022	N/A	CRIC Property Management (克而瑞物管) Shanghai Yiju Real Estate Research Institute (上海易居房地產研究院)

SOCIAL HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws and regulations in relation to labour, safety and environment protection matters and are committed to social responsibilities, and consider environmental, social and governance ("**ESG**") essential to our continuous development. Our Directors actively take up the responsibility of designing ESG strategies and targets, monitoring and managing material ESG issues, with the assistance from the management. We may engage independent professional third parties from time to time to help us make necessary improvements.

After the **[REDACTED]**, we will publish an ESG report each year pursuant to Appendix 27 of the Listing Rules to analyse and disclose important environmental, social and governance matters, risk management and the accomplishment of performance and objectives.

Governance

Our Directors are primarily responsible for setting up our Group's overall ESG vision, direction and strategy, monitoring and reviewing our ESG performances on whether our Group fulfills the ESG vision. Our Directors closely follow and monitor the latest ESG-related laws and regulations, and in case there is any change in relevant laws and regulations, our Directors will instruct the management to update internal ESG measures to make sure that our Group complies with the latest regulatory updates. To ensure the effectiveness of our ESG measures and compliance with requirements, our Directors are responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG-related risks.

We have adopted and implemented ESG measures which provide guidelines to the management of our Group's environmental, social and climate-related issues. With respect to the management of environmental, social and climate-related issues, we actively monitor the local environmental, social, and climate changes in regions where we operate and take timely measures to mitigate the risks associated with such volatile changes during our routine business operation. For instance, we have adopted policies in response to severe weather conditions. In particular, to deal with the increasing rate of extreme weather conditions such as typhoons and flooding due to climate change, we closely follow the latest weather news and advice released by the local government to ensure employee safety. We are actively seeking ways to increase our use of renewable energy, including by potentially contracting directly with renewable energy suppliers. We also actively promote recycling and energy conserving activities. We have established various policies to save energy and achieve a low carbon footprint, which guide the performance of our employees. We also actively guide property owners and residents to participate in efforts to save energy and improve the environment. For example, we have been introducing energy-saving LED lights and reclaimed waters for garden irrigation in several properties under our management. We have also actively promoted waste recycling in various communities and increased our efforts in introducing professional subcontractors to recycle and separate waste from the properties under our management.

Impact of Environmental, Social and Climate-related Issues and Opportunities

We acknowledge that climate-related issues pose a certain level of threat to us. Climate-related risks identified by us can be classified into two major categories: physical risk and transitional risk. We define physical risks as risks that potentially cause physical impact to us. We believe that climate-related issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms, typhoons and flooding. We may potentially be impacted by an increased operation and maintenance cost, as well as increased investment in insurance for protection. The health and safety of employees may also be endangered.

Due to climate change and climate-related issues, consumers may shift their preferences to a sustainable lifestyle, while regulators may require increasing disclosure on emission. Such transitional risks which require us to move towards a sustainable business model may potentially lead to impacts such as increased operational cost from change of operational practices. For example, we may need to switch to energy efficient lighting or increase greenery areas on our operational premises. With regard to increasing responsibilities on emission disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on emissions and resource consumption.

Identification, Assessment and Management of Environmental, Social and Climate-related Risks and Opportunities

Based on our management's judgement, we have identified the material ESG issues highly related to our business.

On top of the risks regarding climate-related issues, we have identified the following material ESG issues and their potential impacts:

Material Topics	Potential Risks, Opportunities and Impacts
Transition to green building	Facilities and equipment of our operation sites may provide space for us to enhance our environmental performance through selecting more energy efficient equipment. While this may potentially incur a cost for new equipment and facilities in the short term and increased operational cost, our environmental performance may be enhanced.
Human capital development	The health and safety of employees may be put at risk due to climate-related issues, such as increasingly frequent extreme weather conditions. Meanwhile, strong human capital development may lead to a stronger employee base and a lower turnover rate.
Product design and lifecycle management	The maintenance of facilities and equipment at operation sites may incur additional costs if said facilities are not properly maintained.
Business ethics	Regulatory risks in failing to maintain good business ethics may cause compliance-based impacts. However, outstanding business ethics may help us yield a positive business image.

We have put in place various mitigation and measures to prevent the risks from causing unnecessary impact on our operations. We also regularly perform maintenance of our facilities and equipment to minimise the risk of unmaintained facilities and equipment causing damage to our properties and the health and safety of employees and staff.

To mitigate climate-related risks such as more frequent extreme weather conditions, we have put in place emergency plans against extreme weather conditions where employees and other personnel are notified promptly with any related measures. To ensure that all personnel are well prepared for such extreme weather conditions, regular evacuation drills are conducted.

Furthermore, we are willing to consult professional entities to improve its compliance and quality on emission disclosures, and regularly communicates with different stakeholders on their views on climate-related issues.

Environmental and Climate-related metrics and targets

We attach great importance to environmental protection and strictly comply with applicable laws and regulations to ensure compliance with the emission of three wastes. In addition, we continuously strengthen the management of energy and resources, actively adopt environmental protection measures for energy conservation and emission reduction, and practise the concept of green development.

To ensure the effective implementation and efficient execution of environmental management measures, we have set four major environmental targets as the guiding direction and course of action for our future environmental management.

Environmental Targets	Details of the Targets	Action Initiatives
Emission Target	Actively explore and use low-carbon environmental protection methods to reduce emissions from our own operations, including greenhouse gas and air pollutants, while helping the industry chain to reduce emissions and alleviate the carbon footprint of enterprises.	To achieve the target, we plan to take the following measures: Increasing the use of clean energy vehicles to reduce greenhouse gas emissions and air pollutants, adopting more environmentally friendly property management equipment (such as greening and gardening maintenance equipment) and other related initiatives to reduce greenhouse gas emissions.
Energy Use Efficiency Target	Improve the efficiency of energy use, increase the proportion of clean energy use, and strive to reduce the intensity of energy consumption.	To achieve the target, we plan to take the following measures: Try to introduce photovoltaic power generation systems at corporate office buildings to obtain clean energy and advocate green office. Introduce energy-saving devices, such as energy-saving lights in our property management services to reduce unnecessary energy consumption. At the same time, we plan to strengthen the real-time monitoring of energy consumption and the whole process management of data with the help of smart metre renovation work, so as to capture abnormal energy consumption situations and deal with them in time.
Waste Management Target	100% waste disposal compliance and increasing the percentage of recyclable waste.	To achieve the target, we plan to take the following measures: Strengthening the full cycle of waste management and strictly enforcing compliant disposal. Continuously explore and practise waste reduction initiatives to promote green office and encourage property owners to

Environmental Targets	Details of the Targets	Action Initiatives
		focus on waste recycling to reduce waste generated.
Water Efficiency Target	Improve the efficiency of water usage, conserve water and reduce the intensity of water consumption.	To achieve the target, we plan to take the following measures: Such as actively using natural water resources and adopting rainwater to irrigate the garden greenery in the property management services. Introducing water-saving irrigation equipment to reduce unnecessary waste of water usage and etc. At the same time, we would use the intelligent renovation of water metres to strengthen the real-time monitoring of water consumption, improve the efficiency of data management, and analyse the historical water consumption trend and predict the future water consumption and water saving more scientifically and effectively. In addition, enhance the employees' awareness of saving water by providing water-saving signs.

Air pollutant emission (Note)	Unit	2021
NO_x emission	KG	22.41
SO_x emission	KG	0.44
Particulate matter emission	KG	1.65

Note: Emissions of air pollutants are mainly generated by using of our own vehicles, calculated with reference to Vehicle Emission Calculation of EMFAC-HK and the MOBILE6.1 Particulate Emission Factor of United States Environmental Protection Agency, among other bases.

The air pollutants we generate are mainly nitrogen oxides, sulphur oxides and particulate matter emitted by our own vehicles. Currently, the vehicles are powered by gasoline, we will actively introduce clean energy vehicles to reduce the emissions of air pollutants and greenhouse gas caused by burning fossil energy. Meanwhile, we encourage our employees to commute by public transportation and promote green travel.

Greenhouse gas emission(Note)	Unit	2021
Total greenhouse gas emission	Tonnes CO_2 equivalent	7,209.32
– Greenhouse gas emission-scope 1	Tonnes CO_2 equivalent	66.12
– Greenhouse gas emission-scope 2	Tonnes CO_2 equivalent	7,143.20
Greenhouse gas emission intensity	Tonnes CO_2 equivalent/000 m^2 GFA	0.43

Note: GHG emission indicators are calculated with reference to the Greenhouse Gas Accounting Standard (GHG Protocol) issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by the Intergovernmental Panel on Climate Change (IPCC), and the Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from (Industrial and Other Industries Enterprises (Trial) issued by the National Development and Reform Commission of the People's Republic of China, among other bases.

We are committed to reducing greenhouse gas emissions from our own operations by identifying the sources of greenhouse gas emissions, planning and analysing the effectiveness and operability of various greenhouse gas reduction initiatives, and gradually implementing greenhouse gas reduction measures. At present, our greenhouse gas emissions mainly come from the combustion of energy in our own vehicles and purchased electricity, so we plan to gradually increase the use of clean energy vehicles to reduce the greenhouse gas emissions generated by our own vehicles. We also plan to adopt more environmentally friendly property management equipment (such as greening and gardening maintenance equipment) to reduce the greenhouse gas emissions. At the same time, we will actively explore more effective ways to save electricity based on the existing initiatives and strive to promote the environmental protection plan to reduce electricity consumption.

For the property management service, we have gradually carried out intelligent transformation of water and electricity metres. By changing traditional water and electricity metres into intelligent water and electricity metres, we can achieve real-time supervision and precise control of water and electricity consumption, scientifically analyse the characteristics and levels of energy consumption, water consumption and greenhouse gas emission in each region, type and level, accurately measure the energy-saving and greenhouse gas -reducing potential of each segment, part and equipment. This will provide strong support for scientific decision-making and precise policy-making and empower the high-quality development of energy-saving work.

Energy Consumption(1)	**Unit**	**2021**
Total comprehensive energy consumption	MWh	8,337.98
Total indirect energy consumption(2)	MWh	8,077.81
Total direct energy consumption(3)	MWh	260.17
Total energy consumption intensity	MWh/000 m^2 GFA	0.50

Notes:

1. Energy consumption indicators are calculated with reference to the national standard of the People's Republic of China "General Rules General rules for calculation of the comprehensive energy consumption" (GB2589-2020) and other bases.

2. Indirect energy consumption is mainly purchased electricity consumption, and the data does not include the electricity provided by property owners in property management services.

3. The direct energy source is mainly gasoline used in our own vehicles.

We strictly comply with applicable laws and regulations such as the Energy Conservation Law of the PRC and formulate relevant internal management policies and systems to implement energy saving and consumption reduction initiatives. In our own office, we plan to introduce photovoltaic power generation systems at corporate office buildings, meanwhile, we promote the concept of environmental protection and emphasise the importance of environmentally friendly behavioural habits such as saving electricity. In our operational services, we have introduced energy-saving appliances such as energy-saving LED lights in some of our properties under management to achieve the environmental effect of reducing electricity consumption.

Waste	Unit	2021
Hazardous waste	KG	280
Hazardous waste intensity	KG/000 m^2 GFA	0.017
Non-hazardous waste	KG	2,000
Non-hazardous waste intensity	KG/000 m^2 GFA	0.120

In terms of waste management, we strictly follow the waste disposal requirements and treatment regulations of the relevant laws and regulations, such as the Law of the PRC on the Prevention and Control of Air Pollution and Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste. We have formulated relevant policies to carry out standardised collection and treatment of hazardous and non-hazardous waste generated by our operations. Hazardous waste mainly includes the ink cartridges generated by the office work, and non-hazardous waste mainly includes paper generated by the office work. Based on compliant waste management, we aim to put efforts to reduce waste generation at source. We advocate a paperless office, while guiding employees to conserve resources and implement double-sided printing of documents to reduce waste and lower waste generation. In addition, we will encourage property owners to engage in waste recycling and waste reduction. We will continue to strengthen the level of waste management with our waste management target as our course of action.

Water Consumption	Unit	2021
Municipal water(Note)	m^3	55,303.35
Municipal water consumption intensity	m^3/000 m^2 GFA	3.31

Note: The data does not include municipal water that is provided by property owners in property management services.

We value the extraction and use of water resources and are committed to improving the efficiency of water use. We utilise water recycling and use reclaimed water to water the gardens and green plants in some of our property management services. We provide water-saving signs in our office areas to remind our employees to save water. We will strive to explore more ways to save water, improve efficiency of water usage and achieve our water efficiency target.

Work safety plan

We place emphasis on occupational health and work safety and provide safety training to our staff and subcontractors covering topics such as our safety measures. In practise, we prepare a safety plan for each managed property, which is conveyed to our employees before commencement of works. The purpose of the safety plan is to (i) assess and identify risks associated with the works and environments associated with our operations; and (ii) formulate appropriate measures and works procedures for implementation. Our business departments are responsible for overseeing our compliance with the relevant PRC laws and regulations, conducting regular reviews and inspections of our safety performance, conducting review of any material accidents, and ensuring that we maintain the necessary licences, approvals and permits to operate.

Our Group organises vocational training on a regular basis and it is our policy that all frontline staff are required to attend the training covering our safety policies and measures, relevant legal requirements, equipment operations, prevention measures and company protocols in the event of accidents.

Our safety management system includes a reporting and record system for safety accidents happened in our managed projects. All safety accidents must be immediately reported to the responsible business department. Personnel from the responsible on-site management team are required to arrive at the accident place immediately to oversee the handling of the safety accident and ensure evidence of the accident is kept intact. Investigation of the accident will be conducted to find out the underlying cause, to establish accountability and to identify improvement measures.

Fatal accident happened in March 2018

On 3 March 2018, a fatal accident (the "**Accident**") occurred at the hospital site in Beijing which we were engaged to provide property management services. The deceased person, who was employed by us, failed to operate a crane properly according to our safety measures, such as (i) confirming the condition of the hanging on crane; and (ii) prohibiting to stand under a hanging object. In result, a garbage container hung on the crane got loose and hit the deceased person's head. After the investigation by the PRC authorities, a penalty decision ("the "**Decision**") by Beijing Chaoyang District Emergency Management Bureau (北京市朝陽區應急管理局) (the "**Bureau**"), with the penalty amount of RMB230,000, was issued against our Group alleging the breach of relevant laws and regulations under Production Safety Law of the PRC and our internal safety measures for (i) failing to avoid passing over any person during lifting operation; and (ii) failing to ensure the lifting gears are in good condition and function. On 9 September 2019, we received a notice from the Bureau to suspend the enforcement of the Decision. On 8 March 2021, we further received a notice from the Bureau to terminate the enforcement of the Decision. We have also reached consensus with the deceased person's family to pay compensation and funeral expenses of approximately RMB1.0 million.

After the occurrence of the Accident, we have implemented the safety measures, such as (i) carrying out safety training to our frontline workers; (ii) reviewing the adequacy of operation manual for using crane, including checking the condition of lifting gears and lifting objects; and (iii) keeping our on-site management team to exercise effective safety supervision and enhance their safety awareness.

Having reviewed (i) the records of the Accident and safety non-compliance incident; (ii) the additional measures put in place by our Group to prevent recurrence of the Accident and safety non-compliance incident; and (iii) the current safety measures and procedures of our Group, our Directors are of the view, and the Sole Sponsor concurs, that (i) the Accident and safety non-compliance were not caused by any material deficiencies in the design of our safety measures and procedures; (ii) the additional safety measures put in place by our Group to prevent recurrence of the Accident were adequate and effective; and (iii) the current safety measures and procedures of our Group are in compliance with the regulatory requirements.

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had obtained the necessary qualification in connection with our business operations and were in compliance with the regulatory requirements in relation to work safety in the PRC in material respects and that we had not been penalised by government authority for any significant amount due to any failure to comply with any work safety requirements under the PRC laws and regulations.

Hygienic working environment against COVID-19

In view of the outbreak of COVID-19, we have also adopted a contingency plan in January 2020 whereby our employees and subcontractors shall take all practicable steps in our managed projects to maintain a hygienic environment in the interest of all personnel who may be present including property owners, occupiers, visitors and our employees and subcontractors. Our Directors confirmed that the contingency plan includes the following measures to be taken in our managed projects, which include:

- temperature screening at entry of properties;
- hand sanitising;
- personal protection control (respiratory protection);
- environmental disinfection to all potentially contaminated surfaces or items; and
- provision of face masks to our employees and subcontractors.

Accordingly, all staff and subcontractors are required to familiarise themselves with requirements of our contingency plan for pandemic outbreak and ensure that all the frontline staff under our supervision fully comply with the requirements. We also provided training to our frontline staff on the proper use of the personal protective equipment and on-site management teams will check whether such equipment are functional and clean, and frontline staff are using correctly. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our frontline staff did not experience any material disruption caused by the COVID-19 pandemic when carrying out their responsibilities for the provision of our services. To the best of our Directors' knowledge, there had been no confirmed cases of COVID-19 infection of our frontline staff as at the Latest Practicable Date.

Environmental protection

We also consider the protection of environment important and have in place measures to ensure our compliance with all applicable requirements. Given that we are a service provider for property management, property engineering and landscape construction, and property leasing services, we believe that we are not subject to material environmental liability risk or costs for compliance. During the Track Record Period and up to the Latest Practicable Date, we have not had any incidents which have materially and adversely affected our operations, and no fines or penalties for non-compliance of PRC environmental laws had been imposed on us.

EFFECTS OF THE COVID-19 OUTBREAK

An outbreak of respiratory illness caused by a novel coronavirus, which has been named as COVID-19 by the World Health Organization ("**WHO**") was identified in December 2019 and spread globally in early 2020. On 11 March 2020, the WHO declared COVID-19 outbreak a pandemic. In response to the outbreak of

COVID-19, the PRC Government has imposed measures across the PRC including, but not limited to, lock-down measures, travel restrictions, restrictions on enterprises from resuming work, management and control over work places and the mandatory quarantine requirements on infected individuals and anyone deemed potentially infected.

Impact on Our Business Operation

In relation to the provision of our services in general, our Directors confirm that (i) prior arrangement had been made in ensuring sufficient workforce available for our business operations during and after the outbreak of the epidemic and that our on-site management teams and frontline staff did not experience material disruption in carrying out their responsibilities for the provision of our services; and (ii) our major suppliers and the workers assigned by our subcontractors to our managed projects did not experience material disruption in supply of their products and/or services following the outbreak of the epidemic.

The COVID-19 will promote property management service providers to pay more attention to high-quality, safe and healthy services, which will further improve the service standards in China's property management service market and gain great brand reputation for themselves. Moreover, in response to the outbreak of COVID-19, public facilities which have high visitor flows demand cleaning and security services with higher standards. As professional property management service providers could assist local governments in controlling the spread of the pandemic, local governments have growing awareness of the importance of property management service providers.

Up to the Latest Practicable Date, certain residential properties under our management have been placed under lockdown to comply with government regulations and measures to combat the COVID-19 pandemic. In order to continue the delivery of our property management services, we assigned our frontline staff to stay in the restricted properties and procured sufficient masks and personal protective equipment for our frontline staff to carry out their works as usual. We believe our efforts to control the outbreak has earned us high degrees of trust and reliance from property owners, residents and tenants of properties under our management. As such, property management service providers are expected to have more opportunities in the PRC property management service industry, in particular, to participate in property management market. Given our reliable cleaning and disinfection services provided during the outbreak of COVID-19, we were accredited as "Epidemic prevention and control work in Jinan City — Advanced Property Services Company* (濟南市疫情防控工作— 先進物業服務企業)" in June 2020 in respect of epidemic prevention and control in Jinan City. Moreover, in order to meet the expectation of the customers in health protection and service experience after the outbreak of COVID-19, we commenced to provide additional value-added property management services since 2020. For FY2020, FY2021 and 1H2022, the revenue generated from the provision of additional value-added property management services amounted to approximately RMB3.6 million and RMB3.6 million and RMB1.7 million, respectively. In view of our solid experience in managing hospitals and reliable cleaning and disinfection services provided during the outbreak of COVID-19, we were engaged by the Government to provide property management services in Jinan Fangcang Hospital in April 2022 and recorded an aggregate revenue of approximately RMB2.7 million for 1H2022.

Since the outbreak of COVID-19, we have received relief of social security payments of approximately RMB2.7 million from local government and reduced rental costs of approximately RMB1.8 million of our leased property rented from PRC state-owned enterprises, all of which were recognised in FY2020; while we incurred an additional costs for implementation of hygiene and precautionary measures, such as procurement of masks, personal protective equipment and temperature sensors, of approximately RMB0.7 million, RMB0.1 million and RMB2.1 million for FY2020, FY2021 and 1H2022, respectively.

In April 2020, we received a notice from Customer Group A in relation to the reduction of their business subcontracting arrangements due to the travel restrictions. As a result, the revenue generated from Customer Group A decreased by approximately RMB8.6 million from approximately RMB32.7 million for FY2019 to approximately RMB24.1 million for FY2020, mainly due to the deduction of contract value of two property management agreements by an aggregate amount of approximately RMB5.9 million. However, our Directors believe that the impact to our business operation is minor by having considered that since April 2020 and up to the Latest Practicable Date, (i) the said two property management service agreements with Customer Group A have been renewed with an aggregate increase in the contract value of approximately RMB2.3 million; and (ii) we have secured three new property management projects from Customer Group A with the aggregate contract value of approximately RMB1.8 million.

Our average trade receivables turnover days slightly increased from 44.6 days in FY2019 to 47.4 days in FY2020 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 collection rate of property management fees for the non-residential properties under our management, calculated by dividing the property management fees we actually received from our property management services during a period by the total property management fees payable to us accumulated during the same period, was approximately 85.2%, 81.3%, 84.2% and 53.8% for FY2019, FY2020, FY2021 and 1H2022, respectively; while the collection rate of property management fees for the residential properties remained stable at approximately 84.0%, 85.2%, 89.0% and 67.8% for FY2019, FY2020, FY2021 and 1H2022, respectively. During the Track Record Period, the collection rate of property management fees for the non-residential properties was lower than those for the residential properties because we generally granted our customers for the non-residential properties a credit period within 120 days. Up to the Latest Practicable Date, the collection rate of property management fees for the non-residential properties for FY2019, FY2020, FY2021 and 1H2022 was at 100%, approximately 99.9%, 99.3% and 74.3%, respectively; and the collection rate of property management fees for the residential properties was at 98.5%, 96.7%, 90.2% and 70.2%, respectively. Our collection rate for non-residential properties was generally low in the middle of a year mainly 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 process the settlement of 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. The decrease in collection rate in 1H2022 for residential properties was primarily due to the fact that we did not actively collect management fee from property owners and tenants in a timely manner in view that (i) our property management team and frontline staff were responsible to assist on the implementation of the residential compound lockdown and hence we had fewer staff to follow up on fee collection work; and (ii) some of the property owners and tenants moved out from the residential properties under our management during COVID-19 pandemic due to lockdown and travel restriction arrangements.

Saved for the abovementioned, our Directors are confident that our Group is able to discharge the obligations under all existing agreements, and therefore, there is no financial damage to our Group or impact on our long-term relationship with our customers. The negative impact of COVID-19 to our property management services was and is expected to be minimal as we continued to record a steady growth of revenue, except for our less timeliness of collection of property management fees.

Unlike other industries such as retail and manufacturing which may be subject to extensive or even complete suspension of operations for a period of time as a result of the outbreak of COVID-19, given the nature of our business operations, our Directors believe that the risk of our Group having to suspend our operations is remote. Our Directors also consider that the quarantine restrictions encouraged property management service providers to accelerate the development of mobile applications, internet platforms and smart community technologies to maintain their services offered and appropriate social distance with others. Our OSCS Service Centre and Runzhiyun enable us to continuously provide services to our customers in an effective and safe manner during the outbreak of COVID-19. Based on the above, our Directors are of the view that no material adverse effect on our operations is expected to result from the recent outbreak of COVID-19.

Our contingency plan towards the COVID-19 Outbreak

In response to the COVID-19 outbreak, we have implemented a contingency plan to minimise the disruptions that may be caused to our business operations, including identification of and discussions with various suitable alternative service subcontractors and material suppliers which meet our demands and requirements to ensure the stability and consistency of our services, sourcing of additional quantities of materials needed for our operations to reduce any disruptions that may cause, and implementation of the flexible rotation arrangements for our staff across the PRC with an aim to control and minimise possible community transmission of COVID-19 to ensure a stable workforce available. Further, we have also adopted enhanced hygiene and precautionary measures across our managed projects since January 2020. For further details of these measures, please refer to the paragraph headed "Social Health, Safety and Environmental Matters — Hygienic working environment against COVID-19" in this section.

Impact on our financial condition

In the unlikely event that we are forced to reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control, due to the outbreak of COVID-19, we estimate our existing financial resources (including cash and bank balances) as at 31 July 2022 could satisfy our necessary costs for over 12 months. We also estimate that, in the unlikely event mentioned above and based on the assumptions below except that there would be the proceeds from the **[REDACTED]** as allocated for general business operations and working capital, our Group will remain financially viable for over 12 months. Our key assumptions of the worst case scenario where our business is forced to be suspended due to the impact of COVID-19 include: (i) we will not generate any income due to the suspension of business; (ii) all of our staff, including operational and administrative staff, are encouraged to take unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred; (iii) we may incur one-month staff cost to dismiss frontline staff assuming no mutual consent to take unpaid leave is obtained from them; (iv) we will continue to incur the payments related to our investment properties, including management fees and other miscellaneous charges that are paid monthly; (v) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (including basic headquarter office maintenance cost, utilities expenses, fees to be incurred as a listed company such as annual listing fee, annual audit fee, financial reports and compliance adviser fee); (vi) the expansion plan is delayed under such condition; (vii) there will be no further internal or external financing from our Shareholders or financial institutions; (viii) no further dividend will be declared and paid under such situation; (ix) our trade receivables will not be settled based on historical settlement pattern while trade payables will be settled when due; and (x) there are no material changes in the near future that would significantly affect the aforementioned key assumptions. The abovementioned extreme situation may or may not occur. The abovementioned analysis is for illustrative purpose only and our Directors currently assess that the likelihood of such situation is remote.

In light of the above, our Directors confirm that the outbreak of COVID-19 does not have a material adverse impact on our Group's continuing business operation and sustainability as (i) the property management industry is an industry involving necessities services; (ii) except for the agreements entered into with Customer Group A, our Group is able to discharge our obligations under all existing agreements; and (iii) our Group has sufficient cash and cash equivalents to maintain our operation. Our Director also confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group did not encounter any material disruptions of our supply chain given that (i) we maintained a sufficient level of storage of materials and consumables at the properties under our management; (ii) on top of the frontline workers provided by our subcontractors, our Group has own frontline staff to ensure the delivery of our property management services; and (iii) there was no material disruption to the operations of our suppliers and subcontractors to the best of our Directors' information and knowledge. During the Track Record Period and up to the Latest Practicable Date, our frontline staff did not experience any material disruption caused by the COVID-19 pandemic when carrying out their responsibilities for the provision of our services. To the best of our Directors' knowledge, there had been no confirmed cases of COVID-19 infection of our frontline staff as at the Latest Practicable Date.

Effects of the COVID-19 outbreak on our business strategies

According to the F&S Report, although the outbreak of COVID-19 is expected to cause certain short-term economic slowdown across the PRC, it will unlikely affect the regional macroeconomic development plan and talent attraction plan in the long run, and it is expected that once the outbreak is effectively controlled, the outlook for the demand of both residential and non-residential properties and related property management services will remain positive. Our Directors therefore confirm that the COVID-19 outbreak will not have adverse effect on our business strategies and our Group will utilise the **[REDACTED]** from the **[REDACTED]** in accordance with the section headed "Future Plans and **[REDACTED]**" in this document.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board is responsible for establishing our internal control and risk management systems and reviewing their effectiveness. We have procedures for maintaining our internal control and risk management systems, covering areas such as business operations, corporate governance, management, legal matters, finance and audit. We believe that our internal control and risk management systems are sufficient in terms of comprehensiveness, practicability and effectiveness.

In addition, the following sets out the key measures adopted by us under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operation:

Risk of the increase in labour costs and other operational expenses

In respect of the operational risks associated with the increase in labour costs and other operational expenses, we have implemented the following measures to manage the risks:

(i) our human resources department is responsible for controlling staff costs. Our operation department monitors the subcontracting fees for services which are evaluated in the tender budgeting assessment by our marketing department;

(ii) our finance department investigates on and analyses any fluctuation in cost of our services and devises plans to control such costs;

(iii) our Group has implemented of streamlining and standardising our operation process and information technology system with a view to enhance the automation of our operation so that our reliance on intensive labour can be minimised;

(iv) our human resources department is responsible for monitoring the compliance with our internal rules and manuals by our employees designed to ensure service quality, efficiency and the image of our Group;

(v) we have adopted stringent quality control and supervision measures and procedures to prevent risks. For details, please see the paragraph headed ''Quality Assurance'' in this section; and

(vi) we have adopted necessary health and safety measures for the purpose of minimising occupational injuries and we have taken out third party liability insurance to mitigate such risks.

Risk of potential inaccurate cost estimation and shortfall for the agreements on lump sum basis

In respect of the risks inherent from the agreements on lump sum basis we enter into with individual customers, we have established the following internal measures to prevent or eliminate possible shortfall between the lump sum payments our customers paid to us and the actual cost incurred in the provision of property management services:

(i) before entering into a new property management agreement with our fee calculated on lump sum basis, we would conduct a site visit to ascertain the condition of the property, the users thereof and customers' expectation and work out a feasibility analysis on our projected profitability of the potential project. After we have signed a new agreement with our fee on lump sum basis, we would prepare a financial budget of the property on an annual basis taking into account its projected management fee and income and review the progress of the relevant property as measured against our financial budget on a regular basis;

(ii) if necessary, we will seek to negotiate with our customers for an increase in property management fees to cover our shortfall as and when we consider appropriate or upon the renewal of the agreements on lump sum basis;

(iii) seeking to make up for the shortfall from excess working capital generated in subsequent periods, which we target through enhancing the collection of property management fees and reducing costs at the property level;

(iv) implementing our standardisation, centralisation and automation measures to reduce costs; and

(v) improving the collection of property management fees from the customers of the relevant properties by (a) reviewing the ageing analysis of property management fees receivable monthly; (b) taking legal action against the tenants to recover the outstanding property management fees if the ordinary collection measures, such as sending reminders and payment notices to the defaulting tenants, proved ineffective. We will review the effectiveness of our management fee collection methods and our finance department will discuss any additional measures with our on-site staff to further improve our collection rate on a regular basis.

Risk of our mergers and acquisitions

In respect of the strategic risks associated with our mergers and acquisitions, we have implemented the following measures to manage the risks:

(i) seeking potential acquisition opportunities and investment candidates based on our industry experience and a number of selection criteria;

(ii) our strategy is that we begin by acquiring minority equity interests in the target company to understand the operation of the target company and to ascertain if their management team and operation model can be integrated into our management team and business model before we capitalise on our brand equity and service quality;

(iii) engaging professionals such as auditors and lawyers to perform due diligence to prevent potential liabilities from being overlooked; and

(iv) engaging in frequent communication with the target company to ensure consistency in marketing and sales operations while retaining as much core competencies of the target company as possible.

Risk of occupational health and safety and environmental compliance

All employees and our subcontractors are required to familiarise themselves with requirements of our contingency plan for pandemic outbreak and workplace safety plan to ensure that the measures are properly implemented. Our Directors also consider that establishing and implementing sound environmental, social and governance ("**ESG**") principles and practices will help increase the investment value of our Company and provide long-term returns to our stakeholders. To ensure the effectiveness of our ESG risk management measures and internal control systems, our Board will be responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG related risks. We intend to adopt the following approaches and strategies to evaluate and manage the material ESG related issues and ensure our compliance with the relevant rules and regulations, including but not limited to:

(i) reviewing ESG reports of similar industry to identify the relevant ESG areas;

(ii) discussing with our key stakeholders on the material ESG areas identified; and

(iii) discussing among our management to ensure all the material ESG areas which are important to our business development are being reported and complied with.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had implemented necessary internal policies and procedures for compliance with the PRC laws in relation to workplace safety in all material respects and save for the fatal accident in March 2018, we have not had any incidents which had materially and adversely affected our operations.

Risk of our information technology ("IT") system

We have also formulated internal control measures with regards to our IT system in order to facilitate the daily work of our employees and create a safe internet environment. In particular, our administration and general management department and IT personnel will conduct an annual inspection on our IT system, covering the operating system, licensed software installation, anti-virus software installation and upgrade and general internet environment monitoring. We offer training to employees with an aim to enhance their awareness and to educate them on the importance of using licensed software.

We have also developed internal guidelines for the procurement of computer software and the use of licensed software. According to the internal guidelines, in addition to maintaining a control list of installed computer software and maintained software license as well as conducting annual review on the licenses of computer software, the administration and general management department is also responsible for procurement of computer software directly from manufacturers or indirectly from licensed authorised dealers.

Corporate governance

In order to strengthen our internal control and risk management systems, ensure compliance with the applicable laws and regulations (including the Listing Rules) upon **[REDACTED]**, we have adopted the following additional measures:

(i) our Board (including the audit committee of our Board) will continuously monitor, evaluate and review our internal control and risk management systems to ensure compliance with the applicable legal and regulatory requirements and will refine and enhance our internal control and risk management systems as appropriate;

(ii) Mr. Ma Xun, our secretary to the Board, will be responsible for overseeing our internal control and risk management systems in general and will act as the chief coordinator of matters relating to legal, regulatory and financial reporting compliance. Upon receipt of any query or report relating to legal, regulatory and financial reporting compliance, Mr. Ma will look into the matter and, if considered necessary or appropriate, seek advice, guidance or recommendation from professional advisers and report to our Board. For the qualifications and experience of Mr. Ma, please refer to the section headed "Directors and Senior Management" in this document;

(iii) we have appointed Zhongtai International Capital Limited as our compliance adviser upon **[REDACTED]** to advise us on matters relating to compliance with the Listing Rules;

(iv) we will continue to identify and assess our operational, business and financial risks on an on-going basis, implement sufficient measures to minimise and mitigate such risks, and ensure that all such measures remain effective;

(v) if necessary, we may arrange our Directors, members of our senior management and relevant employees to attend training on the legal and regulatory requirements applicable to our business operations from time to time; and

(vi) if necessary, we may consider appointing external legal advisers to advise us on matters relating to compliance with the Listing Rules and the applicable laws and regulations.

Enhanced internal control measures to prevent recurrence of non-compliance incidents

To prevent the recurrence of non-compliance incidents, we have implemented the following enhanced internal control measures:

Social insurance and housing provident fund contributions

We have established an internal procedure on monitoring of our on-going compliance with the relevant employment laws and regulations in the PRC, which includes (i) regularly communicating with relevant government authorities or agencies to ensure that our calculation and payment methods are in accordance with the relevant laws and regulations; (ii) regularly consulting external counsel to adequately understand and interpret the relevant PRC laws and regulations and timely identify any non-compliance issues; (iii) preparing periodic reports regarding our contribution progress, including contribution amounts, for review by our Board; and (iv) designation of our human resources manager to monitor and ensure our compliance with, and identify any updates to, such laws and regulations and to complete the monthly calculations of social insurance and housing provident funds, which shall then be approved by our executive Directors.

EMPLOYEES

Our Directors believe our employees are valuable assets to our business and we have maintained good relationship with our employees. As at the Latest Practicable Date, we had a total of 8,373 full-time employees (including our two executive Directors and three non-executive Directors but excluding three independent non-executive Directors) in the PRC, the majority of whom are based in Shandong Province, where our Group is headquartered and most of our managed projects are located. The following table sets out a breakdown of our full-time employees by function as at the Latest Practicable Date:

	Number of employees	% of total
Headquarters		
Directors	5	0.1
Accounting and finance	17	0.2
Marketing	9	0.1
Quality control	6	0.1
Research and development	7	0.1
Administration and general management	19	0.2
Subtotal	63	0.8

	Number of employees	% of total
Frontline		
Project management	277	3.3
Cleaning	4,938	59.6
Security	902	10.9
Repair and maintenance	321	3.9
Customer services (Note 1)	989	11.9
Greening and gardening	115	1.4
Hospital logistics	621	7.5
Engineering	13	0.1
Others (Note 2)	47	0.6
Subtotal	8,223	99.2
Total	8,286	100.0

Notes:

1. It includes concierge staff, drivers, catering waiters and chefs, dormitory administrators and toll collectors.

2. It includes mailmen, printing clerks and handymen.

The following table sets forth a breakdown of our full-time employees by geographic location as of the Latest Practicable Date:

	Number of employees	% of total
Shandong Province	7,876	95.1
Beijing-Tianjin-Hebei Region	250	3.0
Yangtze River Delta Region	147	1.8
Shenzhen	13	0.1
Total	8,286	100.0

We generally recruit our employees through job advertisements on recruitment platforms and job fairs. Our employment contracts with our employees cover matters such as work location, scope of duties, work hours, wages, employee benefits, safety and sanitary conditions at the workplace, confidentiality obligations and grounds for termination. These employment contracts either have no fixed terms, or if there are fixed terms, the terms are generally up to five years, after which we evaluate renewals based on performance appraisals.

We seek to remunerate our employees on a market-competitive basis. We offer comprehensive compensation to our employees, including salary, bonuses and cash subsidies. We generally determine employees' compensation based on their qualification, position, seniority and performance. We also provide training to all our employees to help them become familiar with our business. Our induction training generally covers our corporate history, corporate culture, organisational structure and business activities, whereas our routine trainings generally include workplace safety as well as technical trainings that are specific to our employees' job duties.

Pursuant to the applicable PRC laws and regulations, we are required to contribute to various social security insurance including pension insurance, medical insurance, work related injury insurance, maternity insurance and unemployment insurance, and housing provident fund for our employees in the PRC.

As at the Latest Practicable Date, our employees did not form any labour unions. Our Directors believe that we maintain a good relationship with our employees, and have not experienced any significant labour dispute over the Track Record Period. Our Directors confirmed that our Group has not experienced any work stoppage or labour strike and has not experienced any significant difficulty in recruiting or retaining qualified staff during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We are subject to the social insurance system of the PRC and are required to make contributions for our PRC employees towards five categories of insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. During the Track Record Period, our Group did not make full contribution to the social insurance for all employees as required under the relevant PRC regulations. For details, please refer to the paragraph headed "Legal Proceedings and Compliance" in this section.

We also maintain employer responsibility insurance, public responsibility insurance, internship responsibility insurance and property insurance, which are not mandatory under PRC laws. Our Directors consider that the above insurance plans and amounts insured are sufficient to cover the operational risks and protect us from any potential loss or damage and are in line with the industry norm. However, there is no assurance that the insurance policies we maintain are sufficient to cover all of our operational risks. For more information, please refer to the section headed "Risk Factors — Risks Relating to our Business — We may not have insurance coverage that is adequate to cover potential liabilities or losses" in this document.

PROPERTIES

Owned properties

As at the Latest Practicable Date, we owned 17 properties with an aggregate GFA of approximately 955.52 sq.m. for use as office and 35 investment properties with an aggregate GFA of approximately 2,205.40 sq.m. for our property leasing business. As at the Latest Practicable Date, we had obtained all title certificates for our own properties material to our operations. For details of our material investment properties, please refer to the Appendix III to this document.

Leased properties

As at the Latest Practicable Date, we leased four properties in various locations in the PRC with an aggregated GFA of approximately 55,844.61 sq.m. for use primarily as offices and investment properties for property management and property leasing businesses. We had not registered the lease agreements of our leased properties with the local housing administration authority as required under PRC law, primarily due to lack of cooperation from the landlords in registering the relevant lease agreements, which were beyond our control. According to the relevant PRC laws and regulations, we might be ordered to rectify this failure to register by competent authority and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 for each lease agreement may be imposed on us as a result. As at the Latest Practicable Date, our Directors confirm that we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to file the lease agreements described above. Our Directors are of the view that such non-filing would not have a material impact on our business operations and the proposed **[REDACTED]**.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have registered for a trademark in Hong Kong and registered for 11 trademarks, 32 software copyrights and three domain names in the PRC. For further details of our intellectual property rights which we consider to be material to our business, please refer to the paragraph headed "B. Further Information about our Business — 2. Intellectual property rights" in Appendix V to this document.

During the Track Record Period and up to the Latest Practicable Date, no material claims or dispute was brought against us in relation to any infringement of trademarks or other intellectual property rights. Our Directors are not aware of any use of our logo or brand by any third-party, and believe that there has been no infringement of our intellectual property rights that would result in a significant potential impact to our business.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may be involved in legal, arbitrational or administrative proceedings from time to time during the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we or our Directors were not involved in any legal, arbitrational or administrative proceedings that, being pending or have been threatened against us, which could have a material and adverse effect on our financial condition or operation results.

Historical Non-Compliance Incident

As advised by our PRC Legal Advisers, we had not been subject to any material fines or legal actions involving non-compliance with any PRC laws or regulations relating to our business during the Track Record Period and up to the Latest Practicable Date. Below summary sets out incident of historical non-compliance with applicable regulations during the Track Record Period. Our Directors believe that below non-compliance incident will not have any material operational or financial impact on us.

Contribution to social insurance fund and housing provident fund

Background for non-compliance incident

During the Track Record Period, some of our PRC subsidiaries and branches failed to register for and/or make full contribution to the social insurance and housing provident funds for some of our employees as required under PRC law. For details of the relevant PRC laws and regulations, please refer to the section headed "Regulatory Overview — Legal Supervision over Labour Protection in the PRC" in this document.

Reasons for the non-compliance

This non-compliance incident was primarily because: (i) some of our employees requested us not to pay social insurance and housing provident funds for them because they had purchased new rural insurance, a type of social insurance for rural residents, or for other personal reasons; (ii) some of our employees requested us to make contribution to social insurance and housing provident funds for them based on a lower standard instead of their actual salaries, as they did not want to bear the full amount of their portion of the relevant contribution; and (iii) our responsible personnel at our subsidiaries and branches did not adequately understand relevant local regulatory requirements due to the lack of communication with the relevant authorities with regard to specific local practice.

Legal consequences and potential maximum penalties

According to the Social Insurance Law and the Interim Regulations on the Collection and Payment of Social Insurance Premiums, (i) each of our non-compliant subsidiaries, which did not complete the social insurance registration before the prescribed deadline, may be fined more than one time but less than three times the amount of contributions payable, and (ii) we may be subject to a late payment fee of 0.05% per day from the day the relevant contributions are due if we fail to make or make in full social insurance contribution before the prescribed deadline. If we fail to make contribution before the prescribed deadline, we may be fined one to three times the outstanding contribution. According to the Housing Provident Fund Management Regulations, (i) each of our non-compliant subsidiaries, which did not complete the housing provident fund payment registration and housing provident fund account establishment procedures before the prescribed deadline, may be fined RMB10,000 to RMB50,000, and (ii) we may be ordered by the Housing Provident Fund Management Center to make the relevant payments if we fail to make or make in full housing provident fund contribution before the prescribed deadline. Failure to make such contribution before the prescribed deadline may lead to apply for the enforcement by the People's Court.

Our Directors believe that such failure to register for and/or make full contribution to the social insurance and housing provident funds would not have any material and adverse effect on our business and results of operations, considering that: (i) during the Track Record Period and up to the Latest Practicable Date, we had not received any notifications from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (ii) we had not been subject to any administrative penalties during the Track Record Period and up to the Latest Practicable Date; (iii) all entities within our Group that registered for social insurance and/or housing provident funds during the Track Record Period have obtained written confirmations from competent local social insurance and housing provident funds authorities, stating that there was no due and unpaid social insurance and housing provident funds or no administrative penalty has been imposed on us during the Track Record Period; (iv) we have made full provisions for the shortfall of contribution to social insurance and housing provident funds in the total amount of RMB10.9 million, RMB7.9 million, RMB9.8 million and RMB3.3 million, respectively, on our financial statements of FY2019, FY2020, FY2021 and 1H2022; (v) our Controlling Shareholders have undertaken that in the event that we receive requests from the relevant authorities to pay the overdue social insurance and housing provident funds contributions, or that we are required to pay any late charges or penalties as a result of such overdue contributions, they will indemnify us against our payments of overdue contributions and any late charges or penalties imposed by the relevant authorities, to the extent that any such payment is not covered by the provisions we made for our shortfall of contribution to social insurance and housing provident funds; and

(vi) our PRC Legal Advisers advise that the risk of being penalised for the non-compliances in relation to social insurance and housing provident funds is remote, on the ground that, under the relevant PRC laws and regulations, the relevant PRC authorities would need to provide a prescribed period to rectify the abovementioned shortfall in social insurance and housing provident funds before imposing any administrative penalties.

Remedies and rectification measures taken and internal control measures adopted

As at the Latest Practicable Date, we had established accounts for social issuance and housing provident funds for all entities within our Group that had employees and were in the processing of adjusting the contribution base of social insurance and housing provident funds for our employees in an effort to fully comply with the relevant PRC laws and regulations. Since May 2021, we have begun making social insurance and housing provident fund contributions in full for certain eligible employees based on their actual salary levels. Based on the communications with the relevant government authorities, the adjustment of the contribution base is usually made in a designated time each year and such time varies in different regions. Therefore, we expect to make full contributions of social insurance and housing provident funds for all of our employees on an adjusted contribution base upon the **[REDACTED]**.

In addition, we adopted various internal policies and procedures to ensure that we establish the relevant accounts and make full contribution relating to social insurance and housing provident funds under the relevant PRC laws and regulations in the future. For details, please refer to the paragraph headed "Risk Management and Internal Control — Enhanced internal control measures to prevent recurrence of non-compliance incidents — Social insurance and housing provident fund contributions" in this section.

RECENT REGULATORY DEVELOPMENT

The Proposed Three Red-Line Regulation

In 2020, the Ministry of Housing and Urban-Rural Development, together with the People's Bank of China, proposed to issue the "three red-line" regulation for real estate companies, with intention to accelerate the deleveraging process of real estate companies and facilitate the healthy development of China's real estate industry. The "three red-line" regulation refers to: (i) the liability-to-asset ratio (excluding prepayments) of a real estate company shall not exceed 70%; (ii) the net gearing ratio of a real estate company shall not exceed 100%; and (iii) cash over short-term interest-bearing loans shall not be lower than 1.0. In particular, if a real estate company complies with all of the above-mentioned three limits (also known as green real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 15%; if a real estate company fails to comply with one of the above-mentioned three limits (also known as the yellow real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 10%; if a real estate company fails to comply with two of the above-mentioned three limits (also known as the orange real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 5%; and if a real estate company fails to comply with all of the above-mentioned three limits (also known as the red real estate companies), it will not be allowed to increase its interest-bearing liabilities.

In the event that the above-mentioned standard comes into effect, based on the audited financial statements of Shandong Diping Real Estate Co., Limited* (山東地平置業有限公司) ("**Shandong Diping**"), the main operating subsidiary of Hang Qian Group and the only member of the Controlling Shareholders Group whose principal business activities involve property development, prepared in accordance with PRC GAAP issued by the local auditor and using the above-mentioned calculation methods, Shandong Diping's liability-to-asset ratio (excluding prepayments), net gearing ratio and cash over short-term interest-bearing loans amounted to 36.4%, 24.2% and nil as at 31 December 2021, respectively, which comply with all of the "three red-line" regulation. As a result, the ability of Shandong Diping to obtain additional debt financing will not be materially affected as per the "three red-line" regulation.

Having considered that (i) during the Track Record Period, we generated revenue from the provision of property management services to the properties developed by our related parties of approximately RMB39.5 million, RMB46.9 million, RMB53.5 million and RMB26.7 million, representing approximately 10.8%, 11.6%, 9.9% and 8.7% of the total revenue generated from the provision of property management services, respectively; (ii) none of the properties developed by the Controlling Shareholders Group was delayed or terminated for delivery due to the above regulations; and (iii) as advised by our PRC Legal Advisers, as at the Latest Practicable Date, local government in Shandong Province where we generated substantially all of our revenue has not released any regulations or standards at provincial and/or local level pursuant to the "three red-line" regulation, our Directors are of the view, and the Sole Sponsor concurs, that to their best knowledge, the "three red-line" regulation will not have any material adverse impact on our operations, business and financial condition.

Recent Changes in Provision of Mortgage Loans to Property Purchasers

On 28 December 2020, PBOC and China Banking and Insurance Regulatory Commission jointly promulgated the Notice on Establishing a Centralisation Management System for Real Estate Loans of Banking Financial Institutions (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》) (the "**Notice**"), which put forward certain limitation for the proportion of real estate loans and the personal housing loans to all RMB loans in banking financial institutions (excluding overseas branches). Taking into account the asset scale and types of banking financial institutions and other factors, the Notice sets different upper limits on the ratio of individual housing loans and ratio of real estate loans of banking financial institutions at different levels, and the banking financial institutions exceeding such upper limit shall have a transition period of two or four years to comply with the requirements.

Instead of raising the interest rates of individual housing loans, the Notice only limits the proportion of individual housing loans of various commercial banks. Similar to the interest rate adjustment of individual housing loans, this is also PRC government's control means to curb the overheated real estate market and help the real estate market develop in a healthy and stable way. In view that the revenue generated from the provision of property management services to the residential properties developed by our related parties remained at an insignificant level during the Track Record Period and amounted to approximately RMB16.9 million, RMB17.3 million, RMB19.9 million and RMB10.4 million, representing approximately 4.6%, 4.3%, 3.7% and 3.4% of the total revenue generated from the provision of property management services, respectively, we believe that the Notice do not have any material adverse impact on our operation or financial conditions.

Recent Changes in Property Management Service Regulations

On 25 December 2020, MOHURD and other nine competent government departments issued Notice on Strengthening and Improving Residential Property Management (《關於加強和改進住宅物業管理工作的通知》)

(the "**Property Notice**") with the purpose of accelerating the development of the property management service industry. Most rules in the Property Notice are non-mandatory and are related to the deployment of the governmental work, there are few rules applicable to property enterprises, which are as follows: (1) the quality of property service should be improved; (2) the pricing mechanism for property management services should be reasonable; (3) the merger and reorganisation of property management service enterprises are encouraged; (4) the credit management system for property service enterprises should be established. Therefore, as advised by our PRC Legal Advisers, the function of foresaid rules is to standardise property companies rather than imposing punishments. Considering that (i) the property management committee would merely fulfil a property owners' association's responsibilities primarily by overseeing the quality of property management service provision, renewing property management service agreements with existing service providers or selecting new ones, and representing property owners and residents to communicate with property management service providers prior to the establishment of property owners' associations; (ii) the administrative department of real estate of the people's government of the district or county, the street community office or the people's government of the township or town is responsible for facilitating the establishment of property owners' association, and for communities which are not prepared to establish property owners' associations, the communities may first establish the property management committee composing of members mainly including people from the residents' committee and property owners' representatives, among other people, and serving as a provisional property owners' committee; and (iii) to our best knowledge, we had not been imposed any material administrative punishment for violation of the Property Notice by the competent authorities and our Directors are of the view that we have complied with the regulatory requirements in the Property Notice, and it is unlikely that we would incur any material extra operational burden or costs to comply with the property management committee system. Therefore, we do not expect the Property Notice would have a material impact on our operation.

On 13 July 2021, MOHURD and other seven departments promulgated the Notice on Continued Rectification and Standardisation of the Real Estate Market Order (《住房和城鄉建設部等8部門關於持續整治規範房地產市場秩序的通知》) (the "**Regulatory Notice**" and together with the Property Notice, the "**Notices**") to continue to rectify and standardise the real estate market order in the fields of real estate development, property sale and purchase, housing leasing and property management services. The following items are the key points of rectification in the fields of property management services: failing to provide services in accordance with the agreed content and standards of the property management contract; failing to publicise the property management charging item standards, the operation and income of the owner's common part, the use of maintenance funds and other relevant information in accordance with the regulations; charging fees beyond the contractual agreement or publicising the charging item standards; unauthorised use of the owner's shared part to carry out business activities, infringement and misappropriation of the owner's shared part of the operating income; refuse to withdraw from the property management project without proper reason after the property management contract is terminated lawfully. For property management enterprise that violate laws and regulations within their respective jurisdictions, measures such as warning and interview, suspension of business for rectification, revocation of business licence and qualification certificate etc. shall be adopted pursuant to the laws and regulations, and shall be exposed to the public; any case constituting a criminal offence shall be referred to the public security and judicial authorities for investigation and punishment pursuant to the law.

After the promulgation of the Regulatory Notice, we conducted self-inspection and the PRC Legal Advisers carried out its due diligence inspection as appropriate, and no material violation of the Regulatory Notice was found. Based on the results of our self-inspection and due diligence inspection carried out by the

PRC Legal Advisers, and the fact that each operating subsidiary of our Company has obtained the compliance letter from the administrative authority of property management services confirming that there is no major administrative penalty imposed by the administrative authority of the property management services during the Track Record Period, the PRC Legal Advisers are of the view that, we are in compliance with the requirements in relation to property management services in the Regulatory Notice in all material aspects.

To ensure continuous compliance with the requirements set out in the Notices, we have already formulated and implemented, and perfected in accordance with the Notices, the relevant internal policy and system, requiring the subsidiaries providing property management services to continuously and strictly comply with the relevant requirements in the Notices; as well as established a supervisory mechanism to conduct examination regularly. Based on the above, the PRC Legal Advisers are of the view that the Company has established corresponding internal policy and mechanism to ensure the continuous compliance with the relevant requirements in Notices going forward. Nevertheless, the Group remains susceptible to regulatory changes relating to the property development and property management industries in the PRC.

On the basis of the above, our Directors are of the view, and the Sole Sponsor concurs, that the Notices do not have any material adverse impact on our Group's operation and financial performance.

The Proposed Real Estate Tax Reform

On 23 October 2021, the SCNPC adopted the Decision to Carry out a Pilot Programme of Real Estate Tax Reform in Certain Areas (《全國人民代表大會常務委員會關於授權國務院在部分地區開展房地產稅改革試點工作的決定》) (the "**Decision**"), authorising the State Council to carry out a pilot programme of real estate tax reform in certain areas. The Decision clarifies that the real estate tax shall be levied on various types of real estate for residential and non-residential use in urban areas, and that the holders of land use rights and owners of such real estate shall pay for the real estate tax. The Decision authorises the State Council to formulate specific measures for the real estate tax pilot programme, determine the list of cities for the pilot programme and file the record with SCNPC. The Decision also authorises the local governments of the pilot areas to formulate and implement specific rules.

According to the Decision, the period for the real estate tax pilot programme shall be five years from the date when the measures for the pilot programme are officially issued by the State Council. It is not clear when the detailed measures for the real estate tax pilot programme will be formally introduced. As of the Latest Practicable Date, the pilot cities of real estate tax are Shanghai and Chongqing.

Therefore, as of the Latest Practicable Date, the Decision is not expected to affect cities where we and our related parties operate. In addition, our Directors confirm that we were not involved in any investigation on real estate tax by regulatory authorities as of the Latest Practicable Date. Our Directors also confirm that we will (i) monitor the latest updates of the Decision; and (ii) comply with the relevant real estate tax regulations and requirements when they are implemented. As such, as advised by our PRC Legal Advisers, our Directors are of the view that the real estate tax will have no material adverse impact on the business operations or financial performance of our related parties and us.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the **[REDACTED]** and **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued pursuant to the **[REDACTED]** Share Option Scheme), by virtue of the Concert Parties Confirmatory Deed, Mr. Luan, Mr. HQ Luan, Ms. Liang and Springrain Investment (a company owned as to 59.85%, 37.10% and 3.05% by Mr. Luan, Mr. HQ Luan and Ms. Liang respectively) will be together interested in approximately 54.90% of the issued share capital of the Company. As they will together continue to control more than 30% of the issued share capital of the Company, they will be regarded as a group of Controlling Shareholders under the Listing Rules.

Concert Parties Confirmatory Deed

On 18 June 2021, Mr. Luan, Mr. HQ Luan and Ms. Liang entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in exercising their rights as shareholders of Shandong Runhua before entering into the agreement, agreed to continue the same going forward and if they fail to reach a consensus for a certain resolution, Mr. Luan has the final decision-making power.

On the same date, Mr. Luan, Mr. HQ Luan and Ms. Liang further entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert as shareholders of the Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. If they fail to reach a consensus for a certain resolution, Mr. Luan has the final decision-making power. For details, please refer to the section headed "History, Development and Reorganisation – Acting in Concert Arrangement" in this document.

DELINEATION OF BUSINESS OF OUR GROUP AND THE COMPANIES CONTROLLED BY THE CONTROLLING SHAREHOLDERS

During the Track Record Period and up to the Latest Practicable Date, save and except for the interest in our Group and Shandong Zhixin as more particularly described below, the Controlling Shareholders were interested in certain companies through the Controlling Shareholders Group. The main scope of business of these companies covered multiple industries which include but not limited to sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business, provision of insurance services, and property development, which do not, and are unlikely to compete, directly or indirectly, with the business of our Group.

Hang Qian Group

Hang Qian Group is principally engaged in property development and hotel operations. It is the only member of the Controlling Shareholders Group engaging in property development business.

During the Track Record Period, Hang Qian Group generated: (i) the majority of its revenue from its principal operating subsidiary Shandong Diping Real Estate Co., Limited* (山東地平置業有限公司) ("**Shandong Diping**"), which is principally engaged in property development business; and (ii) a small amount of revenue from Shandong Meihao Shuxiangshijia Hotel Management Co., Ltd.* (山東美好書香世家酒店管理有限公司) ("**Shandong Meihao**"), a company principally engaged in hotel operation services. As confirmed by Hang Qian Group, during the Track Record Period, Shandong Meihao only generated small amount of revenue and the asset values of Shandong Meihao is insignificant compare to that of Shandong Diping.

Set forth below is (i) the key financial information of Shandong Diping, which substantially represents the financial performance of Hang Qian Group, during the three years ended 31 December 2021 according to its audited financial statements prepared in accordance with PRC GAAP issued by the local auditor; and (ii) the applicable ratios under the "three red-line" regulations:

	For the year ended 31 December		
	2019	2020	2021
	(RMB million)	*(RMB million)*	*(RMB million)*
Revenue	1,486	557	478
Net profit	223	38	117
	As at 31 December		
	2019	**2020**	**2021**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total assets	6,004	7,179	7,366
Total liabilities	3,981	5,119	5,189
Applicable ratios under the "three red-line" regulations			
Liability-to-asset ratio (excluding prepayments)	64.5%	29.6%	36.4%
Net gearing ratio	72.2%	61.7%	24.2%
Cash-to-short-term debt ratio	Nil	Nil	Nil

To the best knowledge, information and belief of our Directors having made all reasonable enquiries, the revenue of Shandong Diping decreased from approximately RMB1,486 million for the year ended 31 December 2019 to approximately RMB557 million for the year ended 31 December 2020 was mainly attributable to the substantial completion of the residential properties developed by Shandong Diping in 2019. The revenue of Shandong Diping further decreased to approximately RMB478 million for the year ended 31 December 2021 was due to the decrease in the residential properties undertaken by Shandong Diping in 2021 and the completion of the projects on hand.

The current assets of Shandong Diping mainly consisted of inventories and cash and the non-current assets of Shandong Diping mainly consisted of goodwill and deferred income tax assets, while the current liabilities of Shandong Diping mainly consisted of other payables, receipts in advance, contractual liabilities and bills payable and the non-current liabilities of Shandong Diping mainly consisted of long-term loans.

During the Track Record Period, we generated revenue from the provision of property management services to the properties developed by our related parties, including Hang Qian Group. However, the provision of property management services to the properties developed by our related parties accounted for only approximately 10.8%, 11.6%, 9.9% and 8.7% of the total revenue generated from the provision of property management services for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022, respectively. Furthermore, based on the audited financial statements of Shandong Diping, as at 31 December 2021, Shandong Diping's liability-to-asset ratio (excluding prepayments), net gearing ratio and cash over short-term interest-bearing loans amounted to 36.4%, 24.2% and nil respectively and complies with all of the "three red-line" regulations for real estate companies proposed by the Ministry of Housing and Urban-Rural Development and the People's Bank of China. Considering the above, our Directors believe that the "three red-line" regulations will not have any material adverse impact on the operation of Hang Qian Group and the transactions between Hang Qian Group and our Group, as well as the operation, business and financial condition of our Group.

Runhua Group

Runhua Group is principally engaged in the sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business. Set forth below is a summary of the key financial data of Runhua Group during the three years ended 31 December 2021 according to its unaudited management accounts:

	For the year ended 31 December		
	2019	2020	2021
	(RMB million)	*(RMB million)*	*(RMB million)*
Revenue	17,914	18,639	19,089
Net profit	481	509	485

	As at 31 December		
	2019	2020	2021
	(RMB million)	*(RMB million)*	*(RMB million)*
Total assets	14,249	14,689	15,155
Total liabilities	7,124	7,396	7,501

The current assets of Runhua Group mainly consisted of inventories and cash and the non-current assets of Runhua Group mainly consisted of financial assets available for sale, investment in other equity instruments and fixed assets (such as buildings), while the current liabilities of Runhua Group mainly consisted of short-term loans and bills payable and the non-current liabilities of Runhua Group mainly consisted of long-term loans and bonds payable.

Runhua Insurance

Runhua Insurance is principally engaged in the provision of insurance services. Set forth below is a summary of the key financial data of Runhua Insurance during the three years ended 31 December 2021 according to its unaudited management accounts:

	For the year ended 31 December		
	2019	2020	2021
	(RMB million)	*(RMB million)*	*(RMB million)*
Revenue	151	113	29
Net profit	25	29	17

	As at 31 December		
	2019	2020	2021
	(RMB million)	*(RMB million)*	*(RMB million)*
Total assets	191	202	200
Total liabilities	6	4	6

To the best knowledge, information and belief of our Directors having made all reasonable enquiries, the revenue of Runhua Insurance decreased throughout the Track Record Period was due to the cessation of insurance renewal business operation as a result of internal business restructuring of Runhua Insurance.

The current assets of Runhua Insurance mainly consisted of cash and account receivables and the non-current assets of Runhua Insurance mainly consisted of long-term equity investment and fixed assets, while the current liabilities of Runhua Insurance mainly consisted of tax payables and accounts payable and the non-current liabilities of Runhua Insurance mainly consisted of deferred income tax liabilities.

Shandong Zhixin

Shandong Zhixin is indirectly owned as to 90% by Ms. Liang. Shandong Zhixin is principally engaged in professional contracting of building refined renovation works. Shandong Zhixin was established as a project company in June 2018 to undertake refined renovation works projects under the XTJD Project — a large-scale property development project developed by Hang Qian Group with an aggregate GFA of approximately 632,000 sq.m. involving the development of 17 residential buildings, 12 commercial buildings and seven ancillary buildings and facilities. The estimated construction schedule of the XTJD Project is from August 2017 to October 2023. For further details of the background of the XTJD Project, please refer to the paragraph headed "Business — Our Customers — Sales to Hang Qian Group" in this document.

Set forth below is a summary of the key financial data of Shandong Zhixin during the three years ended 31 December 2021, according to its unaudited management accounts:

	For the year ended 31 December		
	2019	**2020**	**2021**
	(RMB million)	*(RMB million)*	*(RMB million)*
Revenue	7	38	28
Net profit/(loss)	(1)	0.5	2

	As at 31 December		
	2019	**2020**	**2021**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total assets	171	60	56
Total liabilities	173	61	55

To the best knowledge, information and belief of our Directors having made all reasonable enquiries, (i) Shandong Zhixin recorded net loss for the year ended 31 December 2019 because Shandong Zhixin was at the stage of setting up its management team and only incurred relevant operation costs since its establishment in June 2018. Also, no business was solicited and undertaken until second half of 2019; and (ii) the increase in revenue of Shandong Zhixin for the two years ended 31 December 2020 and 2021 was mainly due to the increase in the number and scale of projects undertaken in relation to the XTJD Project.

The material fluctuation in total assets and total liabilities as at 31 December 2019, 2020, 2021 was mainly due to the movement in other receivables and other payables in 2019 and 2020 as a result of receipt and payment of amounts from/to the respective counterparties.

Reasons for exclusion of Shandong Zhixin

Our Directors are of the view that there is a clear delineation between the business operations of Shandong Zhixin and our Group's operations based on the following factors:

1. the business model and focus of our Group is substantially different from that of Shandong Zhixin. Our Group is a comprehensive property management service provider with a primary focus on the provision

of property management services, as well as provision of other services such as property engineering and landscape construction services. Our Directors are of the view that the provision of property engineering and landscape construction services is value adding and complementary to our property management services business as we see a demand for such services from our property management services business customers. Therefore, we strategically develop property engineering and construction landscape services with a view to maximise the synergy effect of our property management business. On the other hand, Shandong Zhixin is a project company established for the provision of refined renovation work services for the XTJD Project. Shandong Zhixin is not involved in the provision of other related-businesses and it does not provide services to other projects save for the XTJD Project. As confirmed by our Directors, during the Track Record Period, there was no significant demand for refined renovation work services from our major customers, which included hospitals, governmental bodies, private enterprises, property owners, property developers and tenants. Therefore, our Directors see little synergy effect from Shandong Zhixin;

2. the scope of works provided by Shandong Zhixin is different from that of our Group. Although our Group also provides renovation services, alterations and additional works as an ancillary part of its property engineering and landscape construction service, such services and works are different from the refined renovation work provided by Shandong Zhixin. Set forth is a table summarising the difference between the scope of work of the renovation services, alterations and additional works provided by our Group and the refined renovation work provided by Shandong Zhixin:

	Interior renovation services, alterations and additional works provided by our Group:	**Refined renovation work provided by Shandong Zhixin:**
Scope of work	Interior renovation services include the basic renovation works such as tile paving, ceiling works and installation of sanitary fittings; and alteration and addition works involves works relating to building layout and structural works.	Refined renovation work includes mainly mechanical/ technical renovation works, such as installation of ventilation system, building and installation of kitchen cabinets and sliding doors, installation of home intelligent system and electric curtains.

3. although Shandong Zhixin was one of our suppliers and customers during the Track Record Period, our Directors and Shandong Zhixin confirmed that save for the XTJD Project, our Group and Shandong Zhixin were not engaged in the same project during the Track Record Period. They also confirmed that as at the Latest Practicable Date, all the refined renovation works under the XTJD Project (the "**Excluded Businesses**") undertaken by Shandong Zhixin have been completed in August 2021 and the inspection and acceptance of works of the refined renovation works has been completed in October 2021. Shandong Zhixin has ceased to participate in tendering or bidding activities and engage in new project since 30 June 2021 upon completion of the Excluded Businesses. Although Shandong Zhixin has completed its refined renovation works under the XTJD Project, it can only apply for deregistration until the inspection and acceptance procedure of the whole XTJD Project is completed, which is expected to be in June 2023. It is expected that Shandong Zhixin will complete the deregistration process in around September 2023; and

4. during the Track Record Period, the directors and management team of Shandong Zhixin and our Company were different. Furthermore, the tender process of our Group are independent from Shandong Zhixin, and the negotiations of the terms of our projects and those of Shandong Zhixin during the Track Record Period were conducted on a case-by-case basis and were neither interconnected nor inter-conditional with each other. There were also no overlapping of suppliers, nor cost or resources sharing between our Group and Shandong Zhixin during the Track Record Period.

As Shandong Zhixin has different business focus and business model as compared to our Group, our Directors are of the view that there is a clear delineation between the business of our Group and Shandong Zhixin and Shandong Zhixin will not form part of our core business nor is it in line with our business strategy. Hence, Shandong Zhixin is not injected into our Group. By excluding Shandong Zhixin from our Group, our resources could be concentrated and streamlined on effective implementation of our business strategies. Therefore, our Directors consider that it is commercially justifiable to exclude Shandong Zhixin from our Group.

To the best knowledge of our Directors and as confirmed by our PRC Legal Advisers, Shandong Zhixin was not the subject of any material non-compliant incidents, claims, litigation or legal proceedings (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date. It has also undertaken not to undertake other new property engineering and landscape construction works that are in competition with our Group. Besides, the shareholders of Shandong Zhixin have also confirmed that it will proceed to deregister Shandong Zhixin upon completion of the inspection and acceptance work of the Excluded Businesses.

The table below sets forth the principal business operations of our Group and the Controlling Shareholders Group as of the Latest Practicable Date:

Our Group vs Controlling Shareholders Group	**Principal business operations**
Our Group	provision of property management services such as security services, cleaning, greening and gardening services, and repair and maintenance services
Runhua Group	sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business
Hang Qian Group	property development, property marketing and hotel operations
Runhua Insurance	provision of insurance services
Shandong Zhixin	professional contracting of refined renovation works; general contracting of construction works; landscaping works; professional contracting of waterproofing, anti-corrosion and insulation works

Notwithstanding Hang Qian Group, Shandong Zhixin and our Group are engaged in the property industry in the PRC, they are engaged in different segments of the property industry chain. Hang Qian Group and Shandong Zhixin owned by the Controlling Shareholders Group are engaged in property development and professional contracting of building refined renovation works in the PRC, respectively, and do not provide the aforesaid property management services similar to our Group. For details of the delineation between the business of Shandong Zhixin and our Group, please refer to the paragraph headed "Reasons for exclusion of Shandong Zhixin" in this section above. The nature of the Controlling Shareholders Group mainly consists of sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business, provision of insurance services, property development and professional contracting of building refined renovation works while the nature of our Group is a property management service provider. For details of the transactions between the Controlling Shareholders Group and our Group, please refer to the section headed "Connected Transactions" of this document.

Taking into account the clear differences between the principal business operation of our Group and those of Controlling Shareholders Group, and the differences in segments within the property industry chain in which the Controlling Shareholders Group and our Group are operating, our Directors consider that there is a clear delineation between our Group and the Controlling Shareholders Group and our Directors are of the view that there is no overlap or competition of the businesses of our Group and those of the Controlling Shareholders Group.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders, Directors and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after **[REDACTED]**.

Management Independence

Upon **[REDACTED]**, our Board will comprise two executive Directors, three non-executive Directors and three independent non-executive Directors. For further details, please refer to the section headed "Directors and Senior Management" in this document. As of the Latest Practicable Date, the following Directors held major positions in the Controlling Shareholders Group.

Name	Position in our Group	Major position(s) in the Controlling Shareholders Group
Mr. Luan	Non-executive Director without involvement in the daily operation of our Group	Chairman of the board of Runhua Group Company
Mr. HQ Luan	Non-executive Director without involvement in the daily operation of our Group	Vice general manager of Runhua Group Company, chairman of the board of directors of Runhua Automobile Holdings Ltd.* (潤華汽車控股有限公司), subsidiary of Runhua Group Company, director of Hang Qian Holdings and director of Runhua Insurance
Mr. Cheng	Non-executive Director without involvement in the daily operation of our Group	Vice general manager of Runhua Group Company and director of Runhua Insurance

Name	Position in our Group	Major position(s) in the Controlling Shareholders Group
Mr. Yang	Chairman of the Board and executive Director	Director of Runhua Group Company and director of Shandong Diping Real Estate Co., Limited (山東地平置業有限公司), a subsidiary of Hang Qian Holdings

Upon **[REDACTED]**, Mr. Luan, Mr. HQ Luan and Mr. Cheng will not have any executive role in our Group and Mr. Yang will not assume any executive role in the Controlling Shareholders Group.

Further, our Directors consider that our Group will be able to operate independently of the Controlling Shareholders Group upon **[REDACTED]** for the following reasons:

(i) although Mr. Luan, Mr. HQ Luan and Mr. Cheng hold directorship and/or senior management positions in the Controlling Shareholders Group, each of them only serves as a non-executive Director of our Company and they will not be involved in the day-to-day operations of our Group. As of the Latest Practicable Date: (i) Mr. Luan is a director of Runhua Property BVI and Runhua Development; (ii) Mr. HQ Luan is a director of Runhua Property BVI, Runhua Holdings HK, Shandong Runhua and Runhua Development; and (iii) Mr. Cheng is a director of Runhua Property BVI, Shandong Runhua and Runhua Development. Considering: (i) Runhua Property BVI, Runhua Holdings HK and Runhua Development are investment holding companies of our Group; (ii) although Mr. HQ Luan and Mr. Cheng served as a director of Shandong Runhua, our operating subsidiary, their respective roles in Shandong Runhua is similar to a non-executive director. Although they were not members of the senior management team of Shandong Runhua and were not involved in the daily operation and business decision making process of Shandong Runhua during the Track Record Period, they would also keep up-to-date with the business affairs of Shandong Runhua and assist in supervising and scrutinising Shandong Runhua's performance in achieving its goals and objectives, as well as monitoring the performance of Shandong Runhua in order to fulfil their obligation as a director of Shandong Runhua through providing professional advice and attending business update meetings of Shandong Runhua. Furthermore, during the Track Record Period, Mr. Luan, Mr. HQ Luan and Mr. Cheng have not been found any violation to the PRC Company Law, which provides that a director must act in good faith and in the best interests of the company he manages and must not use their respective positions for personal gain; and (iii) Mr. HQ Luan and Mr. Cheng undertake that they will continue not to involve in the daily operation and business decision making process of Shandong Runhua after **[REDACTED]**, our Directors consider that despite the directorships held by Mr. Luan, Mr. HQ Luan and Mr. Cheng in our subsidiaries, they have not and will not have involvement in the daily operation of our Group.;

(ii) although Mr Yang holds directorship in the Controlling Shareholders Group while he is the chairman and executive Director of our Group, he only serves a non-executive role in the Controlling Shareholders Group and is not responsible for the day-to-day operations of the Controlling Shareholders Group;

(iii) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgement to the decision-making process of our Board;

(iv) we have appointed three independent non-executive Directors to provide a balance between the number of potentially interested Directors and the number of independent Directors, there will be a sufficient robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our Company and Shareholders as a whole. Certain matters of our Company, including continuing connected transactions, must always be referred to the independent non-executive Directors for review and they will confirm in our annual report that our continuing connected transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms or better and on terms that are fair and reasonable and in the interests of our Shareholders as a whole;

(v) the daily operation of our Group is carried out by an experienced senior management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis;

(vi) during the Track Record Period, save for the non-executive Directors who held management positions in the Controlling Shareholders Group, the Controlling Shareholders Group did not share any resources with our Group; and

(vii) during the Track Record Period, there was no costs/expenses relating to our Group's operations being borne by the Controlling Shareholders Group, any related parties or connected persons of our Group or any other third parties without being recharged to our Group.

Based on the above, our Directors are of the view that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently from our Controlling Shareholders and their respective associates.

Mutual and Complementary Relationship

We have a long-standing, synergetic and on-going relationship with the Controlling Shareholders Group since 1996. We have been providing property management, property engineering and landscape construction services to properties developed by Controlling Shareholders Group. During the Track Record Period, all of the properties developed/operated by the Controlling Shareholders Group were managed by our Group. The total revenue generated from our related parties was approximately RMB45.4 million, RMB95.9 million and RMB73.4 million for FY2019, FY2020 and FY2021 respectively, representing approximately 11.4%, 19.7% and 12.2% of our total revenue for the corresponding years. As confirmed by F&S, such business relationship between our Group and Controlling Shareholders Group is common among PRC property management companies and their related companies and has been mutually beneficial and complementary.

Our Directors consider that our long standing relationship with the Controlling Shareholders Group creates synergy which supports each other's growth. The Controlling Shareholders Group is principally engaged in the sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business, provision of insurance services, and property development and requires property management services for the properties they developed/operated. Benefiting from our expertise on property management services and our long-term relationship with the Controlling Shareholders Group, we were able to provide high quality property management services and a wide range of ancillary services which we believe that we will be able to enhance the brand image of the Controlling Shareholders Group. For details of our connected transactions with Controlling Shareholders Group, please refer to the section headed "Connected Transactions — Continuing Connected Transactions" in this document. At the same time, due to our long term relationship with the Controlling Shareholders Group, our Directors consider that we understand and are familiar with the requirements and quality standards of the Controlling Shareholders Group better than our competitors, thus enabling us to secure all of the Controlling Shareholders Group's property management service contracts. Furthermore, we believe our long and close business relationship with the Controlling Shareholders Group has enabled us to gain a deep understanding of the real estate value chain, and such knowledge and skills accumulated over the years can be readily transferrable to serve our other independent customers.

In light of (i) the mutual and complementary relationship between the Controlling Shareholders Group and our Group; (ii) the time costs and expenses that would otherwise be occurred by the Controlling Shareholders Group to identify suitable property management services providers with similar expertise and familiarity to its requirements and quality standard if it elects to replace us; and (iii) our proven track record in providing satisfactory services and securing property management service contracts from the Controlling Shareholders Group, our Directors believe that there will not be any material adverse change in the relationship between our Group and the Controlling Shareholders Group, and we consider that we will continue to be able to secure future engagements from it and be able to maintain our revenue from the Controlling Shareholders Group upon **[REDACTED]**.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after **[REDACTED]**, we have full rights to make all decisions regarding, and carry out, our own business operations independently. We have established our own organisational structure, and each department is assigned to specific areas of responsibilities. We are also in possession of all necessary relevant licences, approvals and certificates to carry on our business and we have sufficient operational capacity in term of capital and employees to make all decisions on, and carry out, our own business operation independently. Therefore, we do not rely on our Controlling Shareholders or their respective close associates for our operations. Moreover, we do not rely on our Controlling Shareholders for access to suppliers and customers, as we manage our sourcing independently to whom we have independent access. We have our own headcount of employees for our operations and an independent management team (including our Directors and members of our senior management) to handle our daily operation. We have also established a set of internal control procedures to facilitate and maintain the independent operation of our business. As of the Latest Practicable Date and save as disclosed in the section headed "Connected Transactions", our Group did not share any operational resources, such as sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders and our Group will be able to operate independently from our Controlling Shareholders after **[REDACTED]**.

Financial Independence

As of the Latest Practicable Date, (i) our Group did not have any unsettled loans and interest due from and to our Controlling Shareholders and their respective associates and (ii) our Group had not provided any share pledges or guarantees in respect of any loans of our Controlling Shareholders and their respective close associates and vice versa. As confirmed by our Directors, we do not intend to enter into any funding arrangements which are non-trade in nature with our related parties in the future.

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company. The finance department is independent of our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. In addition, we have been and are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders and/or their respective close associates.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

NON-COMPETITION UNDERTAKINGS

For the purpose of the **[REDACTED]**, our Controlling Shareholders have entered into the Deed of Non-Competition, pursuant to which each of our Controlling Shareholders has irrevocably and unconditionally undertaken to us in the Deed of Non-Competition that he/she/it will not, and will procure his/her/its close associates (other than members of our Group) not to directly or indirectly conduct or be involved in any business (other than our business) that directly or indirectly competes, or may compete, with our business, which includes providing (i) residential property management services; (ii) non-residential property management services; (iii) property engineering and landscape construction services and (iv) value-added services for property owners and non-property owners (collectively referred to as the "**Restricted Businesses**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time, or conduct any Restricted Businesses, except where our Controlling Shareholders and their close associates hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company. The above restrictions also do not apply when our Group engages in a new business that is not a Restricted Business and at the time of commencement of such new business, any of our Controlling Shareholders had already been conducting or been involved in, or otherwise been interested in, the relevant business.

Further, each of our Controlling Shareholders has undertaken that if any new business investment/other business opportunity relating to the Restricted Businesses (the "**Competing Business Opportunity**") is identified by/made available to him/her/it or any of his/her/its close associates, he/she/it shall, and shall procure that his/her/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the "**Offer Notice**") within 30 business days of identifying such Competing Business Opportunity, the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall seek approval from a board committee comprising independent non-executive Directors who do not have an interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity). The Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision making process in relation to such Competing Business Opportunity. The Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity.

The relevant Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if he/she/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days' period mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Controlling Shareholder, he/she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their respective close associates cease to hold, whether directly or indirectly, 30% or above of our Shares with voting rights or our Shares cease to be **[REDACTED]** on the Stock Exchange.

Each of our Controlling Shareholders has further undertaken to us that he/she/it will provide and procure his/her/its close associates to provide on best endeavour basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition. They will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted by our Company to monitor the compliance of the Deed of Non-Competition:

(i) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(ii) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders. For more information, please refer to the section headed "Directors and Senior Management- Directors- Independent non-executive Directors";

(iii) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcement to the public;

(iv) we have appointed Zhongtai International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance;

(v) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole;

(vi) on an annual basis, our independent non-executive Directors will review the non-competition undertakings provided by our Controlling Shareholders and their compliance with such undertakings; and

(vii) our Controlling Shareholders will make an annual declaration of compliance with the Deed of Non-competition in annual reports of our Company.

Based on the above, our Directors are of the view that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the **[REDACTED]**.

OVERVIEW

We have entered into a number of agreements with our connected persons, the details of which are set out below. The transactions disclosed in this section are expected to continue after **[REDACTED]** and will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon **[REDACTED]**.

CONNECTED PERSONS

Upon **[REDACTED]**, the following parties with whom we have entered into certain transactions in our ordinary and usual course of business will become our connected persons:

Name	Relationship
Runhua Group Company	Runhua Group Company is owned as to approximately 52% by Mr. Luan and therefore is an associate of Mr. Luan
Hang Qian Holdings	Hang Qian Holdings is wholly owned by Mr. HQ Luan and therefore is an associate of Mr. HQ Luan
Runhua Insurance	Runhua Insurance is owned by Mr. Luan as to approximately 50.42% and therefore is an associate of Mr. Luan. Runhua Insurance is also owned as to approximately 21.57%, 21.19% and 6.19% by Mr. HQ Luan, Jinan Defang Investment Partnership (Limited Liability Partnership) (濟南德方投資合夥企業（有限合夥)) ("**Jinan Defang**") and Jinan Huiduo Business Consulting Partnership (Limited Liability Partnership) (濟南匯鐸商務諮詢合夥企業（有限合夥)) ("**Jinan Huiduo**") respectively. As Mr. HQ Luan is the managing partner of Jinan Defang and Jinan Huido and controls more than 30% of the same, Runhua Insurance is therefore also an associate of Mr. HQ Luan.

SUMMARY OF OUR CONNECTED TRANSACTIONS

The table below sets out a summary of transactions which will constitute continuing connected transactions upon **[REDACTED]**:

No.	Connected transactions	Applicable rules	Waivers sought	Proposed annual caps for the years ending 31 December 2022, 2023 and 2024
				(RMB)
Fully exempt continuing connected transactions				
1.	Trademark Licensing Agreement	14A.34,14A.52, 14A.53 and 14A.76	N/A	N/A
2.	Property Rental Framework Agreement	14A.34, 14A.52, 14A.53 and 14A.76	N/A	N/A

No.	Connected transactions	Applicable rules	Waivers sought	Proposed annual caps for the years ending 31 December 2022, 2023 and 2024
				(RMB)
3.	Property Leasing Framework Agreement	14A.34, 14A.52, 14A.53 and 14A.76	N/A	N/A
4.	Master Software Licensing and Technical Support Agreement	14A.34, 14A.52, 14A.53 and 14A.76	N/A	N/A
Non-exempt continuing connected transactions				
5.	Property Management Services Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53, 14A.71 and 14A.105	Announcement, circular and independent shareholders' approval requirements	2022: RMB35.3 million 2023: RMB40.1 million 2024: RMB40.9 million
6.	Master Property Engineering and Landscape Construction Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53, 14A.71 and 14A.105	Announcement, circular and independent shareholders' approval requirements	2022: RMB23.2 million 2023: RMB25.3 million 2024: RMB25.8 million

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Trademark Licensing Agreement

On [*] 2022, our Company (for ourselves and on behalf of our subsidiaries), entered into a trademark licensing agreement with Runhua Group Company (the "**Trademark Licensing Agreement**"), pursuant to which Runhua Group Company agreed to irrevocably and unconditionally grant us a licence to use certain trademarks owned by them in the PRC (the "**Licensed Trademarks**") on a royalty-free basis, for a perpetual term commencing from the date of the Trademark Licensing Agreement, which is subject to the renewal of the Licensed Trademarks. For details of the Licensed Trademarks, please refer to the paragraph headed "B. Further Information about our Business — 2. Intellectual property rights" in Appendix V to this document.

Our Directors consider that entering into the Trademark Licensing Agreement with a term of more than three years is reasonable and justifiable to ensure the stability of our operations, and is beneficial to the interests of our company and our Shareholders as a whole. The Sole Sponsor is of the view that it is normal business practise for agreement of this type to be of a duration of longer than three years.

As of the Latest Practicable Date, Runhua Group Company is a company owned as to approximately 52% by Mr. Luan. Accordingly, Runhua Group Company is our connected persons under Rules 14A.07(1), 14A.07(4) and 14A.13(1) of the Listing Rules. The transactions contemplated under the Trademark Licensing Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon **[REDACTED]**.

As the right to use the Licensed Trademarks is granted to our Group on a royalty-free basis, the transactions contemplated under the Trademark Licensing Agreement will be within the *de minimis* threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Property Rental Framework Agreement

On [*] 2022, our Company entered into a property rental agreement with Runhua Group Company and Hang Qian Holdings pursuant to which our Company agreed to rent certain properties from Runhua Group and Hang Qian Holdings and their associates for the use of office or sub-leasing to independent third parties (the "**Property Rental Framework Agreement**"). The pricing policy shall be negotiated between Runhua Group Company, Hang Qian Holdings and our Group at arm's length basis on normal commercial terms, with reference to similar properties of size, location, terms (including rental rate) and prevailing market conditions in the region. The initial term of the Property Rental Framework Agreement will commence on the **[REDACTED]** and end on 31 December 2023, and will be automatically renewed for a further term of three years unless otherwise agreed between parties thereto. The parties and their respective associates could enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Property Rental Framework Agreement. The Property Rental Framework Agreement will not apply to properties that are no longer held by our Group from time to time.

Reasons for the Transactions

Members of the Runhua Group have historically rented properties to us for use of office or sub-leasing to independent third parties, and we expect that we will continue to rent such properties from members of the Runhua Group after **[REDACTED]**. Relocating our offices to other premises or cancellation of sub-leasing to independent third parties will cause unnecessary disruptions to our normal business operation and incur unnecessary costs.

Listing Rules Implication

Runhua Group Company is a company owned as to approximately 52% by Mr. Luan while Hang Qian Holdings is wholly owned by Mr. HQ Luan. Accordingly, Runhua Group Company and Hang Qian Holdings are our connected persons under Rules 14A.07(1), 14A.07(4) and 14A.13(1) of the Listing Rules. The transactions contemplated under the Property Rental Framework Agreement will be conducted in the ordinary and usual course of business on normal commercial terms. As all of the percentage ratios (other than the profit ratio) used to calculate the threshold for continuing connected transactions under the Listing Rules for the above transactions will be less than 5% and the annual consideration is less than HK$3,000,000 and therefore such transactions are *de minimis* transactions and will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

3. Property Lease Framework Agreement

On [*] 2022, our Company entered into a property lease framework agreement with Runhua Group Company pursuant to which the Company agreed to lease certain properties to any members of the Runhua Group and its associates for the use of office or commercial activities (the "**Property Lease Framework Agreement**"). The pricing policy shall be negotiated between Runhua Group Company and our Group at arm's length basis on normal commercial terms, with reference to similar properties of size, location and prevailing market conditions in the region. The initial term of the Property Leasing Framework Agreement will commence on the **[REDACTED]** and end on 31 December 2023. Both parties and their respective subsidiaries or associates could enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Property Leasing Framework Agreement.

Reasons for the Transactions

Members of the Runhua Group have historically rented properties owned by us for office or commercial activities, and we expect that we will continue to lease such properties to members of the Runhua Group after **[REDACTED]**.

Listing Rules Implication

Runhua Group Company is a company owned as to approximately 52% by Mr. Luan and is therefore our connected person under Rules 14A.07(1), 14A.07(4) and 14A.13(1) of the Listing Rules. The transactions contemplated under the Property Lease Agreement will be conducted in the ordinary and usual course of business on normal commercial terms. As all of the percentage ratios (other than the profit ratio) used to calculate the threshold for continuing connected transactions under the Listing Rules for the above transactions will be less than 5% and the annual consideration is less than HK$3,000,000 and therefore such transactions are *de minimis* transactions and will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

4. Master Software Licensing and Technical Support Agreement

On [*] 2022, our Company entered into a master software licensing and technical support agreement with Runhua Group Company pursuant to which the Company has agreed to provide software licensing and technical support including upgrading and maintenance of softwares to any members of Runhua Group and its associates for their systems (the "**Master Software Licensing and Technical Support Agreement**"). The pricing policy shall be negotiated between Runhua Group Company and its associates and our Group at arm's length basis, with reference to market prices (including but not limited to factors such as the geographical location required for the technical support, the manpower and the labour costs required for the software development and technical support, and whether the staff is required to have any qualifications in upgrading and maintenance the specific software) or normal commercial terms of transactions with independent third parties. The initial term of the the Master Software Licensing and Technical Support Agreement will commence on the **[REDACTED]** and end on 31 December 2023. Both parties and their respective associates could enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the master software licensing and technical support agreement.

Reasons for the Transactions

Kaidi Network is principally engaged in development of information technology and application software and provision of system integration services, etc. Members of Runhua Group Company have historically purchased the software and technical support services from Kaidi Network to facilitate its daily operation during ordinary business, and we expect that we will continue to meet the above business needs of the members of the Runhua Group after **[REDACTED]**.

Listing Rules Implication

Runhua Group Company is a company owned as to approximately 52% by Mr. Luan and is therefore our connected person under Rules 14A.07(1), 14A.07(4) and 14A.13(1) of the Listing Rules. The transactions contemplated under the Master Software Licensing and Technical Support Agreement will be conducted in the ordinary and usual course of business on normal commercial terms (or terms that are better to us). As all of the percentage ratios (other than the profit ratio) used to calculate the threshold for continuing connected transactions under the Listing Rules for the above transactions will be less than 5% and the annual consideration is less than HK$3,000,000 and therefore such transactions are *de minimis* transactions and will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

If the relevant percentage ratio(s) calculated based on the consideration of the aforementioned fully exempt continuing connected transactions exceeds the *de minimis* threshold stipulated under the Listing Rules, we will comply with the applicable requirements thereunder.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

5. Property Management Services Framework Agreement

Our Group has been providing certain property management services to the associated companies of our Controlling Shareholders during the Track Record Period and up to the Latest Practicable Date. In contemplation of **[REDACTED]**, on [*] 2022, our Company entered into a property management services framework agreement (the "**Property Management Services Framework Agreement**") with Runhua Group Company, Hang Qian Holdings and Runhua Insurance, pursuant to which we agreed to provide the property management services to Runhua Group Company, Hang Qian Holdings and Runhua Insurance and their respective associates (the "**Parties to the Property Management Services Framework Agreement**"), including but not limited to (i) cleaning and disinfection services; (ii) security services; (iii) general repair and maintenance services; and (iv) customers services, commencing from the **[REDACTED]** to 31 December 2024.

Runhua Group Company, Hang Qian Holdings and Runhua Insurance and their respective associates and our Group will further enter into individual agreements that prescribe the specific terms and conditions pertaining to each project. The parties and their respective associates will enter into separate subsidiary agreements setting out the specific terms and conditions (including the fees of the products and/or services and payment methods) in respect of the relevant services based on the principles under the Property Management Services Framework Agreement.

Reasons for and benefits of the transaction

Our Group is principally engaged in providing property management service, whereas the Parties to the Property Management Services Framework Agreement are principally engaged in, among other things, sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business and property development business and thus have business demand on our property management service. Through the cooperation between the Parties to the Property Management Services Framework Agreement and us in respect of the provision of property management services, it is expected that our Group could leverage on the business needs from the Parties to the Property Management Services Framework Agreement and our collaboration may bring synergy into full play and share development achievements of both parties.

Pricing policy

The prices/rates of the provision of services charged by our Group will be determined on the basis of arm's length negotiations between the relevant parties, taking into account: (i) the types and locations of the properties; (ii) the scope, quality and staffing numbers of our services; (iii) our estimated costs and expenses; (iv) our target profit margins; (v) the local government's guidance price on property management fees (where applicable); (vi) the pricing of comparable properties; (vii) our competitors' quotations; and (viii) the potential growth of the overall business of our Group. In determining the prevailing market price/rate, our Group will consider quotes offered to the independent third parties for services of the same or similar quality for comparison from time to time.

Historical transaction amounts

The historical transaction amounts between the Parties to the Property Management Services Framework Agreement and our Group for FY2019, FY2020, FY2021 and 1H2022 are approximately RMB26.3 million, RMB32.2 million, RMB32.5 million and RMB15.76 million respectively.

Annual caps and basis of determination

The annual caps of the fees payable to our Group by the Parties to the Property Management Services Framework Agreement for the three years ending 31 December 2024 are set as 10% above the forecast revenue under the Property Management Services Framework Agreement (the "**Property Management Services Framework Agreement Annual Cap Buffer**") and shall not exceed RMB35.3 million, RMB40.1 million and RMB40.9 million, respectively.

The increase of RMB2.8 million from transaction amount of RMB32.5 million for FY2021 to the annual cap of the Property Management Services Framework Agreement of RMB35.3 million for FY2022 is mainly due to: (i) the expected addition of new property management projects (the "**New Automobile Sales Stores Property Management Projects**") for four new automobile sales stores from the Parties to the Property Management Services Framework Agreement commencing in the third and fourth quarters of 2022; (ii) the expected addition of a new property development project from the Parties to the Property Management Services Framework Agreement; and (iii) the Property Management Services Framework Agreement Annual Cap Buffer when calculating the annual cap for FY2022.

The increase in annual cap of the Property Management Services Framework Agreement by RMB4.8 million from RMB35.3 million for the year ending 31 December 2022 to RMB40.1 million for the year ending 31 December 2023 is mainly due to: (i) the increase in the revenue expected to be generated by the New Automobile Sales Stores Property Management Projects; (ii) the expected industry growth rate at a CAGR of approximately 14.1% from 2021 to 2026, according to the F&S Report; and (iii) the Property Management Services Framework Agreement Annual Cap Buffer when calculating the annual cap for the year ending 31 December 2023.

As a summary, on arriving at the above annual caps for the Property Management Services Framework Agreement, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amounts and growth trend during the Track Record Period;

(ii) the volume of the current property management services that the Parties to the Property Management Services Framework Agreement require from our Group will remain steady;

(iii) the estimated transaction amounts of property management services for the years ending 31 December 2022, 2023 and 2024, taking into account, among others, the additional revenue of approximately RMB758,000, RMB1.9 million and RMB1.9 million to be generated from providing property management services to the New Automobile Sales Stores Property Management Projects for each of the year ending 31 December 2022, 2023 and 2024 based on their development progress;

(iv) the decrease in the expected revenue of property management services of approximately RMB1.3 million and RMB533,000 for the year ending 31 December 2023 and 31 December 2024 respectively as a result of the handover of certain residential properties from the Parties to the Property Management Services Framework Agreement to independent third parties;

(v) our historical success in securing property management projects for the properties operated/developed by the Parties to the Property Management Services Framework Agreement;

(vi) our historical success in renewing all property management projects with the Parties to the Property Management Services Framework Agreement;

(vii) other factors including that the total revenue of property management services in the PRC is expected to grow at a CAGR of 14.1% from 2021 to 2026, according to the F&S Report and the inflation rate in the year ending 31 December 2023 and 2024; and

(viii) the Property Management Services Framework Agreement Annual Cap Buffer when calculating the annual caps for the year ending 31 December 2022, the year ending 31 December 2023 and the year ending 31 December 2024.

Listing Rule Requirements

Runhua Group Company is a company owned as to approximately 52% by Mr. Luan, Hang Qian Holdings is wholly owned by Mr. HQ Luan, while Runhua Insurance is indirectly owned by Mr. Luan and

Mr. HQ Luan. Accordingly, Runhua Group Company, Hang Qian Holdings and Runhua Insurance are our connected persons under Rules 14A.07(1), 14A.07(4) and 14A.13(1) of the Listing Rules. Accordingly, the transactions contemplated under the Property Management Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon **[REDACTED]**. As each of the applicable ratios under the Listing Rules in respect of the annual caps in relation to the Property Management Services Framework Agreement is expected to be more than 5% on an annual basis, the transactions under the Property Management Services Framework Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. Master Property Engineering and Landscape Construction Agreement

On [*] 2022, our Company entered into a master property engineering and landscape construction agreement with Runhua Group Company and Hang Qian Holdings (the "**Master Property Engineering and Landscape Construction Agreement**"), pursuant to which we agreed to provide property engineering and landscape construction services to Runhua Group Company and Hang Qian Holdings and their respective associates (the "**Parties to the Master Property Engineering and Landscape Construction Agreement**"), including but not limited to (i) provision of landscape maintenance work services and (ii) repair and maintenance services, interior renovation services, alteration and additional of existing buildings and facilities and installation of elevators commencing from the **[REDACTED]** to 31 December 2024.

The Parties to the Master Property Engineering and Landscape Construction Agreement and our Group will further enter into individual agreements that prescribe the specific terms and conditions pertaining to each project. The parties and their respective associates will enter into separate subsidiary agreements setting out the specific terms and conditions (including the fees of the products and/or services and payment methods) in respect of the relevant services based on the principles under the Master Property Engineering and Landscape Construction Agreement.

Pricing policy

The prices/rates of the provision of services charged by our Group will be determined on the basis of arm's length negotiations between the relevant parties, taking into account: (i) the complexity, size, scope and quality of our services; (ii) our estimated costs and expenses; (iii) our target profit margins; (iv) the completion time required by its clients; (v) the local government's guidance price on property engineering and landscape construction fees (where applicable); and (vi) the potential growth of the overall business of our Group.

Historical transaction amounts

The historical transaction amounts between the Parties to the Master Property Engineering and Landscape Construction Agreement and our Group for FY2019, FY2020, FY2021 and 1H2022 are approximately RMB11.8 million, RMB62.5 million, RMB38.9 million and RMB4.04 million, respectively.

Annual caps and basis of determination

The annual caps of the fees payable to our Group by the Parties to the Master Property Engineering and Landscape Construction Agreement for the three years ending 31 December 2024 under the Master Property

Engineering and Landscape Construction Agreement are set as 10% above the forecast revenue under the Master Property Engineering and Landscape Construction Agreement and shall not exceed, RMB23.2 million, RMB25.3 million and RMB25.8 million, respectively.

The decrease by RMB15.7 million from the transaction amount of RMB38.9 million for FY2021 to the annual cap of RMB23.2 million for FY2022 is due to the substantial completion of (i) a decoration project for apartments of the XTJD Project; and (ii) a landscape services project for the project located in south of Taiping Henan Road, north of Hongxi Ganqu, Huaiyin District in FY2021, resulting in a decrease in the transaction amounts generated from these projects at in FY2022.

The increase of annual cap of RMB2.1 million from RMB23.2 million for FY2022 to RMB25.3 million for the year ending 31 December 2023 is mainly due to the increase in the expected transaction amount generated from a hospital project at Plot B of the XTJD Project.

In arriving at the above annual caps for the Master Property Engineering and Landscape Construction Agreement, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amounts and growth trend during the Track Record Period;

(ii) the remaining contract value for services to be rendered under the eight projects engaged by the Parties to the Master Property Engineering and Landscape Construction Agreement to provide property engineering and landscape construction services as at 30 April 2022;

(iii) based on the communication between our Group and the Parties to the Master Property Engineering and Landscape Construction Agreement, two additional property engineering and landscape construction projects with a total contract sum of approximately RMB3.0 million and RMB23 million which are expected to be granted to our Group in FY2022 and the year ending 31 December 2023;

(iv) the expected schedule of the above existing and new projects to the best knowledge and information of our Directors;

(v) our historical success in securing property engineering and landscape construction projects from the Parties to the Master Property Engineering and Landscape Construction Agreement; and

(vi) the inflation rate in the year ending 31 December 2023 and 2024.

Listing Rule Requirements

Runhua Group Company is a company owned as to approximately 52% by Mr. Luan, while Hang Qian Holdings is wholly owned by Mr. HQ Luan. Accordingly, Runhua Group Company and Hang Qian Holdings are our connected persons under Rules 14A.07(1), 14A.07(4) and 14A.13(1) of the Listing Rules. Accordingly, the transactions under the Master Property Engineering and Landscape Construction Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the **[REDACTED]**. As each of the applicable ratios under the Listing Rules in respect of the annual caps in relation to the Master

Property Engineering and Landscape Construction Agreement is expected to be more than 5% on an annual basis, the transactions under the Master Property Engineering and Landscape Construction Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under the continuing connected transactions are fair and reasonable, and relevant framework agreements for are carried out under normal commercial terms, we have adopted the following internal control procedures:

- the Board and internal departments of the Company regularly monitor to ensure its compliance of Listing Rules and transaction updates under the agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;

- when considering the rents, products fees, service fees, and other fees provided by us to the connected persons and we will charge the connected persons, the Company will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between the Company and independent third parties for similar transactions, to ensure that the pricing and terms offered by the above connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favourable than those offered to independent third parties; and

- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the continuing connected transactions are conducted in accordance with the terms of the agreements, on normal commercial terms, in accordance with the pricing policy, are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATION BY DIRECTORS

The Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transactions set out above have been and will continue to be carried out in the ordinary and usual course of business of our Company and are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SOLE SPONSOR'S CONFIRMATION

The Sole Sponsor is of the view that the non-exempt continuing connected transactions set out above have been and will continue to be carried out in the ordinary and usual course of business of our Company and are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

WAIVERS FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS GRANTED BY THE STOCK EXCHANGE

As we expect such non-exempt continuing connected transactions under the Property Management Services Framework Agreement and Master Property Engineering and Landscape Construction Agreement will continue on a recurring and continuing basis, our Directors (including the independent non-executive Directors) consider that strict compliance with the above announcement, circular and independent shareholders' approval requirements (as the case may be) would add unnecessary administrative costs and would be unduly burdensome.

Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange [has granted] the Company, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and the independent shareholders' approval (if applicable) requirements in respect of the non-exempt continuing connected transactions under the Property Management Services Framework Agreement and Master Property Engineering and Landscape Construction Agreement, subject to the condition that the total amount of transactions for each of the three years ending 31 December 2022, 2023 and 2024, respectively, shall not exceed the proposed caps as set out above.

If any terms of the transactions contemplated under the abovementioned agreements are altered or if our Company enters into any new agreements with any connected persons in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

OVERVIEW

The Board currently consists of eight Directors, amongst whom two are executive Directors, three are non-executive Directors and three are independent non-executive Directors. The Board is responsible, and has the general authority for, the management and operation of the Company. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of the Company.

DIRECTORS AND SENIOR MANAGEMENT

The following table shows the key information of our Directors as of the Latest Practicable Date. All of our Directors meet the qualification requirements under the Listing Rules for their positions:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Responsibility	Relationship with other Directors and senior management
Mr. Yang Liqun (楊立群)	53	January 2011	30 June 2020	Chairman, and executive Director	Supervising overall operations, management, strategic planning and business development	None
Mr. Fei Zhongli (費忠利)	50	January 2011	30 June 2020	Chief executive officer and executive Director	Supervising overall operations, management, strategic planning and business development	None
Mr. Luan Tao (欒濤)	69	July 2015	26 October 2020	Non-executive Director	Providing professional advice and judgement to the Board	Father of Mr. HQ Luan
Mr. Luan Hangqian (欒航乾)	41	October 2016	30 June 2020	Non-executive Director	Providing professional advice and judgement to the Board	Son of Mr. Luan
Mr. Cheng Xin (程欣)	51	September 2015	30 June 2020	Non-executive Director	Providing professional advice and judgement to the Board	None
Ms. Chen Haiping (陳海萍)	45	[●]	[●]	Independent non-executive Director	Supervising and offering independent judgement to the Board	None
Ms. Bao Ying (鮑穎)	63	[●]	[●]	Independent non-executive Director	Supervising and offering independent judgement to the Board	None
Ms. He Murong (何慕蓉)	32	[●]	[●]	Independent non-executive Director	Supervising and offering independent judgement to the Board	None

The following table shows the key information of our senior management:

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Responsibility	Relationship with other Directors and senior management
Mr. Zhang Yuqiang (張玉強)	44	April 2011	March 2017	Deputy general manager	Overseeing the marketing department and rail transit business of our Group	None
Mr. Li Yi (李毅)	46	October 2002	December 2018	Deputy general manager	Overseeing our daily business operations and assisting in overall management of our Group	None
Ms. Li Yanyan (李豔豔)	41	July 2001	September 2015	Deputy general manager	Overseeing our daily business operations and assisting in overall management of our Group	None
Ms. Chen Jie (陳杰)	44	July 2001	April 2008	Deputy general manager	Assisting our general manager to promote overall operation management of our Group	None
Ms. Fu Lili (傅麗莉)	44	April 2020	April 2020	Chief financial officer	Overseeing the financial and taxation affairs of our Group	None
Mr. Ma Xun (馬迅)	47	October 2020	October 2020	Secretary to the Board	Responsible for the daily work of the Board, information disclosure and investor relations management of our Group	None

DIRECTORS

Executive Directors

Mr. Yang Liqun (楊立群), aged 53, is the chairman of the Board and executive Director. He was appointed as a Director on 30 June 2020 and was appointed as the chairman of the Board and re-designated as an executive Director of our Company on 25 May 2021. Mr. Yang is responsible for supervising overall operations, management, strategic planning and business development.

Mr. Yang joined our Group in January 2011 as the chairman of the board of directors and general manager of Shandong Runhua. As of the Latest Practicable Date, Mr. Yang also held several directorships in our subsidiaries, being Runhua Property BVI, Shandong Runhua and Runhua Development.

Mr. Yang has years of experience in property services and property management industry. Prior to joining our Group, Mr. Yang served as a clerk of the Economic and Trade Department of Shandong Province Automotive Sales (Group) Co., Ltd.* (山東省汽車銷售(集團)股份有限公司) (currently known as Runhua Group Company), a company principally engaged in the sales of automobiles and provision of automobiles consulting services, from August 1992 to December 1996. Since August 1992, he has been holding various positions in the Controlling Shareholders Group. From December 1996 to December 1997, Mr. Yang worked at Shandong Xinya Chemical Industry Co., Ltd.* (山東欣亞化工實業有限公司, a company which scope of business includes sales and production of adhesives and related raw materials. From December 1997 to December 1998, he served as a manager of Runhua Group Shandong Qingling Automobile Sales Company* (潤華集團山東慶鈴汽車銷售有限公司), a company which scope of business includes sales of automobiles. From January 1999 to December 2001, Mr. Yang served as the station director of the Third Station of Runhua Group Shandong Automobile Repairing Co., Ltd.*(潤華集團山東汽車修理有限公司三站), a company which scope of business includes repair, maintenance and sales of automobiles. From December 1998 to December 2003, Mr. Yang served as the deputy general manager of Runhua Group Shandong Automobile Repairing Co., Ltd.* (潤華集團山東汽車修理有限公司), a company which scope of business includes repair, maintenance and sales of automobiles. From December 2003 to December 2009, Mr. Yang served as the general manager of Weifang Runhua Automobile Sales & Service Co., Ltd.* (濰坊潤華汽車銷售服務有限公司), a company which scope of business includes sales of automobiles, motorcycles and their accessories, where he was responsible for the overall operation management. From December 2009 to December 2010, Mr. Yang served as the general manager of Shandong Runhua Automobile Repairing Investment Co. Ltd.* (山東潤華汽車維修投資有限公司), a company which scope of business includes maintenance of automobiles and sales of car equipment, where he was responsible for the overall operation management. Mr. Yang served as a manger of Shandong Runhua from January 2011 to September 2015. Since September 2015, Mr. Yang has been serving as a director of Runhua Group Company to provide guidance for its overall development. He has also been appointed as a director of Shandong Diping Real Estate Co., Limited* (山東地平置業有限公司) since September 2015, a company principally engaged in property development where he was responsible for providing guidance and advice to the board of directors of the company.

Mr. Yang was the principal at the time when the business licence of Runhua Group Co Ltd (Qingzhou Branch) was revoked. Its business licence was revoked on 31 December 2008 due to failure to undergo annual inspection as required under the relevant PRC regulations. According to the relevant PRC regulations, a PRC company is required to undergo annual inspection. Failing to undergo annual inspection or inspection within the specified deadline, its business licence shall be revoked by the AIC. To the best knowledge of our Directors, Runhua Group Co Ltd (Qingzhou Branch) did not have any business activities and was dormant immediately prior to its business licence being revoked. Hence, it failed to designate its staff to go through the formalities of annual inspection. Mr. Yang was not involved in the business operation of Runhua Group Co Ltd (Qingzhou Branch) at the relevant time and the failure of Runhua Group Co Ltd (Qingzhou Branch) to undergo annual inspection was due to the oversight on the part of the then officers and was not due to any fault on the part of Mr. Yang. As of the Latest Practicable Date, such company has not commenced dissolution.

Mr. Yang confirmed that the above company was solvent at the time of revocation of business licence and he did not incur any debt and/or liabilities because of such revocation, and that the revocation did not have negative effect on our Group.

Mr. Yang received his bachelor's degree in Applied Chemistry from Shandong University in the PRC in July 1992. He obtained an engineer qualification issued by Ministry of Personnel in September 1997.

Mr. Fei Zhongli (費忠利), aged 50, is our chief executive officer and executive Director. He was appointed as a Director on 30 June 2020 and was appointed as the chief executive officer and re-designated as an executive Director of our Company on 25 May 2021. Mr. Fei is responsible for supervising overall operations, management, strategic planning and business development.

Mr. Fei joined our Group in January 2011 as the chief financial officer. As of the Latest Practicable Date, Mr. Fei also held several directorships in our subsidiaries, being Runhua Property BVI, Shandong Runhua and Runhua Development.

Mr. Fei has more than 10 years of extensive experience in property services and property management industry. Prior to joining our Group, Mr. Fei served as a division director of Runhua Group Company from July 1993 to December 2000. From January 2001 to December 2003, Mr. Fei served as the chief financial officer of Shandong Runhua Pharmaceutical Co. Ltd.* (山東潤華藥業有限公司), a company which scope of business includes the research and development of biotechnology. From January 2004 to December 2006, Mr. Fei served as the deputy general manager of the finance department of Runhua Group Company. From January 2007 to December 2010, Mr. Fei served as the chief financial officer of Weifang Runhua Automobile Sales Co., Ltd.* (濰坊潤華汽車銷售有限公司), a company which scope of business includes sales of automobiles, motorcycles and their accessories, where he was responsible for supervising the financial management of the Company. Since January 2020, Mr. Fei has been serving as the chairman of the Board of Tianjin Tianfu Property Management Co., Ltd.* (天津天孚物業管理有限公司) which is considered a material joint venture of the Group and is a strategic partner of the Group engaged in property management services in Tianjin. For further details, please refer to the paragraph headed "History, Development and Reorganisation — Major Acquisition during the Track Record Period" in this document.

Mr. Fei received his associate degree in accounting from Shandong University of Finance (currently known as Shandong University of Finance and Economics) in the PRC in July 1993. He obtained an intermediate qualification certificate in accounting issued by Ministry of Finance in October 2001.

Non-executive Directors

Mr. Luan Tao (欒濤), aged 69, is our non-executive Director. He was appointed as a Director on 26 October 2020 and was re-designated as a non-executive Director of our Company on 25 May 2021. Mr. Luan is responsible for providing professional advice and judgement to the Board.

Mr. Luan has taken up an advisory role in Shandong Runhua by becoming one of the shareholders of Shandong Runhua since July 2015. As of the Latest Practicable Date, Mr. Luan is also the director of Runhua Property BVI and Runhua Development.

Mr. Luan has more than 20 years of experience in business management. Prior to joining our Group, From July 1988 to July 1993, Mr. Luan served in various roles of Shandong Automobile Sales Company* (山東省汽車銷售公司)(currently known as Runhua Group Company), and the last positions of Mr. Luan were the deputy chairman of the Board and deputy general manager. Since July 1993, Mr. Luan has been serving Runhua Group Company as the current chairman of the board. Mr. Luan was awarded the Dezhou Ambassador of Talent Introduction (德州市引才大使) by Dezhou Municipal Committee of the Communist Party of China and Dezhou Municipal People's Government in October 2018. He was also awarded the "Outstanding Figures of Automobile Distribution Service Industry for Commemorating the 40th Anniversary of China's Reform and Opening Up (紀念改革開放40周年中國汽車經銷服務行業傑出人物) by China AUTO Dealers under Chamber of Commerce (中華工商業聯合會汽車經銷商商會) in December 2018.

Mr. Luan graduated from Dezhou Normal College (德州師範專科學院) in the PRC in July 1987. Mr. Luan is the father of Mr. HQ Luan and the spouse of Ms. Liang. He is also one of our Controlling Shareholders.

Mr. Luan Hangqian (欒航乾), aged 41, is our non-executive Director. He was appointed as a Director on 30 June 2020 and was re-designated as a non-executive Director of our Company on 25 May 2021, Mr. HQ Luan is responsible for providing professional advice and judgement to the Board.

Mr. HQ Luan has taken up an advisory role in Shandong Runhua by becoming one of the shareholders of Shandong Runhua since October 2016. As of the Latest Practicable Date, Mr. HQ Luan also held several directorships in our subsidiaries, being Runhua Property BVI, Runhua Holdings HK, Shandong Runhua and Runhua Development.

Mr. HQ Luan has more than 10 years of experience in business management. Prior to joining our Group, Mr. HQ Luan joined Runhua Group Company since August 2007 and he has been currently serving as vice president. Since December 2013, Mr. HQ Luan has been serving as the chairman of the board of Runhua Automobile Holdings Ltd.* (潤華汽車控股有限公司), a company which scope of business includes information consulting service and finance consulting, where he is responsible for formulating overall operations and management of the company. Since May 2016, Mr. HQ Luan has been serving as a director of Runhua Insurance, a company listed on the NEEQ and is principally engaged in sales agents insurance.

Mr. HQ Luan received his bachelor's degree in finance from Shanghai Fudan University in the PRC in July 2004 and he subsequently received his master's degree in economics from Shandong University in the PRC in June 2007. Mr. HQ Luan is the son of Mr. Luan and Ms. Liang. He is also one of our Controlling Shareholders.

Mr. Cheng Xin (程欣), aged 51, is our non-executive Director. He was appointed as a Director on 30 June 2020 and was re-designated as a non-executive Director of our Company on 25 May 2021. Mr. Cheng is responsible for providing professional advice and judgement to the Board.

Mr. Cheng joined our Group in September 2015 as the director of Shandong Runhua. As of the Latest Practicable Date, Mr. Cheng also held several directorships in our subsidiaries, being Runhua Property BVI, Shandong Runhua and Runhua Development.

Mr. Cheng has more than 20 years of experience in human resources and administrative management. Mr. Cheng has been serving in various roles of Runhua Group Company since March 1997, and successively served as manager of the export department, deputy chief of the secretary division of the president office, director of the general manager's office, director of the board office, manager of the human resources department and director of human resource and he currently serves as vice president. Since May 2016, Mr. Cheng has been serving as a director of Runhua Insurance.

Mr. Cheng received his bachelor's degree in international economy from Renmin University of China in the PRC in July 1994 and he subsequently received his master's degree in management from Shandong University in the PRC in December 2006. Mr. Cheng obtained level 1 enterprise human resources professional qualification issued by the Ministry of Human Resources and Social Security in August 2010. Mr. Cheng also obtained the senior economist qualification issued by Shandong Provincial Economic Vocational Qualification Senior Evaluation Committee(山東省經濟職業資格高級評估委員會) in December 2003.

Independent non-executive Directors

Ms. Chen Haiping (陳海萍), aged 45, is the independent non-executive Director of our Company. She was appointed as an independent non-executive Director on [●]. Ms. Chen Haiping is responsible for supervising and offering independent judgement to the Board.

Ms. Chen Haiping has over 10 years of finance and accounting experience. From July 1999 to August 2002, Ms. Chen Haiping served as business director in Industrial and Commercial Bank of China (Beihai Branch) (中國工商銀行北海市分行). From August 2007 to July 2009, Ms. Chen Haiping served in Greatwall Agri (Tieling) Co., Ltd.(大成農牧（鐵嶺）有限公司), a subsidiary of Dachan Food (Asia) Limited (stock code: 3999.HK). Since July 2009, Ms. Chen Haiping has been the chief financial officer of Huabei area of Beijing Shenghe Real Estate Development Co., Ltd.(北京升和房地產開發有限公司), a company principally engages in is real estate development and operations, where she was responsible for, amongst others, the company's fund-raising management and daily fund operations and providing financial professional advice in respect of the investment and financing decisions made by the management team of the company.

Ms. Chen Haiping received her bachelor's degree in international trade from Southwestern University of Finance and Economics (西南財經大學) in the PRC in July 1999 and subsequently obtained an Master's Degree in Business Administration (MBA) from Tsinghua University (清華大學) and an international Master's Degree in Business Administration (IMBA) from Massachusetts Institute of Technology in July 2004 through the Tsinghua-MIT Global MBA Program. She is qualified as a non-practising member of The Chinese Institute of Certified Public Accountants in July 2014.

Ms. Bao Ying (鮑穎), aged 63, is the independent non-executive Director of our Company. She was appointed as an independent non-executive Director on [●]. Ms. Bao Ying is responsible for supervising and offering independent judgement to the Board.

Ms. Bao Ying has many years of medical experience. From 2000 to 2005, Ms. Bao Ying served as the director of electrocardiogram room of Shandong Carbon Mine Taishan Nursing Home (山東省煤碳泰山療養院). From December 2005 to June 2018, Ms. Bao Ying successively served as the deputy physician and chief physician of Internal Medicine Department of Tai'an Central Hospital (泰安市中心醫院).

Ms. Bao Ying received her bachelor's degree in clinical medicine from Shandong First Medical University (Shandong Academy of Medical Sciences) (formerly known as Taishan Medical School*) in the PRC in July 2011. She obtained an attending physician qualification issued by the Ministry of Human Resources and Social Security in Shandong Province in August 2015.

Ms. He Murong (何慕蓉), aged 32, is the independent non-executive Director of our Company. She was appointed as an independent non-executive Director on [●]. Ms. He Murong is responsible for supervising and offering independent judgement to the Board.

Ms. He Murong has over nine years of experience in human resources and administrative management. From June 2012 to December 2014, Ms. He Murong served as the assistant to the chairman of the board of directors of Guangzhou Honghai Human Resources Group Co., Ltd* (廣州紅海人力資源集團股份有限公司), where she was responsible for, amongst others, assisting the chairman of the board of directors in supervising the arrangement, inspection and implementation of the work of the company. Since January 2015, Ms. He Murong has been serving as the chief operating officer of Guangzhou Redsea Cloud Computing Co., Ltd. (廣州紅海雲計算股份有限公司) (NEEQ: 873049), a company which is principally engaged in provision of software products and software service, where she is responsible for overseeing the day-to-day administrative and operational functions of the company.

Ms. He Murong received her bachelor's degree in business management from Hunan University (湖南大學) in the PRC in July 2020. She obtained level 1 enterprise human resources professional qualification issued by the Ministry of Human Resources and Social Security in December 2014.

Save as disclosed herein, none of our Directors held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this document. There is no other information relating to the relationship of any of our Directors with other Directors, Supervisors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A to the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our Group also has the following senior management members to carry out our daily operation. Our senior management is responsible for the day-to-day management of our business.

Mr. Zhang Yuqiang (張玉強), aged 44, is our deputy general manager. He served as a manager of Shandong Runhua Marketing Department in April 2011, and was then promoted to the deputy general manager of Shandong Runhua in March 2017. He also has been serving as the executive director of Jinan Runwu Landscape since December 2018. Mr. Zhang Yuqiang is responsible for overseeing the marketing department and rail transit business of our Group.

Prior to joining our Group, Mr. Zhang Yuqiang served as an administration specialist of Runhua Group Company from April 2008 to March 2011.

Mr. Zhang Yuqiang graduated from China University of Petroleum (UPC) in the PRC in July 2019 with a major in civil engineering by way of online learning.

Mr. Li Yi (李毅), aged 46, is our deputy general manager. He joined our Group in October 2002 and served as the security supervisor of Shandong Runhua. He also has been serving as the executive director of Shandong Shanyou and Jinan Runwu Construction since November 2017 and December 2018. Mr. Li Yi is responsible for overseeing our daily business operations and assisting in overall management of our Group.

Mr. Li Yi graduated from Yantai University in the PRC with a major in business management in January 2008. He is also an accredited property manager by the Ministry of Housing and Urban-Rural Development since December 2012.

Ms. Li Yanyan (李豔豔), aged 41, is our deputy general manager. She joined our Group in July 2001 and she served in various roles in Shandong Runhua, including an assistant from July 2001 to October 2002, a project manager from October 2002 to December 2006, an assistant to the general manager from January 2007 to December 2007, secretary to the board of directors of Shandong Runhua from September 2015 to August 2019 and deputy general manager since January 2008. Ms. Li Yanyan is responsible for overseeing our daily business operations and assisting in overall management of our Group.

Ms. Li Yanyan graduated from Shandong University of Finance (currently known as Shandong University of Finance and Economics) in the PRC with a major in property management and construction cost management in July 2001. She is also a certified property manager recognised by the Ministry of Housing and Urban-Rural Development since December 2011.

Ms. Chen Jie (陳杰), aged 44, is our deputy general manager. She joined our Group in July 2001 and she served in various roles in Shandong Runhua, including an assistant from July 2001 to December 2002, a manager of the development department from January 2003 to December 2003, a project manager from January 2004 to December 2005, a manager of the development department from January 2006 to March 2008 and a deputy general manager since April 2008. Ms. Chen Jie is responsible for assisting our general manager to promote overall operation management of our Group.

Ms. Chen Jie received his bachelor's degree in real estate operation and management from Shandong Institute of Architecture & Engineering (currently known as Shandong Jianzhu University) in the PRC in July 2001. She obtained the intermediate economist (business management) qualification issued by the Ministry of Human Resources and Social Security in February 2012 and she is also a certified property manager recognised by the Ministry of Housing and Urban-Rural Development since June 2014.

Ms. Fu Lili (傅麗莉), aged 44, is our chief financial officer since April 2020. She joined our Group in April 2020 as chief financial officer of Shandong Runhua. Ms. Fu Lili is responsible for overseeing the financial and taxation affairs of our Group.

Prior to joining our Group, Ms. Fu Lili served as a manager of the finance department of Runhua Automobile Holdings Ltd* (潤華汽車控股有限公司) from June 2008 to October 2009. From November 2009 to November 2010, Ms. Fu Lili served as a listing manager of Runhua Group. From December 2010 to December 2015, Ms. Fu Lili served as a senior financial manager of Runhua Group, where she is responsible for reviewing the financial data of the company. From January 2016 to December 2017, Ms. Fu Lili served as a chief financial officer of Shandong Runhua Pharmaceutical Company Limited* (山東潤華藥業有限公司). From January 2018 to December 2020, Ms. Fu Lili served as the deputy general manager of the finance department of Runhua Group.

Ms. Fu Lili graduated from the Party School of Shandong Provincial Committee (山東省委黨校) in the PRC with a major in financial management in December 2009. She obtained her senior accountant qualification from the Ministry of Human Resources and Social Security of Jinan (濟南市人社局) in June 2019.

Mr. Ma Xun (馬迅), aged 47, is our secretary to the Board since October 2020. He joined our Group in October 2020. Mr. Ma Xun is responsible for the daily work of the Board, information disclosure and investor relations management of our Group.

Prior to joining our Group, Mr. Ma Xun served as the chief financial officer of Qingdao Runhua Automobile Sales Service Co., Ltd.* (青島潤華汽車銷售服務有限公司), a company which scope of business includes motor vehicle repair and maintenance, where he was responsible for the financial planning of the company, from March 2006 to March 2010. From March 2010 to May 2016, Mr. Ma Xun served as the deputy general manager of the finance department of Runhua Group Company. From May 2016 to October 2020, Mr. Ma Xun served as the deputy general manager and secretary to the board of Runhua Insurance.

Mr. Ma Xun received his bachelor's degree in management from Shandong University in the PRC in October 2000 and master's degree in project management engineering from Shandong University in June 2014. He obtained the qualification certificate of secretary to the board of directors issued by the Shenzhen Stock Exchange in August 2016 and the qualification certificate of Secretary to the board of directors issued by NEEQ in November 2017. He also obtained the senior economist qualification issued by the Ministry of Human Resources and Social Security of Jinan in June 2019.

COMPANY SECRETARY

Ms. Szeto Kar Yee Cynthia (司徒嘉怡) was appointed as our company secretary on 25 May 2021. Ms. Szeto Kar Yee Cynthia is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. She obtained a bachelor's degree of Arts in Language Studies with Business from The Hong Kong Polytechnic University in November 2004 and a master's degree of Science in Professional Accounting and Corporate Governance from City University of Hong Kong in July 2012. Ms. Szeto has more than 10 years of professional and in-house experience in company secretarial field. She is an assistant manager of the listing services department of TMF Hong Kong Limited and is responsible for providing corporate secretarial and compliance services to listed companies. She is currently a company secretary / joint company secretary of Inke Limited (stock code: 3700.HK), Ming Yuan Cloud Group Holdings Limited (stock code: 909.HK) and First Service Holding Limited (stock code: 2107.HK).

COMPETING INTERESTS

Save as disclosed in this document, none of our Directors or any of their respective associates had interests in any other companies as of the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

BOARD COMMITTEES

We have established the following committees within our Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board of Directors and Rule 3.21 and Rule 3.25 of the Listing Rules.

Audit Committee

We have established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee consists of three members, namely, Ms. Chen Haiping, Mr. Yang Liqun and Ms. Bao Ying. Ms. Chen Haiping, who is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairlady of the Audit Committee.

Remuneration Committee

We have established a remuneration committee (the "**Remuneration Committee**") in compliance with Rule 3.25 of the Listing Rules and with written terms of references in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee consists of three members, namely Ms. He Murong, Mr. Yang Liqun and Ms. Chen Haiping. Ms. He Murong currently serves as the chairlady of the Remuneration Committee.

Nomination Committee

We have established a nomination committee (the "**Nomination Committee**") in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee will also consider the candidate(s)' ability to devote sufficient time to fulfil the duties of the Directors and members of the special committees of the Board and consider the candidate(s) of independent non-executive director(s)' ability to devote sufficient time to the Board if the candidate(s) will be holding his/her seventh (or more) listed company directorships. The Nomination Committee consists of three members, namely Mr. Yang Liqun, Ms. He Murong and Ms. Bao Ying. Mr. Yang Liqun currently serves as the chairman of the Nomination Committee.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of our Board that are relevant to our business growth and support the execution of our business strategy. Pursuant to our Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board comprises eight members, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Our Board members also obtained degrees in various majors including accounting, applied chemistry, business administration, clinical medicine, economics, finance, international economy, management. Furthermore, the ages of our Directors range from 31 years old to 68 years old.

We note that there are three out of eight of our Directors and three out of six senior management members are female upon **[REDACTED]**, we will continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy as a whole, and we have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels.

After **[REDACTED]**, we will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our Board Diversity Policy. In particular, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group's business plans, our Group will actively identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee quarterly in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For details of the service contracts and appointment letters that we have entered into with our Directors, please refer to the paragraph headed "C. Further Information about our Directors and Substantial Shareholders—2. Particulars of Service Contracts" in Appendix V to this document.

The aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and benefits in kind we paid to our Directors in respect of FY2019, FY2020, FY2021 and 1H2022 were approximately RMB975,000, RMB3,073,000, RMB1,557,000 and RMB662,000, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in the Accountant's Report in Appendix I to this document.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending 31 December 2022 is expected to be approximately RMB1.7 million.

The five highest paid individuals of our Group for FY2019, FY2020, FY2021 and 1H2022 included 2, 2, 2 and 2 Directors, respectively, whose remuneration is included in the aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and benefits in kind we paid to the relevant Directors as set out above. For FY2019, FY2020, FY2021 and 1H2022, the aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and benefits in kind paid to the remaining 3, 3, 3 and 3 individuals were RMB1,071,000, RMB2,909,000, RMB2,009,000 and RMB1,169,000, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period is set out in the Accountant's Report in Appendix I to this document.

During the Track Record Period, no remuneration was paid to any Director or any of the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

COMPLIANCE ADVISER

We have appointed Zhongtai International Capital Limited as our compliance adviser (the "**Compliance Adviser**") pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 of the Listing Rules, the Compliance Adviser will advise the Company in certain circumstances and/or matters including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser will commence on the **[REDACTED]** and will end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the **[REDACTED]**. Such appointment may be subject to extension by mutual agreement.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules after the **[REDACTED]**.

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the **[REDACTED]**.

SHARE INCENTIVE SCHEME

Our Company [has conditionally adopted] the **[REDACTED]** Share Option Scheme. The purpose of the **[REDACTED]** Share Option Scheme is to reward the participants defined under the **[REDACTED]** Share Option Scheme for their past contribution to the success of our Group and to provide incentives to them to further contribute to our Group. For details, please refer to the paragraph headed "D. Share Incentive Scheme" in Appendix V to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** and **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued pursuant to the **[REDACTED]** Share Option Scheme), the following persons or entities will have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly and/or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Nature of interest	Shares held as of the Latest Practicable Date(2)		Shares held immediately following the completion of the [REDACTED] and [REDACTED](1)(2)	
		Number	Percentage	Number	Percentage
Mr. Luan(3)(4)	Interest in a controlled corporation; interest held jointly with another person; and interest of spouse	152,870,000(L)	75.68%	**[REDACTED]**(L)	**[REDACTED]**
Mr. HQ Luan(4)(5)	Interest in a controlled corporation; and interest held jointly with another person	152,870,000(L)	75.68%	**[REDACTED]**(L)	**[REDACTED]**
Ms. Liang(3)(4)(6)	Interest in a controlled corporation; interest held jointly with another person; and interest of spouse	152,870,000(L)	75.68%	**[REDACTED]**(L)	**[REDACTED]**
Springrain Investment	Beneficial owner	152,870,000(L)	75.68%	**[REDACTED]**(L)	**[REDACTED]**

Notes:

(1) Assuming the **[REDACTED]** is not exercised and without taking into account any Shares may be issued pursuant to the **[REDACTED]** Share Option Scheme.

(2) The letter "L" denotes the person's long position in the Shares.

(3) Springrain Investment is 59.85% held by Mr. Luan. Therefore, Mr. Luan is deemed to be interested in the Shares which Springrain Investment is interested in under the SFO. Mr. Luan is the spouse of Ms. Liang and therefore Mr. Luan is deemed to be interested in the Shares held by Ms. Liang.

(4) On 18 June 2021, Mr. Luan, Mr. HQ Luan and Ms. Liang entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter, details of which are set out in the section headed "History, Development and Reorganisation — Acting in Concert Arrangement" of this document. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, i.e. Springrain Investment, Mr. Luan, Mr. HQ Luan and Ms. Liang is deemed to be interested in approximately 75.68% of the issued share capital of our Company as of the Latest Practicable Date.

(5) Springrain Investment is 37.10% held by Mr. HQ Luan. Therefore, Mr. HQ Luan is deemed to be interested in the Shares which Springrain Investment is interested in under the SFO.

(6) Springrain Investment is 3.05% held by Ms. Liang. Therefore, Ms. Liang is deemed to be interested in the Shares which Springrain Investment is interested in under the SFO. Ms. Liang is the spouse of Mr. Luan and therefore Ms. Liang is deemed to be interested in the Shares held by Mr. Luan.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the **[REDACTED]** and **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued pursuant to the **[REDACTED]** Share Option Scheme), have interests or short positions in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and/or any of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of our authorised and issued share capital of our Company issued and to be issued, fully paid or credited as fully paid immediately following the completion of the **[REDACTED]** and **[REDACTED]**:

		Total nominal value (US$)
Authorised share capital		
500,000,000	Shares of US$0.0001 each as at the date of this document	50,000
Issued and to be issued, fully paid or credited as fully paid		
202,000,000	Shares in issue as at the date of this document	20,200
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	**Total**	**[REDACTED]**

Immediately after the completion of the **[REDACTED]** and **[REDACTED]** and assuming the **[REDACTED]** is fully exercised, the share capital of our Company will be as follows:

		Total nominal value (US$)
Authorised share capital		
500,000,000	Shares as at the date of this document	50,000
Issued and to be issued, fully paid or credited as fully paid		
202,000,000	Shares in issue as at the date of this document	20,200
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the exercise of the **[REDACTED]**	**[REDACTED]**
[REDACTED]	**Total**	**[REDACTED]**

ASSUMPTIONS

The above tables assume that the **[REDACTED]** becomes unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the **[REDACTED]** and **[REDACTED]**. The above does not take into account any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any Shares which may be allotted and issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the **[REDACTED]** and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The **[REDACTED]** will be ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, each of which carries the same rights as the other shares.

Pursuant to the Cayman Companies Act and the terms of our Memorandum and Articles of Association, our Company may from time to time by shareholders' ordinary resolution (i) increase its share capital; (ii) consolidate and divide its share capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) sub-divide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provision of the Cayman Companies Act, reduce its share capital or capital redemption reserve by shareholders' special resolution.

For more details, please refer to the section headed "Summary of the constitution of the Company and Cayman Islands Company Law" in Appendix IV to this document.

SHARE INCENTIVE SCHEMES

We [have conditionally adopted] the **[REDACTED]** Share Option Scheme. The principal terms of the **[REDACTED]** Share Option Scheme are summarised under the paragraph headed "D. Share Incentive Scheme" in Appendix V to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure and Conditions of the **[REDACTED]** — Conditions of the **[REDACTED]**" in this document, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(a) a rights issue;

(b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;

(c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(i) 20% of the total nominal value of our share capital in issue immediately following the completion of the **[REDACTED]** and **[REDACTED]** (but excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]**); and

(ii) the total nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to in the paragraph headed ''General Mandate to Repurchase Shares'' below.

This general mandate to issue Shares will expire:

(1) at the conclusion of our next annual general meeting; or

(2) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please see the paragraph headed "A. Further Information about Our Group — 4. Written resolutions of the Shareholders passed on [●]" in Appendix V to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed ''Structure and Conditions of the **[REDACTED]** — Conditions of the **[REDACTED]**'' in this document, our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase Shares with a total nominal value of not more than 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and **[REDACTED]** (but excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]**).

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are **[REDACTED]** (and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further Information about our Group — 5. Repurchase of our Shares by our Company" in Appendix V to this document.

This general mandate to repurchase Shares will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please see the paragraph headed "A. Further Information about our Group — 4. Written resolutions of the Shareholders passed on [●]" in Appendix V to this document.

The following discussion and analysis should be read in conjunction with the consolidated financial information together with the accompanying notes in the Accountant's 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 Accountant's 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 third 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 leasing services; 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 46 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 163, 194, 233 and 239 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 leasing services; 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 "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) TOP500 Property Management Companies of China in 2020 (2020年物業服務企業綜合實力測評TOP500); (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 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 "Selected Items of the 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 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.

Early application of HKFRS 16

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing our historical financial information, all HKFRSs effective for the accounting period commencing from 1 January 2020, including HKFRS 16 *Leases* together with the relevant transitional provisions, have been early adopted by our Group throughout the Track Record Period. We are of the view that the adoption of HKFRS 16, among others, does not have significant impact on our consolidated financial position and performance. The new and revised HKFRSs that have been issued but are not yet effective in this historical financial information are set out in Note 2.3 to the Accountants' Report included as Appendix I to this document.

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*	*RMB'000*
				(Unaudited)	
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	27,108	48,692	44,451	12,532	20,180

Non-GAAP measures

We recognised non-recurring items in the Track Record Period. To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also present the adjusted profit before tax, adjusted profit for the years and adjusted net profit margin as non-GAAP measures.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of non-recurring **[REDACTED]** and share-based payment, which is considered not indicative for evaluation of the actual performance of our business. We believe that these non-GAAP 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.

	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
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 before tax	37,592	66,795	67,151	27,210	31,029
Adjusted profit for the year	27,898	53,631	55,158	21,710	23,575
Adjusted net profit margin for the year	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 leasing services; 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 leasing services	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 143 in FY2019 to 211 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 service scope for automobile industrial parks managed by our related parties, which led to an increase in revenue contribution from approximately RMB10.6 million for 1H2021 to approximately RMB13.3 million for 1H2022.

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	31	143,776	39.2	30	144,715	36.0	46	215,941	39.8	33	98,786	39.4	46	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	**163**	**366,970**	**100.0**	**194**	**402,198**	**100.0**	**233**	**542,838**	**100.0**	**200**	**250,679**	**100.0**	**239**	**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 163, 194, 233 and 239, 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 30 and 95 in FY2020 to 46 and 104 in FY2021, respectively. The number of hospitals and public properties increased from 128 for 1H2021 to 151 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*	94	203,790	55.5	105	230,857	57.4	119	261,331	48.1	105	137,268	54.7	127	150,819	49.1
- *Other regions*	65	144,636	39.4	84	152,525	37.9	106	244,648	45.1	89	100,905	40.3	104	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	163	366,970	100.0	194	402,198	100.0	233	542,838	100.0	200	250,679	100.0	239	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 leasing services

For FY2019, FY2020, FY2021 and 1H2022, our revenue generated from property leasing services 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 leasing services during the Track Record Period was primarily driven by the number and occupancy rate of the properties leased for the provision of property leasing services.

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 leasing services, 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 leasing services	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	47.1	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 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 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 17.1% in FY2019 to 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 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.

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. 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 years, 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 RMB0.8 million, RMB0.9 million, RMB1.9 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.

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 our Controlling Shareholders Group, 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 our Controlling Shareholders Group. 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 conservative approach in expanding their business and have decided to cancel certain pre-delivery and other services, such as cleaning, repairs and maintenance and setup of 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%, 47.1% 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.

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.

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 leasing services

For FY2019, FY2020, FY2021 and 1H2022, we recorded gross profit margin of our property leasing service segment of approximately 31.7%, 49.0%, 13.0% and 3.5%, respectively. The gross profit margin of our property leasing service segment increased from 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 leasing services 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 leasing business but was vacant.

For 1H2022, the gross profit margin of property leasing services was at a relatively lower level of approximately 3.5% due to the fact that we rented a sizeable investment property with the gross floor area of 38,327.16 sq.m. located in Jinan City in December 2021 with an annual rent of approximately RMB14.0 million. We started to lease out a limited part of the investment property to tenants since April 2022.

The relatively high gross profit margin from related parties in property leasing services 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 45.7%, 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 (Unaudited)*	*RMB'000*
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 RMB18.2 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

	FY2019		FY2020		FY2021		1H2021		1H2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
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 the 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 the 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 the 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

The year ended 31 December 2020 compared to the year ended 31 December 2019

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 "Selected Items of the 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 "Selected Items of the 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 RMB65.0 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.

The year ended 31 December 2021 compared to the year ended 31 December 2020

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 "Selected Items of the 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.

The six months ended 30 June 2022 compared to the six months ended 30 June 2021

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 "Selected Items of the 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 RMB5.7 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**
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

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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

We recorded investments in associates of approximately RMB125.2 million, RMB131.5 million, RMB127.7 million, RMB131.5 million as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively. The increase in our investments in associates from approximately RMB125.2 million as at 31 December 2019 to RMB131.5 million as at 31 December 2020, decreased to RMB127.7 million as at 31 December 2021 and then increased to RMB131.5 million as at 30 June 2022 were due to the corresponding increase and decrease in share of net assets of Tianjin Tianfu. 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 leasing services. 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	140,718
1 to 2 years	310	420	433	1,261
Over 2 years	1,574	1,617	1,673	1,747
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 July 2022, we had successfully collected approximately RMB37.6 million or 26.2% of the outstanding balance of our trade receivables (before provision for impairment) as at 30 June 2022.

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 the 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 the Group's investment criteria and pursuant to the Group's request for wealth management purpose. The Independent Borrower was recommended by the Trustee to the Group to participate in the Entrusted Loan Arrangement as borrower. The 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 abovementioned, we did not enter into any other similar entrusted loan arrangement during the Track Record Period. 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 8 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.

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.

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. Our financial assets at fair value through profit or loss represent wealth management products purchased from commercial banks in the PRC. 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.

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 the year ended 31 December 2020 to 31.9 days for the year ended 31 December 2021 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 July 2022, approximately RMB17.8 million, or approximately 57.8%, 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	65,000	—	—	—
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. 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 leasing services. Our other loans represented loans obtained from certain employees of our Group 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 adjustment to the original dividend payout ratio of Tianjin Tianfu for the year of 2020 from 50% to 20% in view of the cash availability of Tianjin Tianfu at the material time. The dividend of approximately RMB9.4 million was originally paid to our Group in December 2021 of which approximately RMB3.6 million was returned to Tianjin Tianfu as at the Latest Practicable Date.

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 RMB65.0 million during FY2020. The loans from employees carried fixed interest rates ranged from 0% to 5.0% per annum with loan period of one year, and were provided by more than a hundred employees of the 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.

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 the 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 the Group and secured with certificates of deposit owned by the 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 the 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 leasing services. 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 leasing services.

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* *(Unaudited)*	*RMB'000*
Net cash flows from 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 1H2022, our net cash used in operating activities amounted to approximately RMB30.3 million, which was primarily attributed to the changes in working capital, which primarily comprised the increase in trade receivables of approximately RMB56.5 million and the decrease in trade payables of approximately RMB11.9 million. 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.

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, acquisition of interest from 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 RMB65.0 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 RMB65.0 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 July
	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	152
Trade receivables	52,783	73,254	85,028	140,720	155,195
Contract assets	3,971	—	8,729	8,035	7,502
Prepayments, other receivables and other assets	46,572	137,779	21,344	23,981	22,668
Financial assets at fair value through profit or loss	—	—	—	12,014	—
Finanical assets at amortised cost	—	—	9,900	—	—
Restricted deposits	—	1,582	11,894	5,245	1,245
Cash and cash equivalents	34,775	119,323	112,080	48,523	53,526
Total current assets	144,401	332,148	249,098	238,667	240,288
CURRENT LIABILITIES					
Trade payables	9,127	42,465	42,696	30,840	34,606
Other payables and accruals	147,560	131,217	106,897	105,980	104,355
Interest-bearing bank and other borrowings	50,000	142,050	41,140	21,140	21,140
Lease liabilities	2,184	3,085	6,718	10,916	10,956
Tax payable	7,043	8,263	7,592	9,290	9,757
Total current liabilities	215,914	327,080	205,043	178,166	170,943
NET CURRENT (LIABILITIES) / ASSETS	(71,513)	5,068	44,055	60,501	69,346

We recorded net current assets of approximately RMB5.1 million, RMB44.1 million, RMB60.5 million and RMB69.3 million as at 31 December 2020, 31 December 2021, 30 June 2022 and 31 July 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 the 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 RMB69.3 million as at 31 July 2022 primarily due to the increase in trade receivables of RMB14.5 million and cash and cash equivalents of RMB5.0 million, partially offset by the decrease in financial assets at fair value through profit or loss of RMB12.0 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:

	As at/for the year ended 31 December			As at/for the six months ended 30 June
Financial metrics	**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 the six months ended 30 June 2022 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 the six months ended 30 June 2022 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 "Our 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 the 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 July 2022:

	As at 31 December			As at 30 June	As at 31 July
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT INDEBTEDNESS					
Loans from employees	65,000	—	—	—	—
Interest-bearing bank borrowings	50,000	121,050	41,140	21,140	21,140
Other loans	—	21,000	—	—	—
Lease liabilities	2,184	3,085	6,718	10,916	10,956
NON-CURRENT INDEBTEDNESS					
Interest-bearing bank borrowings	—	66,860	55,680	64,580	64,580
Lease liabilities	18,641	28,268	47,638	84,754	84,090
TOTAL	135,825	240,263	151,176	181,390	180,766

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 RMB65.0 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 0% to 5% per annum with loan period of one year, and were provided by more than a hundred employees of the Group. Among the RMB65.0 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

A loan of RMB4.7 million provided by our manager of accounting and finance department (the "**Employee A**") was interest-free. Such arrangement was due to the fact that Employee A had borrowed a personal loan of RMB4.7 million from Mr. Luan, our Controlling Shareholder, which was interest-free for her personal use and based on the instruction of Mr. Luan, Employee A transferred the RMB4.7 million to our Group, and we recorded such transfer as an interest-free loan to our Group under the Employee Loan.

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 the 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 RMB85.7 million as at 31 December 2019, 2020, 2021, 30 June 2022 and 31 July 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 the Group and secured with certificates of deposit which amounted to RMB10.0 million owned by the 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 the 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 and 31 July 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.

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 this document, 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 July 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 RMB95.0 million as at 31 December 2019, 2020 and 2021, 30 June 2022 and 31 July 2022, respectively.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, save as disclosed in this document, 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 30 June 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)]
Add: Valuation surplus	24,379
Valuation of the subject property interests as at 30 June 2022 set out in Appendix III to this document	121,973[(ii)]

Notes:

(i) Such amount represented the net book value of the same property interests as in Appendix III — Property Valuation Report.

(ii) Such amount represented the valuation of our Group's property interest as at 30 June 2022, which comprised market values of RMB19.0 million and reference values of RMB103.0 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. 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 the provision of our property management services to entities controlled by Mr. Luan and the provision of our property engineering services and landscape construction services to entities controlled by Mr. HQ Luan. 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 RMB65.0 million with an annual interest rate of 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.

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 the 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 the 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$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]**), we expect to incur estimated total **[REDACTED]** of approximately HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), including **[REDACTED]** commissions of approximately HK$**[REDACTED]** million (RMB**[REDACTED]** million) and non-**[REDACTED]** related expenses of approximately HK$**[REDACTED]** million (RMB**[REDACTED]** million), which consist of (a) fees paid and payable to **[REDACTED]** and Reporting Accountants of approximately HK$**[REDACTED]** million (RMB**[REDACTED]** million); and (ii) other fees and expenses, including sponsor fees, of approximately HK$**[REDACTED]** million (RMB**[REDACTED]** million). Among the estimated aggregate amount of our estimated **[REDACTED]**, (i) approximately HK$**[REDACTED]** million is expected to be charged to our consolidated statements of profit or loss, of which approximately **[REDACTED]** million was recognised as our profit or loss during the Track Record Period; and (ii) approximately HK$**[REDACTED]** million is expected to be accounted for as a deduction from equity upon the **[REDACTED]**. Expenses in relation to the **[REDACTED]** are non-recurring in nature. 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 or to be capitalised 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]**), the **[REDACTED]** as a percentage of gross **[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.

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$**[REDACTED]**, being the mid-point of the indicative **[REDACTED]**, and after deducting related **[REDACTED]** fees and estimated expenses in connection with the **[REDACTED]** and the **[REDACTED]** is not exercised, our Group estimates that the aggregate **[REDACTED]** to our Company from the **[REDACTED]** will be approximately HK$**[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:

  (a) approximately **[REDACTED]**, or HK$**[REDACTED]** million, within the next one to three years, for acquisitions of property management service providers with a focus on non-residential properties 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.

- **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 December 2021, 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 four to seven 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 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.

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

(b) approximately **[REDACTED]**, or HK$**[REDACTED]** million, within the next one to three years, for obtaining new projects located in areas of strategic importance to our business, through collaboration with state-owned enterprises and third-party property developers. We believe these strategic collaborations will enable us to: (i) strengthen our business relationship with these business partners and increase our chances of securing property management agreements for properties developed/operated by them; (ii) share the risk and costs with them arising from entering into new markets; and (iii) leverage the geographic coverage and customer base of our business partners to enlarge our market shares and diversify the sources and types of property projects under our management.

The key factors we will consider in selecting targets for setting up strategic collaborations and forming joint ventures or associated companies are the following selection criteria with therein.

- **Background and size** — We primarily target the business partners who are sizeable state-owned enterprises and/or listed companies.
- **Business focus** — We primarily target the business partners who operate either hospitals and medical-related institutions or public facilities.
- **Collaboration method** — We consider to (i) establish strategic collaboration with business partners for securing new property management projects from them and carry out in-depth cooperation in various aspects, such as staff training; and (ii) form joint ventures and/or associated companies with the business partners to share the risk and costs arising from entering into new markets.

In November 2020, we had established Shandong Yongyuan with an airport operator and as at the Latest Practicable Date, we have secured three property management agreements for Heze Mudan Airport (菏澤牡丹機場), with the aggregate contract value of approximately RMB5.8 million. Our Directors believe that investment in new business collaboration is cost effective and has a high growth potential.

- 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 data collection function 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.

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]**.

- approximately **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** 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:

Position	Preferred experience and/or qualification	Annual salary for each staff	Number of staff to be recruited	Approximate [REDACTED]
		RMB'000		*HK$'000*
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.

- approximately **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), for upgrading our existing equipment by acquiring new automated machineries and equipment to improve our operational efficiency, mainly for rendering cleaning and disinfection services. The below table sets out the machineries and equipment that we plan to acquire:

Type of machineries and equipment	**Number**	**Estimated acquisition cost**
		HK$'000
Intelligent sterilisation robots	[52]	**[REDACTED]**
Floor scrubbers	[30]	**[REDACTED]**
Rider sweepers	[26]	**[REDACTED]**
Rider burnisher	[6]	**[REDACTED]**
Total:	[114]	**[REDACTED]**

- approximately **[REDACTED]**, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]** million), for general working capital.

If the **[REDACTED]** is set at the high- or low-end of the indicative **[REDACTED]**, 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]** of these additional Shares to be received by us, after deducting **[REDACTED]** fees and estimated expenses payable by us, will be approximately (i) HK$**[REDACTED]** million, assuming the **[REDACTED]** is fixed at the high-end of the indicative **[REDACTED]**, being HK$**[REDACTED]**; (ii) HK$**[REDACTED]** million, assuming the **[REDACTED]** is fixed at the mid-point of the indicative **[REDACTED]**, being HK$**[REDACTED]**; and (iii) HK$**[REDACTED]** million, assuming the **[REDACTED]** is fixed at the low-end of the indicative **[REDACTED]**, being HK$**[REDACTED]**. Any additional **[REDACTED]** received by us from the exercise of the **[REDACTED]** will also be **[REDACTED]** 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 intend to deposit the **[REDACTED]** into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong and/or the PRC. 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 **[REDACTED]** 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	Implementation activities	% of total [REDACTED]	Timeframe 2023	2024	[REDACTED]
		HK$'million			*HK$'million*	*HK$'million*	*HK$'million*
Business expansion	[REDACTED]	[REDACTED]	(i) Strategic acquisitions for property management companies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(ii) Collaboration with state-owned enterprises and peers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Upgrading information technology	[REDACTED]	[REDACTED]	(i) Integrating the data collection function 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]
			(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]

Major categories	% of total [REDACTED]	Amount	Implementation activities	% of total [REDACTED]	Timeframe 2023	2024	[REDACTED]
		HK$'million			*HK$'million*	*HK$'million*	*HK$'million*
			(x) Performing daily maintenance of the existing and new information technology systems	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Strengthening our manpower	[REDACTED]	[REDACTED]	(i) Recruiting appropriate talents	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(ii) Enhancing our training programmes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Upgrading our existing equipment	[REDACTED]	[REDACTED]	Acquiring new automated machineries and equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General corporate purposes	[REDACTED]	[REDACTED]	Working capital and other general corporate purposes	[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;
- 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

(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.

[REDACTED]

[REDACTED]

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RUNHUA INTELLIGENCE HEALTH SERVICE CO., LTD. AND ZHONGTAI INTERNATIONAL CAPITAL LIMITED

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Introduction

We report on the historical financial information of Runhua Intelligence Health Service Co., Ltd. (formerly known as Runhua Property Technology Development Inc) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-101, which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the statements of financial position of the Company as at 31 December 2020 and 2021 and 30 June 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-101 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 10 August 2022 (the "Document") in connection with the initial **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial

Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2019, 2020 and 2021, and 30 June 2022 and the financial position of the Company as at 31 December 2020 and 2021, and 30 June 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under The Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Certified Public Accountants
Hong Kong

10 August 2022

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			For the six months ended 30 June	
	Notes	2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	5	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	5	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	7	(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	6	36,802	61,856	56,444	18,032	27,634
Income tax expense	10	(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
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	11	RMB0.34	RMB0.27	RMB0.22	RMB0.06	RMB0.10

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			For the six months ended 30 June	
	Notes	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
PROFIT FOR THE YEAR/PERIOD		27,108	48,692	44,451	12,532	20,180
OTHER COMPREHENSIVE INCOME						
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:						
Equity investments designated at fair value through other comprehensive income:						
Changes in fair value		155	19	—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		27,263	48,711	44,451	12,532	20,180
Attributable to:						
Owners of the parent		27,263	48,693	44,300	12,342	20,164
Non-controlling interests		—	18	151	190	16
		27,263	48,711	44,451	12,532	20,180

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
	Notes	2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property and equipment	13	14,345	15,570	18,464	29,229
Investment properties	14	34,038	45,848	63,904	99,069
Right-of-use assets	15	—	—	1,285	332
Other intangible assets	16	1,313	3,322	2,995	2,798
Investments in associates	17	125,219	131,509	127,674	131,507
Deferred tax assets	18	4,520	3,869	3,260	5,708
Equity investments designated at fair value through other comprehensive income	19	4,981	—	—	—
Prepayments, other receivables and other assets	20	792	—	—	—
Total non-current assets		185,208	200,118	217,582	268,643
CURRENT ASSETS					
Biological assets	21	3,820	—	—	—
Inventories	22	2,480	210	123	149
Trade receivables	23	52,783	73,254	85,028	140,720
Contract assets	24	3,971	—	8,729	8,035
Prepayments, other receivables and other assets	20	46,572	137,779	21,344	23,981
Financial assets at fair value through profit or loss	19	—	—	—	12,014
Financial assets at amortised cost	19	—	—	9,900	—
Restricted deposits	25	—	1,582	11,894	5,245
Cash and cash equivalents	25	34,775	119,323	112,080	48,523
Total current assets		144,401	332,148	249,098	238,667
CURRENT LIABILITIES					
Trade payables	26	9,127	42,465	42,696	30,840
Other payables and accruals	27	147,560	131,217	106,897	105,980
Interest-bearing bank and other borrowings	28	50,000	142,050	41,140	21,140
Lease liabilities	15	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 (LIABILITIES)/ASSETS		(71,513)	5,068	44,055	60,501
TOTAL ASSETS LESS CURRENT LIABILITIES		113,695	205,186	261,637	329,144

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

		As at 31 December			As at 30 June
	Notes	2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	28	—	66,860	55,680	64,580
Lease liabilities	15	18,641	28,268	47,638	84,754
Deferred tax liabilities	18	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	29	—	—	1	1
Reserves	31	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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent						
	Paid-in capital	Share-based payment reserve*	Merger reserve*	Statutory reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Retained profits*	Total
	(note 29)	(note 30)	(note 31)	(note 31)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	—	2,048	55,163	1,645	(174)	8,250	66,932
Profit for the year	—	—	—	—	—	27,108	27,108
Other comprehensive income for the year:							
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	—	155	—	155
Total comprehensive income for the year	—	—	—	—	155	27,108	27,263
Equity-settled share-based compensation	—	790	—	—	—	—	790
Transfer from retained profits	—	—	—	2,691	—	(2,691)	—
At 31 December 2019	—	2,838	55,163	4,336	(19)	32,667	94,985

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

Year ended 31 December 2020

	Attributable to owners of the parent									
	Paid-in capital	**Share-based payment reserve***	**Merger reserve***	**Statutory reserve***	**Fair value reserve of financial assets at fair value through other comprehensive income***	**Retained profits***	**Treasury shares repurchased for share incentive scheme***	**Total**	**Non-controlling interests**	**Total equity**
	(note 29)	**(note 30)**	**(note 31)**	**(note 31)**			**(note 31)**			
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2020	—	2,838	55,163	4,336	(19)	32,667	—	94,985	—	94,985
Profit for the year	—	—	—	—	—	48,674	—	48,674	18	48,692
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	—	19	—	—	19	—	19
Total comprehensive income for the year	—	—	—	—	19	48,674	—	48,693	18	48,711
Capital contribution by the then equity holder of a subsidiary	—	—	1,100	—	—	—	—	1,100	—	1,100
Acquisition of interest from the then shareholders	—	—	(25,049)	—	—	—	—	(25,049)	—	(25,049)
Equity-settled share-based compensation	—	1,382	—	—	—	—	—	1,382	—	1,382
Dividends paid to the then equity holders of subsidiaries	—	—	—	—	—	(10,000)	—	(10,000)	—	(10,000)
Transfer from retained profits	—	—	—	4,673	—	(4,673)	—	—	—	—

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Attributable to owners of the parent									
	Paid-in capital	Share-based payment reserve*	Merger reserve*	Statutory reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Retained profits*	Treasury shares repurchased for share incentive scheme*	Total	Non-controlling interests	Total equity
	(note 29) RMB'000	(note 30) RMB'000	(note 31) RMB'000	(note 31) RMB'000	RMB'000	RMB'000	(note 31) RMB'000	RMB'000	RMB'000	RMB'000
Treasury shares repurchased for share incentive scheme	—	—	—	—	—	—	(1,200)	(1,200)	—	(1,200)
At 31 December 2020	—	4,220	31,214	9,009	—	66,668	(1,200)	109,911	18	109,929

Year ended 31 December 2021

	Attributable to owners of the parent									
	Paid-in capital	Share premium reserve*	Share-based payment reserve*	Merger reserve*	Statutory reserve*	Retained profits*	Treasury shares repurchased for share incentive scheme*	Total	Non-controlling interests	Total equity
	(note 29) RMB'000	(note 31) RMB'000	(note 30) RMB'000	(note 31) RMB'000	(note 31) RMB'000	RMB'000	(note 31) RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	—	—	4,220	31,214	9,009	66,668	(1,200)	109,911	18	109,929
Profit for the year	—	—	—	—	—	44,300	—	44,300	151	44,451

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Attributable to owners of the parent									
	Paid-in capital	Share premium reserve*	Share-based payment reserve*	Merger reserve*	Statutory reserve*	Retained profits*	Treasury shares repurchased for share incentive scheme*	Total	Non-controlling interests	Total equity
	(note 29)	(note 31)	(note 30)	(note 31)	(note 31)		(note 31)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive income for the year	—	—	—	—	—	44,300	—	44,300	151	44,451
Capital contribution from a shareholder	1	2,027	—	—	—	—	—	2,028	—	2,028
Equity-settled share-based compensation	—	—	1,877	—	—	—	—	1,877	—	1,877
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	—	—	(6)	(6)
Transfer from retained profits	—	—	—	—	4,718	(4,718)	—	—	—	—
At 31 December 2021	1	2,027	6,097	31,214	13,727	106,250	(1,200)	158,116	163	158,279

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

Six months ended 30 June 2022

	Attributable to owners of the parent										
	Paid-in capital	Treasury shares repurchased for share incentive scheme*	Share premium reserve*	Share-based payment reserve*	Merger reserve*	Statutory reserve*	Other reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	(note 29)	(note 31)	(note 31)	(note 30)	(note 31)	(note 31)					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	1	(1,200)	2,027	6,097	31,214	13,727	—	106,250	158,116	163	158,279
Profit for the period	—	—	—	—	—	—	—	20,164	20,164	16	20,180
Total comprehensive income for the period	—	—	—	—	—	—	—	20,164	20,164	16	20,180
Equity-settled share-based compensation	—	—	—	872	—	—	—	—	872	—	872
COVID-19 rental concession from a related party (note 15)	—	—	—	—	—	—	419	—	419	—	419
At 30 June 2022	1	(1,200)	2,027	6,969	31,214	13,727	419	126,414	179,571	179	179,750

* These reserve accounts comprise the consolidated reserves of RMB94,985,000, RMB109,911,000, RMB158,115,000 and RMB179,570,000 in the consolidated statements of financial position as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

Six months ended 30 June 2021

	Attributable to owners of the parent									
	Paid-in capital	Treasury shares repurchased for share incentive scheme*	Share premium reserve*	Share-based payment reserve*	Merger reserve*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	(note 29)	(note 31)	(note 31)	(note 30)	(note 31)	(note 31)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	—	(1,200)	—	4,220	31,214	9,009	66,668	109,911	18	109,929
Profit for the period	—	—	—	—	—	—	12,342	12,342	190	12,532
Total comprehensive income for the period	—	—	—	—	—	—	12,342	12,342	190	12,532
Capital contribution by the equity holder of the Company	1	—	2,027	—	—	—	—	2,028	—	2,028
Equity-settled share-based compensation	—	—	—	1,002	—	—	—	1,002	—	1,002
At 30 June 2021 (unaudited)	1	(1,200)	2,027	5,222	31,214	9,009	79,010	125,283	208	125,491

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			For the six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		36,802	61,856	56,444	18,032	27,634
Adjustments for:						
Finance costs	7	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)
Fair value gains on biological assets	5	(74)	—	—	—	—
Bank interest income	5	(728)	(493)	(433)	(184)	(602)
Interest income from financial assets	5	—	—	(68)	—	(175)
Interest income from Tianjin Tianfu Management	5	—	—	—	—	(110)
Interest income from loans to a related party	5	—	(5,656)	(2,089)	(2,089)	—
Interest income from an entrusted loan	5	(875)	—	—	—	—
Depreciation of property and equipment	13	2,431	2,158	3,307	1,307	2,669
Depreciation of investment properties	14	2,848	3,701	5,933	2,830	11,053
Amortisation of other intangible assets	16	113	379	386	322	197
Depreciation of right-of-use assets	15	—	—	3,720	1,844	953
Net loss on disposal of items of property and equipment	5	29	247	4	4	55
Gain on termination of lease contract as lessee	5	—	—	(56)	—	—
Provision for impairment of trade receivables	23	205	126	258	136	806
COVID-19-related rent concessions from lessors	15	—	(1,834)	—	—	—
Equity-settled share award expenses	30	790	1,382	1,877	1,002	872
(Decrease)/increase in restricted deposits		—	(1,582)	(312)	—	649
Decrease in biological assets		362	3,820	—	—	—
(Increase)/decrease in contract assets		463	3,971	(8,729)	(3,303)	694
(Increase)/decrease in inventories		(994)	2,270	87	57	(26)
Increase in trade receivables		(8,629)	(20,597)	(12,032)	(35,228)	(56,498)
(Increase)/decrease in prepayments, other receivables and other assets		(6,898)	4,425	(4,785)	(3,174)	(2,637)
(Decrease)/increase in trade payables		(2,318)	33,338	231	1,334	(11,855)
Increase/(decrease) in other payables and accruals		13,756	25,615	(6,838)	(15,072)	3,400
Cash generated from/(used in) operations		40,880	114,422	42,664	(27,359)	(22,676)
Bank interest income	5	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)

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

		Year ended 31 December			For the six months ended 30 June	
	Notes	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (Unaudited)	**RMB'000**
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property and equipment		(4,842)	(4,234)	(6,368)	(2,071)	(13,793)
Proceeds from disposal of items of property and equipment		299	604	163	296	304
Purchases of intangible assets		(999)	(2,388)	(59)	—	—
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	5,000	—	—	—
Proceeds from disposal of an associate		—	206	—	—	—
Purchases of financial assets at fair value through profit or loss		—	—	—	—	(12,014)
Dividends received from an associate	17	—	2,874	5,757	—	—
Advanced from an associate	20	—	—	3,618	—	—
Repayment of advance from an associate	27	—	—	—	—	(3,618)
Loans to a related party	20	—	(124,840)	—	—	—
Repayment of loans from a related party		—	—	124,840	124,840	—
Entrusted loans to a third party	20	(30,000)	—	—	—	—
Repayment of loans from a third party		—	30,000	—	—	—
Interest from loans to a related party	5	—	5,656	2,089	2,089	—
Interest from an entrusted loan	5	875	—	—	—	—
Interest from financial assets	5	—	—	68	—	175
Acquisition of an associate		(124,803)	—	—	—	—
Interest from Tianjin Tianfu management	5	—	—	—	—	110
Net cash flows (used in)/from investing activities		(159,470)	(87,122)	130,108	125,154	(28,836)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of interest-bearing bank and other borrowings		(19,000)	(50,000)	(222,090)	(122,050)	(41,100)
New interest-bearing bank and other borrowings		50,000	208,910	110,000	50,000	30,000
New other loans	27	65,000	—	—	—	—
Repayment of other loans	27	—	(65,000)	—	—	—
(Increase)/decrease in a time deposit	25	—	—	(10,000)	(10,000)	6,000
Acquisition of interest from the then shareholders		—	(3,949)	(21,100)	(21,100)	—
Principal portion of lease payments		(734)	(2,407)	(5,935)	(1,238)	(4,485)

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

		Year ended 31 December			For the six months ended 30 June	
	Notes	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Interest paid		(3,807)	(10,666)	(11,299)	(6,931)	(4,077)
Dividends paid to the then equity holders of subsidiaries		—	(10,000)	—	—	—
Dividends paid to non-controlling shareholders		—	—	(6)	—	—
Capital contribution from a shareholder		—	1,100	2,028	2,028	—
Repayment of amounts due to Tianjin Tianfu management	27	—	—	—	—	(701)
Net cash flows from/(used in) financing activities		91,459	67,988	(158,402)	(109,291)	(14,363)
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/period		65,292	34,775	119,323	119,323	121,980
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		34,775	119,323	121,980	97,286	48,523
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the statement of financial position	25	34,775	119,323	112,080	97,286	48,523
Financial assets at amortised cost	19	—	—	9,900	—	—
Cash and cash equivalents as stated in the statement of cash flows		34,775	119,323	121,980	97,286	48,523

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		As at 30 June
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Investment in a subsidiary		—	2,028	2,028
CURRENT ASSETS				
Prepayments, other receivables and other assets		1,172	3,795	4,609
Total current assets		1,172	3,795	4,609
CURRENT LIABILITIES				
Due to a subsidiary	27	4,729	16,182	19,522
Total current liability		4,729	16,182	19,522
NET CURRENT LIABILITIES		(3,557)	(12,387)	(14,913)
NET LIABILITIES		(3,557)	(10,359)	(12,885)
DEFICIT				
Paid-in capital	29	—	1	1
Reserves	31	(3,557)	(10,360)	(12,886)
Total deficit		(3,557)	(10,359)	(12,885)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Runhua Intelligence Health Service Co., Ltd. (formerly known as Runhua Property Technology Development Inc) (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law of the Cayman Islands. The registered office address of the Company is Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the provision of property management services, property engineering services, landscape construction services, property leasing services and other services (the "**[REDACTED]** Business") in the People's Republic of China (the "PRC").

Before the Reorganisation of the Group, the **[REDACTED]** Business was carried out by the subsidiaries now comprising the Group, all of which were controlled by Mr. Luan Tao.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Document.

As at the date of this report, the Company had direct and indirect interests in the subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Runhua Property Tech Inc (i)	British Virgin Islands 6 July 2020	USD 50,000	100	—	Investment holding
Runhua Holdings Ltd. (ii)	Hong Kong 7 August 2020	HKD 1	—	100	Investment holding
Shandong Runhua Property Development Co., Ltd. ("山東潤華物業發展有限公司") (iii)	PRC/ Mainland China 25 September 2020	RMB 10,000,000	—	100	Provision of property management service
Jinan Runwu Landscaping Engineering Co., Ltd. ("濟南潤物園林工程有限公司") (iii)	PRC/ Mainland China 24 March 2014	RMB 2,000,000	—	100	Provision of landscape construction service
Shandong Runhua Property Management Co., Ltd. ("山東潤華物業管理有限公司") (iii)	PRC/ Mainland China 14 February 1996	RMB 50,500,000	—	100	Provision of property management service
Jinan Runwu Construction and Installation Engineering Co., Ltd. ("濟南潤物建築安裝工程有限公司") (iii)	PRC/ Mainland China 21 May 2015	RMB 20,000,000	—	100	Provision of property engineering service
Shandong Qiantai Commercial Management Co., Ltd. ("山東乾泰商业管理有限公司") (iii)	PRC/ Mainland China 19 August 2015	RMB 5,000,000	—	100	Provision of parking service
Shandong Anfu Security Service Co., Ltd. ("山東安輔保安服務有限公司") (iii)	PRC/ Mainland China 13 January 2016	RMB 20,000,000	—	100	Provision of security service

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shandong Qianning Commercial Management Co., Ltd. ("山東乾寧商業管理有限公司") (iii)	PRC/ Mainland China 29 February 2016	RMB 10,000,000	—	100	Sale of general merchandise
Shandong Shanyou Property Management Co., Ltd. ("山東善佑物業經營管理有限公司") (iii)	PRC/ Mainland China 4 December 2017	RMB 10,000,000	—	100	Provision of property management service
Shandong Anfu Mechanical and Electrical Equipment Co., Ltd. ("山東安輔機電設備有限公司") (iii)	PRC/ Mainland China 7 May 2019	RMB 10,000,000	—	100	Sale of elevator accessories
Shandong Anning Housekeeping Service Co., Ltd. ("山東安寧健康產業有限公司") (iii)	PRC/ Mainland China 3 May 2016	RMB 3,000,000	—	100	Provision of housekeeping service
Shandong Kaidi Network and Information Technology Co., Ltd. ("山東凱迪網絡信息技術有限公司") (iii)	PRC/ Mainland China 1 September 2000	RMB 5,000,000	—	100	Provision of technological development services
Shandong Runhua Renfu Property Services Co., Ltd. ("山東潤華仁孚物業服務有限公司") (iii)	PRC/ Mainland China 28 May 2020	RMB 10,000,000	—	80	Provision of property management service
Shandong Yongyuan Property Management Co., Ltd. ("山東永源物業管理有限公司") (iii)	PRC/ Mainland China 25 November 2020	RMB 3,000,000	—	65	Provision of property management service
Jinan Runhui Human Resources Service Co., Ltd. ("濟南潤輝人力資源服務有限公司") (iii)	PRC/ Mainland China 23 August 2021	RMB 5,000,000	—	100	Provision of human resources service

Notes:

(i) No audited financial statements have been prepared for this entity for the year ended 31 December 2020 and 2021, as this entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(ii) No audited financial statements have been prepared for this entity for the year ended 31 December 2020 and 2021.

(iii) The statutory financial statements of these entities for the year ended 31 December 2019, 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by Zhonghui Certified Public Accountants LLP and Shandong Zhiyuan Certified Public Accountants LLP, respectively.

Except for Shandong Runhua Property Development Co., Ltd., which is registered as a wholly-foreign-owned enterprise under PRC law, the above subsidiaries are registered as domestic enterprises with limited liability under PRC law.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Document, the Company became the holding company of the companies now comprising the Group on 30 June 2020. Immediately prior to and after the Reorganisation, the **[REDACTED]** Business is conducted through Shandong Runhua Property Management Co., Ltd. Pursuant to the Reorganisation, the **[REDACTED]** Business is transferred to and held by Shandong Runhua Property Development Co., Ltd., which is an indirectly wholly-owned subsidiary of the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business.

The steps as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document are merely a reorganisation of Shandong Runhua Property Management Co., Ltd. and did not change the business substance and management of the **[REDACTED]** Business conducted through Shandong Runhua Property Management Co., Ltd.

Accordingly, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group are prepared as a continuation of the consolidated financial statements of Shandong Runhua Property Management Co., Ltd., with the assets and liabilities of the **[REDACTED]** Business recognised and measured at the carrying amounts as recorded in the consolidated financial statements of Shandong Runhua Property Management Co., Ltd. for all periods presented. The consolidated statements of financial position of the Group as at 31 December 2019 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions and balances have been eliminated in full on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2022 together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets including equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss, and biological assets.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in this Historical Financial Information:

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities Arising from a Single Transaction*[1]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2024

[3] No mandatory effective date yet determined but available for adoption

[4] As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

[5] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. To clarify the interaction between an accounting policy and an accounting estimate, paragraph 32 of HKAS 8 has been amended to state that: "An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such cases, an entity develops an accounting estimate to achieve the objective set out by the accounting policy". Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty. Accounting estimates typically involve the use of judgements or assumptions based on the latest available reliable information. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such cases, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments become effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are combined from the date on which the Group obtains control and continue to be combined until the date that such control ceases.

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is able 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.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of 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, the 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 the Group and its associate is eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combination under common control

As explained in note 31(ii) below, the consolidated financial statements include the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

Fair value measurement

The Group measures its financial assets including equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, and biological assets at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	**Estimated useful life**	**Estimated residual value**
Buildings	35 years	3%
Motor vehicles	4 years	5%
Electronic devices	3 years	5%
Furniture, fixtures and equipment	5 years	5%
Leasehold improvement	Over the shorter of the lease terms and 5 years	0%
Others	3 years	5%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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.

The 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 of 6 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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of the acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership to an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments*: *Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and interest-bearing bank and other borrowings.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Biological assets

Biological assets are measured on initial recognition and at the end of each reporting period at fair value less costs to sell, with any gain or loss change therein recognised in profit or loss for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation costs and excluding finance costs and income taxes. The fair value is determined based on their present location and condition and is valued independently by professional valuers.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and the associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and the associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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 the 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 the 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 the Group and the customer at contract inception. When the contract contains a financing component which provides the 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 scheduled period on a straight-line basis because the customer simultaneously receives the benefits provided by the 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. The 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;

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 service

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value 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 the 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 the 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 the 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.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of certain overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of certain overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The 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 customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The 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 product, 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. The 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 the Group's trade receivables is disclosed in note 23 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate to calculate the present value of those cash flows. Further details are given in note 17.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

— The property management services segment includes property management services and other related services

— The property engineering and landscape construction services segment includes property engineering related services and landscape construction services

— The property leasing services segment comprises, principally, the property leasing services

— The "others" segment comprises, principally, the technological development services which are mainly software supporting services.

Year ended 31 December 2019	Property management	Property engineering and landscape construction services	Property leasing services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue (note 5)					
Sales to external customers	366,970	16,866	6,173	7,087	397,096
Segment results	31,338	2,671	1,957	(127)	35,839
Unallocated amounts:					
Other unallocated income and gains					4,560
Share of profits and losses of associates					210
Finance costs					(3,807)
Profit before tax					36,802

Year ended 31 December 2020	Property management	Property engineering and landscape construction services	Property leasing services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue (note 5)					
Sales to external customers	402,198	74,863	8,442	592	486,095
Segment results	43,085	13,716	4,133	(2,282)	58,652
Unallocated amounts:					
Other unallocated income and gains					8,057
Share of profits and losses of associates					9,370
Finance costs					(10,666)
Corporate and other unallocated expenses					(3,557)
Profit before tax					61,856

Year ended 31 December 2021	Property management	Property engineering and landscape construction services	Property leasing services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue (note 5)					
Sales to external customers	542,838	49,301	5,942	3,217	601,298
Segment results	58,771	3,724	774	468	63,737
Unallocated amounts:					
Other unallocated income and gains					7,296
Share of profits and losses of an associate					5,540
Finance costs					(11,299)
Corporate and other unallocated expenses					(8,830)
Profit before tax					56,444

For the six months ended 30 June 2022	Property management	Property engineering and landscape construction services	Property leasing services	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue (note 5)					
Sales to external customers	307,244	9,358	3,268	1,521	321,391
Segment results	36,189	3,432	(11,258)	(794)	27,569
Unallocated amounts:					
Other unallocated income and gains					2,833
Share of profits and losses of associates					3,832
Finance costs					(4,077)
Corporate and other unallocated expenses					(2,523)
Profit before tax					27,634

For the six months ended 30 June 2021	**Property management**	**Property engineering and landscape construction services**	**Property leasing services**	**Others**	**Total**
(Unaudited)	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Segment revenue (note 5)					
Sales to external customers	250,679	7,052	3,005	884	261,620
Segment results	27,490	(117)	583	(796)	27,160
Unallocated amounts:					
Other unallocated income and gains					3,817
Share of profits and losses of associates					2,108
Finance costs					(6,931)
Corporate and other unallocated expenses					(8,122)
Profit before tax					18,032

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purpose of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Information about geographical areas

Since 100% of the Group's revenue and operating profit were generated from Mainland China and 100% of the Group's non-current assets other than financial instruments, deferred tax assets were located in Mainland China during the Relevant Periods, no geographical information in accordance with HKFRS 8 *Operating Segments* is presented.

Information about major customers

For the year ended 31 December 2020, revenue from a group of entities which are known to be under common control of a related party contributed 13.1% of the Group's total revenue, amounting to RMB63,681,000. Other than this group of entities, the Group has a large number of customers, and none of the revenue from these customers contributed 10% or more of the Group's revenue during the Relevant Periods and Interim Comparative Financial periods.

5. REVENUE, OTHER INCOME AND GAINS AND EXPENSES, NET

An analysis of revenue is as follows:

	Year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from contracts with customers	390,923	477,653	595,356	258,615	318,123
Revenue from other sources					
Gross rental income from property leasing services	6,173	8,442	5,942	3,005	3,268
	397,096	486,095	601,298	261,620	321,391

Revenue from contracts with customers

(a) Disaggregated revenue information

Types of services	Year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Property management services	366,970	402,198	542,838	250,679	307,244
Property engineering services and landscape construction services	16,866	74,863	49,301	7,052	9,358
Others	7,087	592	3,217	884	1,521
Total revenue from contracts with customers	390,923	477,653	595,356	258,615	318,123
Timing of revenue recognition					
Services transferred overtime	390,923	477,653	595,356	258,615	318,123

The following table shows the amounts of revenue recognised in the Relevant Periods and the six months ended 30 June 2021 that were included in the contract liabilities at the beginning of the Relevant Periods and the six months ended 30 June 2021 and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the Relevant Periods					
Property management services	10,066	12,911	13,607	13,607	19,521
Property engineering services and landscape construction services	—	122	11,761	7,052	1,999
Others	255	237	393	393	448
	10,321	13,270	25,761	21,052	21,968

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Property management services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one to five years, and are billed based on the time when the services are provided.

Property engineering services and landscape construction services

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Others services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Other service contracts are for periods of one year or less, or are billed based on the time when the services are provided.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) during the Relevant Periods and the six months ended 30 June 2021 are as follows:

	Year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Amounts expected to be recognised as revenue:					
Within one year	141,204	188,490	294,435	236,260	272,740
After one year	24,580	13,678	26,501	11,982	20,737
	165,784	**202,168**	**320,936**	**248,242**	**293,477**

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to property management services, of which the performance obligations are to be satisfied within five years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

	Year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other income					
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 entrusted loan	875	—	—	—	—
Interest income from financial assets	—	—	68	—	175
Interest income from Tianjin Tianfu Management	—	—	—	—	110
Others	—	—	—	23	—
	4,486	**7,783**	**7,057**	**3,682**	**2,679**
Gains					
Fair value gains on biological assets	74	—	—	—	—
Gain on termination of lease contract as lessee	—	—	56	—	—
Others	—	274	183	139	154
	74	274	239	139	154
Other expenses					
Loss on disposal of items of property and equipment	(29)	(247)	(4)	(4)	(55)
	(29)	(247)	(4)	(4)	(55)
	4,531	7,810	7,292	3,817	2,778

* Government grants include various subsidies received by the Group from the relevant government bodies. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			For the six months ended 30 June	
	Notes	2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of services provided*		56,642	109,570	208,651	82,717	93,796
Depreciation of property and equipment	13	2,431	2,158	3,307	1,307	2,669
Depreciation of investment properties	14	2,848	3,701	5,933	2,830	11,053
Depreciation of right-of-use assets	15	—	—	3,720	1,844	953
Amortisation of other intangible assets**	16	113	379	386	322	197
Employee benefit expenses (including directors' and chief executive's remuneration (note 8)):						
Wages and salaries		262,118	279,431	280,291	120,784	158,443
Pension scheme contributions		15,501	10,378	12,366	8,932	8,320
Equity-settled share award expenses		790	1,382	1,877	1,002	872
Fair value change of biological assets	5	74	—	—	—	—
Lease payments not included in the measurement of lease liabilities		—	167	438	178	1,346
Provision for impairment of trade receivables	23	205	126	258	136	806
[REDACTED]		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

* The amount of cost of services excludes those included in depreciation of property and equipment, depreciation of investment properties and employee benefit expenses, which are included in the respective total amounts disclosed separately above for each of these types of expenses during the Relevant Periods and the six months ended 30 June 2021.

** The amortisation of other intangible assets during the Relevant Periods and the six months ended 30 June 2021 is included in administrative expenses in the consolidated statements of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors during the year ended 31 December 2019. The Company was incorporated on 30 June 2020, and its directors are appointed as follows:

Mr. Yang Liqun and Mr. Fei Zhongli were appointed as executive directors of the Company on 30 June 2020. Mr. Luan Tao, Mr. Luan Hangqian and Mr. Cheng Xin were appointed as non-executive directors of the Company on 26 October 2020, 30 June 2020, 30 June 2020, respectively. Mr. Fei Zhong was appointed as the chief executive of the Company on 30 June 2020.

Certain of the directors received remuneration from the subsidiaries during the Relevant Periods and the six months ended 30 June 2021 now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors is as follows:

	Year ended 31 December 2019				
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman of the Board and executive director:					
Mr. Yang Liqun	—	382	34	126	542
Chief Executive Officer and executive director:					
Mr. Fei Zhongli	—	357	34	42	433
	—	739	68	168	975

	Year ended 31 December 2020					
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expenses	Performance related bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman of the Board and executive director:						
Mr. Yang Liqun	—	377	26	362	1,200	1,965
Chief Executive Officer and executive director:						
Mr. Fei Zhongli	—	456	26	76	550	1,108
Non-executive directors:						
Mr. Luan Tao	—	—	—	—	—	—
Mr. Cheng Xin	—	—	—	—	—	—
Mr. Luan Hangqian	—	—	—	—	—	—
	—	833	52	438	1,750	3,073

	Year ended 31 December 2021					
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expenses	Performance related bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman of the Board and executive director:						
Mr. Yang Liqun	—	314	36	410	120	880
Chief Executive Officer and executive director:						
Mr. Fei Zhongli	—	464	36	77	100	677
Non-executive directors:						
Mr. Luan Tao	—	—	—	—	—	—
Mr. Cheng Xin	—	—	—	—	—	—
Mr. Luan Hangqian	—	—	—	—	—	—
	—	778	72	487	220	1,557

	Six months ended 30 June 2021 (Unaudited)				
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman of the Board and executive director:					
Mr. Yang Liqun	—	154	17	205	376
Chief Executive Officer and executive director:					
Mr. Fei Zhongli	—	230	17	39	286
Non-executive directors:					
Mr. Luan Tao	—	—	—	—	—
Mr. Cheng Xin	—	—	—	—	—
Mr. Luan Hangqian	—	—	—	—	—
	—	384	34	244	662

	Six months ended 30 June 2022				
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman of the Board and executive director:					
Mr. Yang Liqun	—	156	20	190	366
Chief Executive Officer and executive director:					
Mr. Fei Zhongli	—	188	20	34	242
Non-executive directors:					
Mr. Luan Tao	—	—	—	—	—
Mr. Cheng Xin	—	—	—	—	—
Mr. Luan Hangqian	—	—	—	—	—
	—	344	40	224	608

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 2019, 2020, and 2021 and the six months ended 30 June 2021 included two directors. The five highest paid employees during 30 June 2022 included one director. Details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods and the six months ended 30 June 2021 are as follows:

	Year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	908	1,282	1,453	708	932
Pension scheme contributions	100	76	108	50	79
Equity-settled share award expenses	63	228	268	134	158
Performance related bonuses	—	1,323	180	—	—
	1,071	2,909	2,009	892	1,169

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees As at 31 December			Number of employees As at 30 June	
	2019	2020	2021	2021	2022
				(Unaudited)	
Nil to HKD500,000	3	—	—	3	4
HKD500,001 to HKD1,000,000	—	3	3	—	—
	3	3	3	3	4

10. INCOME TAX EXPENSE

	Year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current Mainland China					
Corporate income tax					
Charge for the year/period	10,802	12,453	11,473	7,055	9,882
Deferred (note 18)	(1,108)	711	520	(1,555)	(2,428)
Total	9,694	13,164	11,993	5,500	7,454

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiary incorporated in the British Virgin Islands are not subject to any income tax.

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

In accordance with the Enterprise Income Tax Law of the People's Republic of China, subsidiaries established in the PRC were subject to the income tax rate of 25% during the Relevant Periods and the six months ended 30 June 2021.

One of the Group's PRC subsidiaries is qualified as high and new technology enterprise in 2020 and thus entitled to a preferential tax rate of a 15% from 2020 to 2022. Meanwhile this subsidiary is also qualified as a double soft certification enterprise from 2018, under the "Two Free, Three Half" program, and exempted from income tax in the first two years of profitability and pays only half of its applicable income taxes of 25% for the next three years. In this connection, this subsidiary is taxed at nil, 12.5% and 12.5% for the year ended 2019, 2020 and 2021, respectively. In addition, this subsidiary is also qualified as Small Low-profit Enterprises, which the taxable income rate is subject to the preferential income tax policy with a lower actual tax burden.

According to the "Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementing the Preferential Income Tax Policies for Small Low-profit Enterprises" (Announcement No. 13 [2022] of the Ministry of Finance and the State Administration of Taxation) jointly issued by the Ministry of Finance and the State Administration of Taxation, during the period from 1 January 2022 to 31 December 2024, for the portion of annual taxable income amount which exceeds RMB1 million but not more than RMB3 million, the taxable income amount is reduced at a rate of 25%, and it is subject to enterprise income tax at 20% tax rate. According to the "Announcement of the Ministry of Finance and the State Administration of Taxation on Implementing Preferential Income Tax Policies for Small Low-profit Enterprises and Individual Industrial and Commercial Households" (No. 12 at the end of 2021) jointly issued by the Ministry of Finance and the State Administration of Taxation, during the period from 1 January 2021 to 31 December 2022, for the portion of annual taxable income amount which does not exceed RMB1 million, the taxable income amount is reduced at a rate of 12.5%, and it is subject to enterprise income tax at 20% tax rate. Certain of the Group's PRC subsidiaries and branches are qualified as small low-profit enterprises and thus were entitled to tax incentives during the Relevant Periods and the six months ended 30 June 2021.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	Year ended 31 December			For the six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Profit before tax	36,802	61,856	56,444	18,032	27,634
Tax at the PRC corporate income tax rate of 25%	9,200	15,464	14,111	4,508	6,909
Effect of preferential tax rate of subsidiaries	(740)	(886)	(2,281)	(338)	(1,539)
Adjustments in respect of current tax of previous periods	—	—	—	—	273
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)
Research and development super-deduction	—	(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
Tax charge at the Group's effective rate	9,694	13,164	11,993	5,500	7,454

The share of tax attributable to associates during the year ended 2019, 2020, and 2021 and the six months ended 30 June 2022 and 2021 was amounting to RMB70,000, RMB3,085,000, RMB1,625,000, RMB1,952,000 and RMB863,000 and respectively, is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares during the years ended 31 December 2019 and 2020 which are adjusted retrospectively to reflect the share split from 1 to 4 during the Reorganisation.

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the six months ended 30 June 2021.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December			For the six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited**	**RMB'000**
Earnings:					
Profit attributable to ordinary equity holders of the parent	27,108	48,674	44,300	12,342	20,164

	Year ended 31 December			For the six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Number of shares:					
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	80,000,000	179,833,167	196,999,000	196,999,000	196,999,000
Earning per share (RMB)	0.34	0.27	0.22	0.06	0.10

12. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods and the six months ended 30 June 2021.

13. PROPERTY AND EQUIPMENT

Group	Buildings	Electronic devices	Furniture, fixtures and equipment	Motor vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019						
At 1 January 2019						
Cost	6,648	2,205	8,877	1,266	1,442	20,438
Accumulated depreciation	(493)	(997)	(3,829)	(590)	(73)	(5,982)
Net carrying amount	6,155	1,208	5,048	676	1,369	14,456
At 1 January 2019, net of accumulated depreciation	6,155	1,208	5,048	676	1,369	14,456
Additions	2,194	353	2,212	83	—	4,842
Disposals	—	(31)	(297)	—	—	(328)
Transfer to investment properties	(2,194)	—	—	—	—	(2,194)
Depreciation provided during the year	(173)	(555)	(1,306)	(205)	(192)	(2,431)
At 31 December 2019, net of accumulated depreciation	5,982	975	5,657	554	1,177	14,345
At 31 December 2019						
Cost	6,648	2,527	10,792	1,349	1,442	22,758
Accumulated depreciation	(666)	(1,552)	(5,135)	(795)	(265)	(8,413)
Net carrying amount	5,982	975	5,657	554	1,177	14,345

Group	Buildings	Electronic devices	Furniture, fixtures and equipment	Motor vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2020						
At 1 January 2020						
Cost	6,648	2,527	10,792	1,349	1,442	22,758
Accumulated depreciation	(666)	(1,552)	(5,135)	(795)	(265)	(8,413)
Net carrying amount	5,982	975	5,657	554	1,177	14,345
At 1 January 2020, net of accumulated depreciation	5,982	975	5,657	554	1,177	14,345
Additions	—	835	2,693	706	—	4,234
Disposals	—	(72)	(450)	(329)	—	(851)
Depreciation provided during the year	(173)	(496)	(1,324)	(50)	(115)	(2,158)
At 31 December 2020, net of accumulated depreciation	5,809	1,242	6,576	881	1,062	15,570
At 31 December 2020						
Cost	6,648	3,290	13,035	1,726	1,442	26,141
Accumulated depreciation	(839)	(2,048)	(6,459)	(845)	(380)	(10,571)
Net carrying amount	5,809	1,242	6,576	881	1,062	15,570

Group	Buildings	Electronic devices	Furniture, fixtures and equipment	Motor vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2021						
At 1 January 2021						
Cost	6,648	3,290	13,035	1,726	1,442	26,141
Accumulated depreciation	(839)	(2,048)	(6,459)	(845)	(380)	(10,571)
Net carrying amount	5,809	1,242	6,576	881	1,062	15,570

Group	Buildings	Electronic devices	Furniture, fixtures and equipment	Motor vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021, net of accumulated depreciation	5,809	1,242	6,576	881	1,062	15,570
Additions	—	1,003	5,049	316	—	6,368
Disposals	—	(44)	(123)	—	—	(167)
Depreciation provided during the year	(173)	(399)	(2,280)	(345)	(110)	(3,307)
At 31 December 2021, net of accumulated depreciation	5,636	1,802	9,222	852	952	18,464
At 31 December 2021						
Cost	6,648	3,427	16,992	2,042	1,442	30,551
Accumulated depreciation	(1,012)	(1,625)	(7,770)	(1,190)	(490)	(12,087)
Net carrying amount	5,636	1,802	9,222	852	952	18,464

Group	Buildings	Electronic devices	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvement	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2022							
At 1 January 2022							
Cost	6,648	3,427	16,992	2,042	—	1,442	30,551
Accumulated depreciation	(1,012)	(1,625)	(7,770)	(1,190)	—	(490)	(12,087)
Net carrying amount	5,636	1,802	9,222	852	—	952	18,464
At 1 January 2022, net of accumulated depreciation	5,636	1,802	9,222	852	—	952	18,464
Additions	—	437	1,914	22	11,420	—	13,793
Disposals	—	(11)	(346)	(2)	—	—	(359)
Depreciation provided during the period	(87)	(296)	(1,364)	(197)	(696)	(29)	(2,669)
At 30 June 2022, net of accumulated depreciation	5,549	1,932	9,426	675	10,724	923	29,229
At 30 June 2022							
Cost	6,648	3,853	18,560	2,062	11,420	1,442	43,985
Accumulated depreciation	(1,099)	(1,921)	(9,134)	(1,387)	(696)	(519)	(14,756)
Net carrying amount	5,549	1,932	9,426	675	10,724	923	29,229

* As at 31 December 2019, 2020, 2021 and 30 June 2022, the Group had not obtained the ownership certificates for certain car parking lots with a net book value of approximately RMB1,177,000, RMB1,062,000, RMB952,000 and RMB923,000, respectively.

** As at 31 December 2020 and 2021, the buildings with a net book value of approximately RMB5,809,000 and RMB5,636,000 were mortgaged to the bank for a loan amounting to RMB30,000,000 with an interest rate of 5.655%, and RMB20,000,000 with an interest rate of 5.655%, respectively (note 28). There were no items of propery or equipment been mortaged as at 30 June 2022.

14. INVESTMENT PROPERTIES

Group	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of year/period	32,125	34,038	45,848	63,904
Transfer from self-owned properties	2,194	—	—	—
Additions	2,567	15,511	26,666	—
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	—	—	46,218
Termination of lease contract	—	—	(2,677)	—
Depreciation	(2,848)	(3,701)	(5,933)	(11,053)
Carrying amount at the end of year/period	34,038	45,848	63,904	99,069

The Group's investment properties are measured using a cost model and depreciated to write off their costs net of estimated residual values over their estimated useful lives on a straight-line basis.

The Group's investment properties are located on the land in the PRC with a land use right period of 40 years for self-owned properties.

As at 31 December 2020 and 2021, the investment properties with a net book value of approximately RMB10,319,000, and RMB10,054,000 were mortgaged to the bank for a loan amounting to RMB30,000,000 with an interest rate of 5.655%, and RMB20,000,000 with interest rate of 5.655% respectively (note 28). There were no items of investment properties been mortaged as at 30 June 2022.

Fair value of the investment properties as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties in the PRC	50,620	58,820	75,519	124,243

The fair value of the Group's investment properties as at the end of each of the Relevant Periods are determined by valuations conducted by Arista Valuation Advisory Ltd, an independent valuer. Under the valuation models, a market-based approach has been adopted for properties.

The market approach is based on market comparable transactions available in the market and adjustments of various factors would be made between the subject properties and comparable properties.

The fair value estimations for the self-owned properties and leased properties were both at Level 3 of the fair value hierarchy.

The investment properties subleased to third parties and related parties are under operating leases, further summary details of these lease liabilities are included in note 15 to the Historical Financial Information. The carrying amounts of the investment properties subleased or intended to be subleased at 31 December 2019, 2020 and 2021, and 30 June 2022 were RMB20,360,000, RMB32,608,000, RMB51,356,000 and RMB86,865,000, respectively.

15. LEASES

The Group as a lessee

The Group has lease contracts for car parks. Leases of car parks generally have lease terms between 16 months and 9 years.

(a) Right-of-use assets

Except for the amounts classified as investment properties and detailed in note 14, the carrying amounts of the Group's other right-of-use assets and the movements during the year ended 31 December 2021 and the six months ended 30 June 2022 are as follows:

Group	**Leasehold Property**	
	As at 31 December	**As at 30 June**
	2021	**2022**
	RMB'000	**RMB'000**
Carrying amount at the beginning of year/period	—	1,285
Additions	5,005	—
Depreciation charge	(3,720)	(953)
Carrying amount at the end of year/period	1,285	332

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			**As at 30 June**
Group	**2019**	**2020**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Carrying amount at the beginning of year/period	18,992	20,825	31,353	54,356
New leases	2,567	15,511	31,671	—
Accretion of interest recognised during the year/period	1,066	1,208	1,559	1,705
COVID-19-related rent concessions from lessors	—	(1,834)	—	(419)
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	—	—	46,218
Termination of the lease contract	—	—	(2,733)	—

	As at 31 December			As at 30 June
Group	**2019**	**2020**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Payments	(1,800)	(4,357)	(7,494)	(6,190)
Carrying amount at the end of year/period	20,825	31,353	54,356	95,670

	As at 31 December			As at 30 June
Group	**2019**	**2020**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Analysed into:				
Current portion	2,184	3,085	6,718	10,916
Non-current portion	18,641	28,268	47,638	84,754

The maturity analysis of lease liabilities is disclosed in note 36 to the Historical Financial Information.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain properties during the year ended 31 December 2020 and the six months ended 30 June 2022.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	As at 31 December			As at 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (Unaudited)	**RMB'000**
Interest on lease liabilities	1,066	1,208	1,559	747	1,705
Depreciation of investment properties and right-of-use assets	2,487	3,263	8,369	4,474	11,663
Expense relating to short-term leases	—	167	438	178	1,346
Total amount recognised in profit or loss	3,553	4,638	10,366	5,399	14,714

The Group as a lessor

The Group leases its commercial property, investment properties (note 14) located in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits, in addition, the rent is subject to periodic adjustments according to the then prevailing market conditions. During the Relevant Periods and the six months ended 30 June 2021, rental income recognised by the Group was RMB6,173,000, RMB8,442,000 and RMB5,942,000 and RMB3,005,000 and RMB3,268,000, respectively, details of which are included in note 5 to the Historical Financial Information.

During the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December			As at 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Within one year	3,995	6,221	6,783	5,991	6,286
After one year but within two years	3,524	5,831	6,030	6,030	6,198
After two years but within three years	3,524	5,486	6,713	5,968	5,774
After three years but within four years	3,524	5,193	5,325	5,451	4,692
After four years but within five years	3,524	3,994	4,813	4,283	4,280
After five years	9,858	8,333	6,552	7,656	3,441
	27,949	35,058	36,216	35,379	30,671

16. OTHER INTANGIBLE ASSETS

Group

	Software
	RMB'000
31 December 2019	
At 1 January 2019:	
Cost	1,480
Accumulated amortisation	(1,053)
Net carrying amount	427
Cost at 1 January 2019, net of accumulated amortisation	427
Additions	999
Amortisation during the year	(113)
At 31 December 2019	1,313
At 31 December 2019 and at 1 January 2020:	
Cost	2,479
Accumulated amortisation	(1,166)
Net carrying amount	1,313
Cost at 1 January 2020, net of accumulated amortisation	1,313
Additions	2,388
Amortisation during the year	(379)
At 31 December 2020	3,322

	Software
	RMB'000
At 31 December 2020 and at 1 January 2021:	
Cost	4,823
Accumulated amortisation	(1,501)
Net carrying amount	3,322
Cost at 1 January 2021, net of accumulated amortisation	3,322
Additions	59
Amortisation during the year	(386)
At 31 December 2021	2,995
At 31 December 2021:	
Cost	4,882
Accumulated amortisation	(1,887)
Net carrying amount	2,995
At 31 December 2021 and at 1 January 2022:	
Cost	4,882
Accumulated amortisation	(1,887)
Net carrying amount	2,995
Cost at 1 January 2022, net of accumulated amortisation	2,995
Amortisation during the period	(197)
At 30 June 2022	2,798
At 30 June 2022:	
Cost	4,882
Accumulated amortisation	(2,084)
Net carrying amount	2,798

17. INVESTMENTS IN ASSOCIATES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	40,974	47,264	43,429	47,262
Goodwill on acquisition	84,245	84,245	84,245	84,245
Net carrying amount	125,219	131,509	127,674	131,507

At 30 June 2022, particulars of the Group's material associate are as follows:

Name	Place of registration and business	Paid-in capital	Percentage of ownership interest attributable to the Group	Principal activities
Tianjin Tianfu Property Management Co., Ltd. ("Tianjin Tianfu")	Tianjin	RMB6,000,000	41*	Property management services

Tianjin Tianfu, which is considered a material associate of the Group, is engaged in property management services in Tianjin and is accounted for using the equity method.

* On 26 September 2019, the Group entered the Tianjin Tianfu Agreement and another supplemental agreement (the "Supplemental Agreement") simultaneously after completion of the competitive public bidding process. Pursuant to the Tianjin Tianfu Agreement with the original shareholder, the Group acquired 51% equity interests in Tianjin Tianfu from the original shareholder at an aggregate purchase price of RMB130,149,000. According to the Supplemental Agreement with the original shareholder and Tianjin Tianfu, the Group 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, the Group effectively acquired a 41% equity interest in Tianjin Tianfu. As the then management shared the profit or loss of Tianjin Tianfu upon the completion of the acquisition on 30 November 2019, the control on the 10% interests was effectively transferred to then management immediately before the completion of the acquisition. The share transfer registration process of the 10% shares to then management was eventually completed in December 2020.

The following table illustrates the summarised financial information in respect of Tianjin Tianfu and reconciled to the carrying amount in the Historical Financial Information:

	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 the Group's interest in the associate:				
Proportion of the Group's ownership	41%	41%	41%	41%
	125,013	131,509	127,674	131,507
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

	One month ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021	Six months ended 30 June 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	24,076	402,327	341,264	152,123
Depreciation and amortisation	(890)	(9,232)	(9,176)	(9,157)
Tax	(170)	(7,524)	(3,963)	(4,761)
Profit and total comprehensive income for the period/year after acquisition	511	22,855	11,812	9,345
Dividend received*	—	2,874	5,757	—

* On 22 May 2020, the board of directors of Tianjin Tianfu approved a dividend distribution of RMB7,010,000 including 41% of total dividends amounting to RMB2,874,000 to the Group. On 24 December 2021, the board of directors of Tianjin Tianfu approved a dividend distribution of RMB21,163,000 including dividends amounting to RMB9,375,000 to the Group.

Impairment testing of investment in associates

The investment in Tianjin Tianfu had indicators of impairment as at 31 December 2021 due to the decrease in operating profit. Management performed an impairment test of this cash generating unit ("CGU"). The recoverable amount of the CGU as at 31 December 2021 has been determined based on fair value less costs of disposals. The fair value is calculated using discounted cash flow projections based on financial budgets covering a five-year period approved by management.

The key assumptions used in estimating the recoverable amount of investment in Tianjin Tianfu as at 31 December 2021 include budgeted sales growth rates, budgeted gross margins and the discount rate.

The budgeted sales growth rates applied to the cash flow projections within five years range from 7% to 8.5% and to extrapolate the cash flows beyond the five-year period is 3%. The above growth rates are determined based on Tianjin Tianfu's past performance and does not exceed the average long-term growth rate for the relevant industry. The budgeted gross margins applied to the cash flow projections range from 14% to17%, based on Tianjin Tianfu's past performance and expected efficiency improvement in the future. The pre-tax discount rate applied to the cash flow projections is 17.5%, reflecting specific risks relating to the CGU.

Based on the results of the impairment testing of the investment in Tianjin Tianfu, the headroom of the recoverable amount of investment in Tianjin Tianfu over its carrying amount was RMB15,609,000 and there was no impairment provided for the investment in Tianjin Tianfu on 31 December 2021.

Sensitivity to changes in assumptions

By applying a certain basis point in absolute value decrease in the budgeted sales growth rate, budgeted gross margin or increase in the discount rate as follows would result in the decrease in the recoverable amount of the cash-generating unit:

	1% decrease in gross margin	**1% increase in discount rate (pre-tax)**	**1% decrease in sales growth rate**
	As at 31 December	**As at 31 December**	**As at 31 December**
	2021	**2021**	**2021**
	RMB'000	**RMB'000**	**RMB'000**
Change in recoverable amount of Tianjin Tianfu Property Management CGU	(12,397)	(11,089)	(4,852)

18. DEFERRED TAX

Group

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

(a) Deferred tax liabilities

	Depreciation allowance in excess of related depreciation
	RMB'000
At 1 January 2019	—
Deferred tax charged to the statement of profit or loss during the year (note 10)	(69)
Deferred tax liabilities at 31 December 2019	**(69)**
At 1 January 2020	(69)
Deferred tax charged to the statement of profit or loss during the year (note 10)	(60)
Deferred tax liabilities at 31 December 2020	**(129)**
At 1 January 2021	(129)
Deferred tax credited to the statement of profit or loss during the year (note 10)	89
Deferred tax liabilities at 31 December 2021	**(40)**
At 1 January 2022	(40)
Deferred tax charged to the statement of profit or loss during the period (note 10)	(20)
Deferred tax liabilities at 30 June 2022	**(60)**

(b) Deferred tax assets

	Lease liabilities	Accruals	Impairment of financial assets	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	47	2,651	231	414	3,343
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	95	1,268	56	(242)	1,177
Deferred tax assets at 31 December 2019	142	3,919	287	172	4,520
At 1 January 2020	142	3,919	287	172	4,520
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	121	(508)	(94)	(170)	(651)
Deferred tax assets at 31 December 2020	**263**	**3,411**	**193**	**2**	**3,869**
At 1 January 2021	263	3,411	193	2	3,869
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	251	(899)	41	(2)	(609)
Deferred tax assets at 31 December 2021	**514**	**2,512**	**234**	**—**	**3,260**

	Lease liabilities	Accruals	Impairment of financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	514	2,512	234	3,260
Deferred tax credited/(charged) to the statement of profit or loss during the period (note 10)	1,690	556	202	2,448
Deferred tax assets at 30 June 2022	**2,204**	**3,068**	**436**	**5,708**

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	4,520	3,869	3,260	5,708
Net deferred tax liabilities recognised in the consolidated statements of financial position	(69)	(129)	(40)	(60)

The aggregate amounts of unrecognised tax losses and deductible temporary differences were RMB2,164,000, RMB2,394,000, RMB1,550,000 and RMB6,393,000 at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively. In respect of the tax losses and deductible temporary differences as they have arisen in certain subsidiaries of the Group that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, that has not been distributed upon completion of the Reorganisation.

At 31 December 2019, 2020 and 2021 and 30 June 2022, the unremitted earnings were RMB37,624,000, RMB74,306,000, RMB121,451,000 and RMB156,912,000, respectively. These are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. So no deferred tax has been recognised for such unremitted earnings.

19. FINANCIAL INVESTMENTS

Group

(a) Equity investments designated at fair value through other comprehensive income

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at fair value				
Shandong Luxin Pawnshop Co., Ltd.	4,981	—	—	—

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

In August 2020, the Group disposed of its equity interests in Shandong Luxin Pawnshop Co., Ltd. as this investment no longer coincided with the Group's investment strategy. The fair values of this investment on the date of disposal was RMB5,000,000 (the original cost of the investment), and no accumulated gain recognised in other comprehensive income was transferred to retained profits. During the Relevant Periods, no dividend was received by the Group.

(b) Financial assets at fair value through profit or loss

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Debt investment-Wealth management products	—	—	—	12,014

The wealth management products were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(c) Financial assets at amortised cost

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products	—	—	9,900	—

The wealth management products were short-term investments with a maturity of 7 days and with fixed annual interest rates.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Prepayments to suppliers	375	470	2,019	2,232
Deposits and other receivables	16,174	11,055	11,912	13,522
Value added tax recoverable	23	241	—	—
Entrusted loan to a third party	30,000	—	—	—
Loans to related party	—	124,840	—	—
Deferred **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Dividends due from an associate	—	—	3,618	3,618
	[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Non-current				
Prepayments to suppliers	792	—	—	—

As at 31 December 2019, the Group had an entrusted loan of RMB30,000,000 to a third party with an interest rate of 8.33% per annum which was fully collected in January 2020.

At 31 December 2020, the Group had advanced RMB124,840,000 to an entity controlled by Mr. Luan Tao, with interest rates of 7.00%-9.50% and fully collected in March 2021.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. At the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

21. BIOLOGICAL ASSETS

Group

The fair value of biological assets was:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Biological assets	3,820	—	—	—

The Group's biological assets were independently valued by a firm of independent professionally qualified valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of biological assets. The fair value less costs to sell of the plants and saplings is determined based on the market-determined prices as at 31 December 2019 adjusted with reference to the species, age, diameter and cost incurred.

The principal valuation assumptions adopted in measuring the fair value of biological assets are the actual stock on the valuation date and the effective market price in Mainland China.

The valuation of the fair value of biological assets has taken into consideration the transportation costs. The transportation costs for the sales of biological assets are not material in the opinion of the Company's directors.

22. INVENTORIES

Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Low value consumables	2,480	210	123	149

23. TRADE RECEIVABLES

Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	54,599	75,196	87,228	143,726
Impairment	(1,816)	(1,942)	(2,200)	(3,006)
	52,783	73,254	85,028	140,720

The Group's trading terms with its customers are mainly on credit. The credit period is generally within 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, except for the due from certain customers accounts for 10% or more of the Group's trade receivables, which in total accounted 11%, 25%, nil, and nil as at 31 December 2019, 2020 and 2021, and 30 June 2022, respectively, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's related parties of RMB1,730,000, RMB538,000, RMB94,000 and RMB800,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

An aging analysis of the trade receivables at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	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
	54,599	75,196	87,228	143,726

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,611	1,816	1,942	2,200
Impairment losses, net (note 6)	205	126	258	806
At end of year/period	1,816	1,942	2,200	3,006

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses for the third parties. The provision rates are based on the aging on invoices for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

The Group writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner, also taking into account legal advice where appropriate.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	As at 31 December 2019		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Within 1 year	0.01%	52,715	5
1 to 2 years	76.45%	310	237
Over 2 years	100.00%	1,574	1,574
		54,599	1,816

	As at 31 December 2020		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Within 1 year	0.01%	73,159	7
1 to 2 years	75.71%	420	318
Over 2 years	100.00%	1,617	1,617
		75,196	1,942

	As at 31 December 2021		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Within 1 year	0.11%	85,122	94
Over 1 year	100.00%	2,106	2,106
		87,228	2,200

	As at 30 June 2022		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Within 1 year	0.72%	141,734	1,014
Over 1 year	100.00%	1,992	1,992
		143,726	3,006

24. CONTRACT ASSETS

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets arising from:				
Construction services	3,971	—	8,729	8,035

Contract assets are initially recognised for revenue earned from the construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The Group's trading terms and credit policy with customers are disclosed in note 23 to the Historical Financial Information.

The financial assets included in the above balances relate to contract assets for which there was no recent history of default and past due amounts. At the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

The expected timing of recovery or settlement for contract assets is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	3,971	—	8,729	8,035

25. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	34,775	120,905	123,974	53,768
Less:				
Pledged time deposits for a bank loan: (note 28)	—	—	(10,000)	(4,000)
Restricted time deposits	—	(1,582)	(1,894)	(1,245)
Cash and cash equivalents	34,775	119,323	112,080	48,523

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the cash and bank balances of the Group denominated in HKD amounted to nil, RMB270,000, RMB1,141,000 and RMB1,195,000 respectively . The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and restricted deposits are deposited with creditworthy banks with no recent history of default.

26. TRADE PAYABLES

Included in the Group's trade payables are amounts due to the Group's related parties of nil, RMB4,200,000, RMB4,200,000and RMB36,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively.

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

	As at 31 December			As at 30 June
	2019	2020	2021	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
	9,127	42,465	42,696	30,840

Trade payables are non-interest-bearing and normally settled on terms of less than 90 days.

27. OTHER PAYABLES AND ACCRUALS

Group

		As at 31 December			As at 30 June
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Current					
Contract liabilities	(a)	13,270	25,761	21,968	26,543
Deposits	(b)	17,581	17,648	11,003	11,276
Other loans	(c)	65,000	—	—	—
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
Amounts due to Tianjin Tianfu Management	(d)	—	701	701	—
Advance from an associate		—	—	3,618	—
Amounts due to a related party	(e)	—	742	505	505
Other tax payable		4,022	8,400	6,702	5,698
Accrued liabilities		197	510	1,185	—
Receipts on behalf of customers and others		1,112	1,831	5,311	8,117
		147,560	131,217	106,897	105,980

(a) Details of contract liabilities are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term advances received from customers				
Property management services	12,911	13,607	19,522	22,784
Property engineering services	122	11,761	1,999	2,967
Others	237	393	447	792
Total contract liabilities	13,270	25,761	21,968	26,543

Contract liabilities include short-term advances received to render management services, installation and construction. The increase in contract liabilities in 2020 was mainly due to the increase in short-term advances received from customers in relation to the provision of property management services and construction services.

(b) Deposits mainly represent deposits with customers at the end of each of the Relevant Periods.

(c) On 10 October 2019, the Group received loans amounting to RMB65,000,000 at interest rates of 0, 2% and 5% per annum for the operating activities from employees of the Group, which included RMB19,980,000 from the key management personnel of the Group. The amount of the interest-free loan was RMB4,700,000. The loan was fully repaid on 9 October 2020.

(d) On 22 May 2020, the board of directors of Tianjin Tianfu approved the distribution of dividends, of which RMB701,000 was tentatively held by the Company and to be paid to TianJin Tianfu management.

(e) On 30 June 2020, the Group rented a property from an entity controlled by Mr. Luan Tao with annual rent expense amounting to RMB2,184,000, of which RMB505,000 was not yet paid off on 30 June 2022. The Group terminated part of the lease with annual rent expense amounted to RMB423,000 since July 2021. The Group got rental concession provided by this entity amounting to RMB419,000 (note 15) due to the COVID-19 during the six months ended 30 June 2022.

Except for the aforementioned loan, other payables are unsecured, interest-free and repayable on demand.

Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Due to a subsidiary	—	4,729	16,182	19,522

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	As at 31 December					
	2019			2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans—unsecured	5.4-5.7	2020	40,000	—	—	—
Bank loans—guaranteed	5.7	2020	10,000	5.4-6.0	2021	109,950
Other loans—secured	—	—	—	7.0	2021	21,000
Current portion of long-term bank loans—guaranteed*	—	—	—	4.65	2021	11,100
			50,000			142,050
Non-current						
Bank loans—guaranteed*			—	4.65	2022-2027	66,860
			50,000			208,910

	As at 31 December			As at 30 June		
	2021			2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans—secured and guaranteed	5.655-5.67	2022	30,000	—	—	—
Bank loans—guaranteed	—	—	—	5.60	2023	10,000
Current portion of long-term Bank loans—guaranteed	4.65	2022	11,140	4.65	2022-2023	11,140
			41,140			21,140
Non-current						
Bank loans—secured and guaranteed	—	—	—	5.67	2024	20,000
Bank loans—guaranteed*	4.65	2023-2027	55,680	4.65	2027	44,580
			96,820			85,720

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	50,000	121,050	41,140	21,140
In the second year	—	11,180	11,140	31,140
In the third to fifth years, inclusive	—	33,430	33,440	33,440
Beyond five years	—	22,250	11,100	—
	50,000	187,910	96,820	85,720
Other loans repayable:				
Within one year	—	21,000	—	—
	50,000	208,910	96,820	85,720

As at 31 December 2019:

Certain of the Group's bank loans amounting to RMB10,000,000 were guaranteed by Mr. Luan Tao and entities controlled by Mr. Luan Tao.

As at 31 December 2020:

Certain of the Group's bank loans were guaranteed by related parties as follows:

(a) The Group's bank loans amounting to RMB79,950,000 were guaranteed by Mr. Luan Tao and entities controlled by Mr. Luan Tao, and were due within one year with an interest rate between 5.4% and 6%.

(b) The Group's bank loans amounting to RMB30,000,000 were guaranteed by an entity controlled by Mr. Luan Tao, secured with the buildings owned by the Group, and were due within one year with an interest rate of 5.655%.

(c) The Group's bank loan amounting to RMB77,960,000 was guaranteed by the entities controlled by Mr. Luan Tao, which was due in one to seven years, and beared interest at floating rates of Loan Prime Rate ("LPR").

Other borrowings amounting to RMB21,000,000 were secured by certain of the Group's trade receivables amounting to RMB44,038,000 (note 23).

As at 31 December 2021:

Certain of the Group's bank loans amounting to RMB10,000,000 was guaranteed by certain subsidiary of the Group and secured with RMB10,000,000 certificates of deposit owned by the Group. The loan was due within one year with an interest rate of 5.67%.

Certain of the Group's bank loans were guaranteed by related parties as follows:

(a) The Group's bank loan amounting to RMB20,000,000 was guaranteed by the entities controlled by Mr. Luan Tao, secured with the buildings owned by the Group, and was due within one year with an interest rate of 5.655%.

(b) The Group's bank loan amounting to RMB66,820,000 was guaranteed by the entities controlled by Mr. Luan Tao, which was due in one to six years, and beared interest at floating rates of LPR.

As at 30 June 2022:

Certain of the Group's bank loans amounting to RMB20,000,000 was guaranteed by certain subsidiary of the Group and secured with RMB4,000,000 certificates of deposit owned by the Group. The loan was due within two years with an interest rate of 5.67%.

Certain of the Group's bank loan amounting to RMB10,000,000 was guaranteed by certain subsidiary of the Group, and was due within one year with an interest rate of 5.60%.

Certain of the Group's bank loan amounting to RMB55,720,000 was guaranteed by the entities controlled by Mr. Luan Tao, which was due in one to five years, and beared interest at floating rates of LPR.

29. SHARE CAPITAL

Shares	**As at 31 December**		**As at 30 June**
	2020	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**
Authorised (number of shares)			
Ordinary shares of USD0.0001	500,000,000	500,000,000	500,000,000
Issued but not paid (number of shares)			
Ordinary shares of USD0.0001	202,000,000	200,000,000	200,000,000
Issued and paid (number of shares)			
Ordinary shares of USD0.0001	—	2,000,000	2,000,000

On 26 January 2021, Archery Capital Management Limited, one of the shareholders of the Company, which has 2,000,000 ordinary shares, injected HKD2,440,000 (RMB 2,028,000) to the Company. After the injection, the Company had 2,000,000 ordinary shares issued and paid, and 200,000,000 ordinary shares issued but not paid, and RMB 1,000 share capital and RMB2,027,000 share premium.

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Paid-in capital
		RMB'000
As at 30 June 2020 (Issuance of ordinary shares upon incorporation of the Company)	200,000,000	—
Issuance of new shares	2,000,000	—
As at 31 December 2020	202,000,000	—
Contribution from a shareholder	—	1
As at 31 December 2021 and 30 June 2022	202,000,000	1

On 30 June 2020, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorised share capital of USD50,000 shares of USD0.0001 at par value each. As of the date of incorporation, 202,000,000 ordinary shares were issued at par of USD0.0001 per share.

30. SHARE INCENTIVE SCHEMES

In January 2016, 11 employees (including directors) of the Group entered into an agreement (the "Jinan Anlin Agreement") to set up an investment vehicle to invest in the then holding company. 1,800,000 shares of the then holding company (the "2016 Share Incentive Scheme") were granted to these 11 employees (including directors) of the Group, among which the vesting period of 360,000 shares fell from January 2016 to January 2020, the vesting period of 360,000 shares fell from January 2016 to January 2021, the vesting period of 360,000 shares fell from January 2016 to January 2022, the vesting period of 360,000 shares fell from January 2016 to January 2023 and the vesting period of 360,000 shares fell from January 2016 to January 2024. These incentives were rewarded to eligible participants who contribute to the success of the Group's operations.

In March 2017, 3 employees (including directors) of the Group entered into an agreement (the "Jinan Luting Agreement") to set up an investment vehicle to invest in the then holding company. 1,100,100 shares of the then holding company (the "2017 Share Incentive Scheme") were granted to these 3 employees (including directors) of the Group, among which the vesting period of 220,020 shares fell from March 2017 to March 2021, the vesting period of 220,020 shares fell from March 2017 to March 2022, the vesting period of 220,020 shares fell from March 2017 to March 2023, the vesting period of 220,020 shares fell from March 2017 to March 2024 and the vesting period of 220,020 shares fell from March 2017 to March 2025. These incentives were rewarded to eligible participants who contribute to the success of the Group's operations.

In March 2020, 1,502,250 shares of the then holding company (the "2020 Share Incentive Scheme") were granted to a total of 17 employees (including directors) of the Group, among which the vesting period of 300,450 shares fell from March 2020 to March 2024, the vesting period of 300,450 shares fell from March 2020 to March 2025, the vesting period of 300,450 shares fell from March 2020 to March 2026, the vesting period of 300,450 shares fell from March 2020 to March 2027, and the vesting period of 300,450 shares fell from March 2020 to March 2028. These incentives were rewarded to eligible participants who contribute to the success of the Group's operations.

As part of the Reorganisation, the Company was incorporated in the Cayman Islands on 30 June 2020. The Company subsequently became the holding company of the Group. In connection with the above restructuring, the Company replaced the 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme with the new share incentive scheme (the "Replaced Incentive Scheme"), which was approved by a board resolution of the Company on 30 June 2020.

Except for the change of shares from the then holding company to the Company and the share split on the Reorganisation, the Replaced Incentive Scheme was exactly same as the 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme and was treated as a replacement, there was no incremental fair value of shares granted arising from the replacement. The number of shares granted increased as one share was split into four shares upon the Reorganisation and the exercise prices were changed to reflect the share split accordingly.

Shares confer dividend rights and voting rights.

	2019		2020		2021	
	Weighted average subscription price RMB per share	**Number of shares**	**Weighted average subscription price RMB per share**	**Number of shares**	**Weighted average subscription price RMB per share**	**Number of shares**
At 1 January	2.40	2,900,100	2.40	2,792,100	0.60	15,177,000
Granted during the year	—	—	2.20	1,502,250	—	—
Forfeited during the year	—	(108,000)	2.40	(500,100)	—	—
Share split on reorganisation	—	—	—	11,382,750	—	—
At 31 December	2.40	2,792,100	0.60	15,177,000	0.60	15,177,000

	2022	
	Weighted average subscription price RMB per share	**Number of shares**
At 1 January	0.60	15,177,000
Granted during the period	—	—
Forfeited during the period	—	—
Share split on reorganisation	—	—
At 30 June	0.60	15,177,000

The fair value of the 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme was RMB6,660,000, RMB9,600,000 and RMB32,022,000, respectively, as at the grant date. The Group recognised share-based payments expenses of RMB790,000, RMB1,382,000, RMB1,877,000, RMB872,000 and RMB1,002,000 during the Relevant Periods and the six months ended 30 June 2021, respectively.

The fair value of equity-settled share schemes granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the schemes were granted. The following table lists the inputs to the model used:

	January 2016	March 2017	March 2020
Weighted average cost of capital	15%	14%	14%
Discount for lack of marketability	35%	30%	20%

31. RESERVES

Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity in the Historical Financial Information.

(i) Statutory reserve

In accordance with the Company Law of the People's Republic of China, the companies in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the then equity holders of the subsidiaries. The addition during the Relevant Periods represents the injections of RMB1,100,000 of additional paid-in capital by the then equity holder of the subsidiaries to the respective companies; the deduction during the Relevant Periods represents considerations of RMB3,949,000 paid to a company controlled by Mr. Luan Tao for the acquisition of equity interests in Shandong Kaidi Network Information Technology Co., Ltd. ("Shandong Kaidi") and of RMB21,100,000 for the acquisition interest from the then shareholders in the process of the Reorganisation.

The acquisition of Shandong Kaidi which was completed on 30 June 2020 was accounted for as a business combination under common control using the principle of merger accounting. The consolidated statements of profit or loss and statements of comprehensive income, statement of changes in equity and statements of cash flows of the Group for the years ended 31 December, 2019, 2020 and 2021, and the six months ended 30 June 2021 and 2022, respectively, include the results and cash flows of Shandong Kaidi now comprising the Group from the earliest date presented or since the date when the businesses first came under the common control of Mr. Luan Tao, where this is a shorter period. The consolidated statements of financial position of the Group as of the end of each of the Relevant Period, respectively, have been prepared to present the assets and liabilities of the subsidiary's businesses using the existing book values from Mr. Luan Tao's perspective. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the business combination under common control.

(iii) Shares held for a share incentive scheme

One employee resigned in 2020, and Mr. Luan Hangqian purchased the employee's shares on behalf of the Company and reserved them for future incentive schemes.

(iv) Share premium reserve

On 26 January 2021, Archery Capital Management Limited, one of the shareholders of the Company, which has 2,000,000 ordinary shares, injected HKD 2,440,000 (RMB 2,028,000) to the Company. After the injection, the Company has 200,000,000 ordinary shares issued but not paid, and RMB 1,000 share capital and RMB2,027,000 share premium.

(v) Others

The Group obtained rental concession granted by an entity controlled by Mr. Luan Tao amounting to RMB419,000 (note 15) due to the COVID-19 during the six months ended 30 June 2022.

Company

2020

	Accumulated losses
	RMB'000
As at 30 June 2020 (date of incorporation)	—
Loss and total comprehensive loss for the year	(3,557)
As at 31 December 2020	(3,557)

2021

	Share premium	Accumulated losses	Total reserves/ (deficits)
	RMB'000	RMB'000	RMB'000
As at 1 January 2021	—	(3,557)	(3,557)
Loss and total comprehensive loss for the year	—	(8,830)	(8,830)
Capital contribution by a shareholder	2,027	—	2,027
As at 31 December 2021	2,027	(12,387)	(10,360)

2022

	Share Premium	Accumulated losses	Total reserves/ (deficits)
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	2,027	(12,387)	(10,360)
Loss and total comprehensive loss for the period	—	(2,526)	(2,526)
As at 30 June 2022	2,027	(14,913)	(12,886)

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to investment properties of RMB2,567,000, RMB15,511,000, RMB26,666,000 and RMB46,218,000 during the Relevant Periods, in respect of lease arrangements.

The Group had non-cash additions to right-of-use assets and lease liabilities of nil, nil, RMB5,005,000 and nil during the Relevant Periods in respect of lease arrangements.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2019

	Bank and other loans	Lease liabilities	Other payables
	RMB'000	RMB'000	RMB'000
At 1 January 2019	19,000	18,992	—
Changes from financing cash flows	31,000	(734)	65,000
Interest expense (note 7)	—	2,567	—
At 31 December 2019	50,000	20,825	65,000

Year ended 31 December 2020

	Bank and other loans	Lease liabilities	Other payables
	RMB'000	RMB'000	RMB'000
At 1 January 2020	50,000	20,825	65,000
Changes from financing cash flows	158,910	(2,407)	(43,900)
New leases	—	15,511	—
COVID-19-related rent concessions from lessors	—	(1,834)	—
Interest expense (note 7)	—	(742)	—
At 31 December 2020	208,910	31,353	21,100

Year ended 31 December 2021

	Bank and other loans	Lease liabilities	Other payables
	RMB'000	RMB'000	RMB'000
At 1 January 2021	208,910	31,353	21,100
Changes from financing cash flows	(112,090)	(7,494)	(21,100)
New leases	—	31,671	—
Termination of lease contract as lessee	—	(2,733)	—
Interest expense (note 7)	—	1,559	—
At 31 December 2021	96,820	54,356	—

Six months ended 30 June 2022

	Bank and other loans	Lease liabilities	Other payables
	RMB'000	RMB'000	RMB'000
At 1 January 2022	96,820	54,356	—
Changes from financing cash flows	(11,100)	(6,190)	—
COVID-19-related rent concessions from lessors	—	(419)	—
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	46,218	—
Interest expense (note 7)	—	1,705	—
At 30 June 2022	85,720	95,670	—

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods and the six months ended 30 June 2021:

(a) Definition of related parties

Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in exercising their rights as shareholders of Shandong Runhua Property Management Co., Ltd. before entering into the agreement, and agreed to continue the same going forward. Mr. Luan Hangqian and Ms. Liang will be subject to Mr. Luan Tao's decision when there is divergence.

Mr. Luan Tao	The controlling shareholder
Ms. Liang Yuefeng	The wife of the controlling shareholder
Mr. Luan Hangqian	The son of the controlling shareholder

(b) Transactions with related parties:

		Year ended 31 December			For the six months ended 30 June	
	Notes	2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Services rendered to related parties						
Entities controlled by Mr. Luan Tao:						
Providing leasing services	(i)	1,249	1,036	235	120	86
Providing property engineering services and landscape construction services	(i)	225	1,061	902	267	500
Providing property management	(i)	17,481	23,124	25,308	10,541	13,216
Others	(i)	5,756	160	1,832	453	—
Entities controlled by Mr. Luan Hangqian:						
Providing property engineering services and landscape construction services	(i)	11,608	54,707	35,346	3,083	3,542
Providing property management	(i)	8,620	8,964	6,969	1,997	2,462
Others	(i)	42	10	—	—	—
Entities controlled by Mr. Luan Tao and Mr. Luan Hangqian:						
Providing property management	(i)	209	105	181	92	82
Others	(i)	164	—	—	—	—
Entities controlled by Ms. Liang Yuefeng:						
Providing property engineering services and landscape construction services	(i)	—	6,751	2,628	127	—
Tianjin Tianfu:						
Others	(i)	—	—	—	—	88
		45,354	95,918	73,401	16,680	19,975

	Notes	Year ended 31 December			For the six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchases from related parties						
Entities controlled by Mr. Luan Tao:						
Receiving leasing services	(i)	105	1,197	1,926	1,117	1,001
Purchase of fixed assets	(i)	—	430	—	—	—
Receiving consulting services	(i)	—	121	16	16	114
Entities controlled by Ms. Liang Yuefeng:						
Receiving labour services	(i)	—	4,200	—	—	—
Receiving leasing services	(i)	—	500	430	50	228
Entities controlled by Mr. Luang Hangqian:						
Receiving construction services	(i)	—	—	—	—	13
Purchase of fixed assets	(i)	2,194	—	—	—	—
Receiving leasing services	(i)	58	—	—	—	—
		2,357	6,448	2,372	1,183	1,356
Interest expense for loans from related parties						
Key management personnel of the Group	(ii)	119	651	—	—	—
Interest income from loans to related parties						
Entities controlled by Mr. Luan Tao		—	5,656	2,089	2,089	—
Loans from related parties						
Key management personnel of the Group	(ii)	19,980	—	—	—	—
Acquisition from related parties						
Acquisitions of interest from an entity controlled by Mr. Luan Tao		—	3,949	—	—	—
Acquisitions of interest from the then shareholders		—	21,100	—	—	—
Trademark licensing expense						
Entity controlled by Mr. Luan Tao	(iii)	—	—	—	—	—
Loans to a related party						
Entity controlled by Mr. Luan Tao		—	124,840	—	—	—

Notes:

(i) Except for the COVID-19 rent concessions of RMB419,000 provided by an entity controlled by Mr. Luan Tao, which is mutually agreed by both parties by reference to certain published guidance, the prices for the above service fees and other transactions were determined in accordance with similar terms offered to third party customers.

(ii) The loans were from the staff who were listed in "Directors and Senior Management" in the document.

(iii) During the Relevant Periods and the six months ended 30 June 2021, an entity controlled by Mr. Luan Tao granted the Group a licence to use certain trademarks owned by the entity (the "Licensed Trademarks") in the PRC on a royalty-free basis. The Group entered into a three-year trademark licensing agreement with the entity in 2021 on a royalty-free basis.

(c) Compensation of key management personnel of the Group

Compensation for key management other than those for directors as disclosed in note 8 is set out below:

	Year ended 31 December			For the six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(Unaudited)	
Salaries, allowances and benefits in kind	1,462	2,076	2,603	1,291	1,287
Pension scheme contributions	163	133	216	99	117
Equity-settled share award expenses	82	287	336	168	158
Performance related bonuses	—	1,796	290	—	—
	1,707	**4,292**	**3,445**	**1,558**	**1,562**

(d) Outstanding balances of related parties

Details of the Group's loan to a related party, trade receivables, loans from related parties and amounts due to a related party as at the end of each of the Relevant Periods are included in notes 20, 23, 26 and 27 to the Historical Financial Information.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Periods are as follows:

31 December 2019

Financial assets	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income — Equity investments	Total
	RMB'000	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income	—	4,981	4,981
Trade receivables	52,783	—	52,783
Financial assets included in prepayments, other receivables and other assets	46,174	—	46,174
Cash and cash equivalents	34,775	—	34,775
	133,732	4,981	138,713

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	9,127
Financial liabilities included in other payables and accruals	82,581
Interest-bearing bank and other borrowings	50,000
	141,708

31 December 2020

Financial assets	**Financial assets at amortised cost**
	RMB'000
Trade receivables	73,254
Financial assets included in prepayments, other receivables and other assets	135,895
Restricted deposits	1,582
Cash and cash equivalents	119,323
	330,054

Financial liabilities	**Financial liabilities at amortised cost**
	RMB'000
Trade payables	42,465
Financial liabilities included in other payables and accruals	41,811
Interest-bearing bank and other borrowings	208,910
	293,186

31 December 2021

Financial assets	**Financial assets at amortised cost**
	RMB'000
Trade receivables	85,028
Financial assets included in prepayments, other receivables and other assets	15,530
Financial assets at amortised cost	9,900
Restricted deposits	11,894
Cash and cash equivalents	112,080
	234,432

Financial liabilities	**Financial liabilities at amortised cost**
	RMB'000
Trade payables	42,696
Financial liabilities included in other payables and accruals	17,445
Interest-bearing bank and other borrowings	96,820
	156,961

30 June 2022

Financial assets	**Financial assets at amortised cost**	**Financial assets at fair value through profit or loss**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Trade receivables	140,720	—	140,720
Financial assets included in prepayments, other receivables and other assets	17,140	—	17,140
Financial assets at fair value through profit or loss	—	12,014	12,014
Restricted deposits	5,245	—	5,245
Cash and cash equivalents	48,523	—	48,523
	211,628	12,014	223,642

Financial liabilities	**Financial liabilities at amortised cost**
	RMB'000
Trade payables	30,840
Financial liabilities included in other payables and accruals	13,401
Interest-bearing bank and other borrowings	85,720
	129,961

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			
	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	4,981	—	—	—
Financial assets at fair value through profit or loss	—	—	—	12,014
	4,981	—	—	12,014

	Fair values			
	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	4,981	—	—	—
Financial assets at fair value through profit or loss	—	—	—	12,014
	4,981	—	—	12,014

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, short-term interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. Management has assessed that the fair values of long-term bank and other borrowings bearing interest at floating rates approximate to their carrying amounts, as the carring amounts are discounted using the relevant effective interest rates floated yearly which approximated to the prevailing borrowing rates.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

For the fair value of the non-listed equity investments that measures at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Non-listed equity investments	Valuation multiples	Average price to book multiple	2019: 1.3 2020: 1.4	The higher the multiple, the higher the fair value

For the fair value of financial assets at fair value through profit or loss, management has calculated the fair value by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
As at 31 December 2019				
Equity investments at fair value through other comprehensive income	—	—	4,981	4,981

Financial assets at fair value through profit or loss

	Fair value measurement using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
As at 30 June 2022				
Financial assets at fair value through profit or loss	—	12,014	—	12,014

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The movements in fair value measurements within Level 3 are as follows:

Equity investments at fair value through other comprehensive income	2019	2020
	RMB'000	RMB'000
As at 1 January	4,826	4,981
Total gains recognised in other comprehensive income	155	19
Disposals	—	(5,000)
As at 31 December	4,981	—

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease liabilities, interest-bearing bank and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the 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 the Group's exposure to bad debts is not significant.

Maximum exposure to credit risk at the end of each of the Relevant Periods

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

31 December 2019	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	—	—	—	3,971	3,971
Trade receivables*	—	—	—	52,783	52,783
Financial assets included in prepayments, other receivables and other assets					
—Normal**	46,174	—	—	—	46,174
Cash and cash equivalents—Not yet past due	34,775	—	—	—	34,775
	80,949	**—**	**—**	**56,754**	**137,703**

31 December 2020	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	73,254	73,254
Financial assets included in prepayments, other receivables and other assets					
—Normal**	135,895	—	—	—	135,895
Restricted deposits	1,582	—	—	—	1,582
Cash and cash equivalents—Not yet past due	119,323	—	—	—	119,323
	256,800	**—**	**—**	**73,254**	**330,054**

31 December 2021	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	—	—	—	8,729	8,729
Trade receivables*	—	—	—	85,028	85,028
Financial assets included in prepayments, other receivables and other assets					
—Normal**	15,530	—	—	—	15,530
Financial assets at amortised cost	9,900	—	—	—	9,900
Restricted deposits	11,894	—	—	—	11,894
Cash and cash equivalents—Not yet past due	112,080	—	—	—	112,080
	149,404	**—**	**—**	**93,757**	**243,161**

30 June 2022	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	—	—	—	8,035	8,035
Trade receivables*	—	—	—	140,720	140,720
Financial assets included in prepayments, other receivables and other assets					
—Normal**	17,140	—	—	—	17,140
Restricted deposits	5,245	—	—	—	5,245
Cash and cash equivalents—Not yet past due	48,523	—	—	—	48,523
	70,908	**—**	**—**	**148,755**	**219,663**

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 24 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group's financial liabilities as at the end of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

31 December 2019	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	51,650	—	—	51,650
Trade payables	9,127	—	—	9,127
Financial liabilities included in other payables and accruals	82,581	—	—	82,581
Lease liabilities	4,468	22,153	18,693	45,314
	147,826	**22,153**	**18,693**	**188,672**

31 December 2020	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	142,090	52,858	23,285	218,233
Trade payables	42,465	—	—	42,465
Financial liabilities included in other payables and accruals	41,811	—	—	41,811
Lease liabilities	5,478	22,321	13,048	40,847
	231,844	**75,179**	**36,333**	**343,356**

31 December 2021	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	41,674	44,580	11,100	97,354
Trade payables	42,696	—	—	42,696
Financial liabilities included in other payables and accruals	17,445	—	—	17,445
Lease liabilities	8,807	52,335	2,641	63,783
	110,622	**96,915**	**13,741**	**221,278**

30 June 2022	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	25,327	70,557	—	95,884
Trade payables	30,840	—	—	30,840
Financial liabilities included in other payables and accruals	13,401	—	—	13,401
Lease liabilities	14,546	37,824	58,962	111,332
	84,114	**108,381**	**58,962**	**251,457**

Capital management

The primary objectives of the Group's capital management are to safeguard the 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.

The 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, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The 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 Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by the total assets. Total debt includes current liabilities and non-current liabilities. Total assets include current assets and non-current assets.

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities	215,914	327,080	205,043	178,166
Non-current liabilities	18,710	95,257	103,358	149,394
Total debt	234,624	422,337	308,401	327,560
Total assets	329,609	532,266	466,680	507,310
Gearing ratio	71.18%	79.35%	66.08%	64.57%

37. CONTINGENT LIABILITIES

The Group and the Company did not have any contingent liabilities not disclosed in the Historical Financial Information at the end of each of the Relevant Periods.

38. EVENTS AFTER THE RELEVANT PERIODS

There was no material subsequent event undertaken by the Group after 30 June 2022.

III. SUPPLEMENTARY FINANCIAL INFORMATION OF TIANJIN TIANFU

Financial information of Tianjin Tianfu for the eleven months ended 30 November 2019 (the date prior to the date of acquisition of Tianjin Tianfu) (the "Pre-acquisition Period") has been prepared in accordance with the basis of preparation and accounting policies as set out below. This information is referred to hereafter as the "Financial Information of Tianjin Tianfu".

The Group acquired a 41% interest in Tianjin Tianfu Property Management Co., Ltd. (the "Acquisition") in 2019 (note 17). The Acquisition was made as part of the Group's strategy to expand its market in China and was completed in November 2019.

1. FINANCIAL INFORMATION

Statement of profit or loss and other comprehensive income

	Notes	Eleven months ended 30 November 2019
		RMB'000
REVENUE	2.2	339,651
Cost of services		(300,935)
Gross profit		38,716
Finance costs		(326)
Other income and gains		3,142
Selling and distribution expense		(6,256)
Administrative expenses		(40,256)
LOSS BEFORE TAX	2.3	(4,980)
Income tax expenses		(1,706)
LOSS FOR THE PERIOD		(6,686)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(6,686)

Statement of financial position

	Notes	As at 30 November 2019
		RMB'000
NON-CURRENT ASSETS		
Property and equipment	2.4	11,038
Investment properties	2.5	6,722
Right-of-use assets	2.6	8,130
Other intangible assets		225
Deferred tax assets		704
Total non-current assets		26,819
CURRENT ASSETS		
Inventories		2,187
Trade receivables	2.7	65,837
Other receivables and other assets	2.8	3,376
Cash and cash equivalents		48,544
Total current assets		119,944
CURRENT LIABILITIES		
Trade payables	2.9	62,265
Other payables and accruals	2.10	44,680
Lease liabilities	2.6	3,401
Total current liabilities		110,346
NET CURRENT ASSETS		9,598
TOTAL ASSETS LESS CURRENT LIABILITIES		36,417
NON-CURRENT LIABILITIES		
Other payables and accruals	2.10	648
Deferred tax liabilities		269
Lease liabilities	2.6	5,124
Total non-current liabilities		6,041
Net assets		30,376
EQUITY		
Paid in capital		6,000
Reserves		24,376
Total equity		30,376

Statement of changes in equity

	Paid in capital	Share-based payment reserve	Capital reserve	Statutory reserve	Other surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	6,000	—	15	3,000	7,162	14,104	30,281
Loss for the period	—	—	—	—	—	(6,686)	(6,686)
Disposal of equity investments to a related party	—	—	(15)	—	(485)	—	(500)
Equity-settled share-based compensation	—	12,270	—	—	—	—	12,270
Dividend paid	—	—	—	—	—	(4,989)	(4,989)
At 30 November 2019	6,000	12,270	—	3,000	6,677	2,429	30,376

Statement of cash flows

	Eleven months ended 30 November 2019
	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(4,980)
Adjustments for:	
Finance costs	326
Interest income	(191)
Depreciation of property and equipment	3,475
Depreciation of investment properties	220
Depreciation of right-of-use assets	2,354
Amortisation of intangible assets	327
Provision for impairment of trade receivables	996
Equity-settled share award expenses	12,270
Increase in trade receivables	(23,637)
Increase in inventories	(432)
Decrease in other receivables and other assets	1,925
Increase in trade payables	22,592
Increase in other payables and accruals	4,123
Cash generated from operations	19,368
Interest received	191
Income tax paid	(597)
Net cash flows from operating activities	18,962
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of items of property and equipment	(3,121)
Net cash flows used in investing activities	(3,121)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal portion of lease payment	(2,073)
Interest paid	(326)
Net cash flows used in financing activities	(2,399)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,442
Cash and cash equivalents at beginning of period	35,102
CASH AND CASH EQUIVALENTS AT END OF PERIOD	48,544
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents	48,544

2. NOTES TO THE FINANCIAL INFORMATION OF TIANJIN TIANFU

2.1 Principal accounting policies

The Financial Information of Tianjin Tianfu has been prepared in accordance with the accounting policies set out in Section II, note 2.4 to the Historical Financial Information: Summary of significant accounting policies.

2.2 Revenue

An analysis of revenue is as follows:

	Eleven months ended 30 November 2019
	RMB'000
Revenue from contracts with customers	338,206
Revenue from other sources	
Gross rental income from:	
Property leasing services	1,445
	339,651

Revenue from contracts with customers

(a) Disaggregated revenue information

Type of services	**Eleven months ended 30 November 2019**
	RMB'000
Property management services	338,206
Total revenue from contracts with customers	338,206
Timing of revenue recognition	
Services transferred over time	338,206

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Property management services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one to two years, and are billed based on the time when the services are provided.

2.3 Loss before tax

	Eleven months ended 30 November 2019
	RMB'000
Cost of services provided*	300,935
Depreciation of property and equipment	3,475
Depreciation of investment properties	220
Depreciation of right-of use assets	2,354
Amortisation of intangible assets	327
Wages and salaries	53,507
Pension scheme contributions, social welfare and other welfare	19,065
Impairment of trade receivables, net	996
Equity-settled share award expenses	12,270

* Cost of services provided include depreciation of property and equipment, depreciation of right-of-use assets, depreciation of investment properties and employee benefit expenses, which are also included in the respective total amounts disclosed separately above for each of these types of expenses during the eleven months ended 30 November 2019.

2.4 Property and equipment

Group	Electronic devices	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 30 November 2019						
Cost						
At 1 January 2019	2,109	3,549	7,445	6,831	662	20,596
Additions	1,828	220	—	146	51	2,245
Disposals	(177)	(423)	(343)	—	(24)	(967)
At 30 November 2019	3,760	3,346	7,102	6,977	689	21,874
Accumulated depreciation:						
At 1 January 2019	1,259	2,292	3,832	691	334	8,408
Provided for the period	350	392	684	1,983	66	3,475
Disposal	(169)	(515)	(325)	—	(38)	(1,047)
At 30 November 2019	1,440	2,169	4,191	2,674	362	10,836
Net carrying amount:						
At 1 January 2019	850	1,257	3,613	6,140	328	12,188
At 30 November 2019	2,320	1,177	2,911	4,303	327	11,038

2.5 Investment properties

	RMB'000
Carrying amount at 1 January 2019	6,942
Depreciation	(220)
Carrying amount at 30 November 2019	6,722

Fair value of the investment properties as 30 November 2019 is as follow:

	30 November 2019
	RMB'000
Investment properties in the PRC	7,760

The fair value of the Tianjin Tianfu's investment properties as at 30 November 2019 is determined by valuations conducted by Tianjin Yuehua Real Estate Asset Valuation Ltd, an independent valuer. Under the valuation models, a market-based approach has been adopted for commercial properties.

2.6 Leases

Tianjin Tianfu as a lessee

Tianjin Tianfu has lease contracts for office premises. Leases of office premises generally have lease terms between 3 and 10 years.

(a) Right-of-use assets

The carrying amount of Tianjin Tianfu's right-of-use assets and the movements are as follows:

	Office premises
	RMB'000
30 November 2019	
As at 1 January 2019	5,057
Additions	5,427
Depreciation charge	(2,354)
As at 30 November 2019	8,130

(b) Lease liabilities

The carrying amount of lease liabilities and the movements are as follows:

	Lease liabilities
	RMB'000
30 November 2019	
As at 1 January 2019	5,171
New leases	5,427
Accretion of interest recognised during the period	326
Payments	(2,399)
As at 30 November 2019	8,525

	2019 January to November
	RMB'000
Analysed into:	
Current portion	3,401
Non-current portion	5,124

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	30 November 2019
	RMB'000
Interest on lease liabilities	326
Depreciation charge of right-of-use assets	2,354
Expense relating to short-term leases	361
Total amount recognised in profit or loss	3,041

2.7 Trade receivables

	As at 30 November 2019
	RMB'000
Trade receivables	66,970
Impairment	(1,133)
	65,837

An ageing analysis of the trade receivables as at 30 November 2019, based on the invoice date, is as follows:

	As at 30 November 2019
	RMB'000
Within 1 year	65,547
1 to 2 years	516
2 to 3 years	16
Over 3 years	891
	66,970

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 30 November 2019
	RMB'000
At beginning of period	2,129
Impairment reversal, net	(996)
At end of period	1,133

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the invoice date for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at 30 November 2019 about past events, current conditions and forecasts of future economic conditions.

Tianjin Tianfu writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner, also taking into account legal advice where appropriate.

Set out below is the information about the credit risk exposure on the Tianjin Tianfu's trade receivables using a provision matrix:

	As at 30 November 2019		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Within 1 year	0.32%	65,547	218
1 to 2 years	1.94%	516	10
2 to 3 years	87.50%	16	14
Over 3 years	100.00%	891	891
		66,970	1,133

2.8 Other receivables and deposits

	As at 30 November 2019
	RMB'000
Deposits	2,330
Other receivables	1,089
Impairment	(43)
	3,376

The movements in the loss allowance for impairment of other receivables are as follows:

	As at 30 November 2019
	RMB'000
At beginning of period	23
Impairment losses, net	20
At end of period	43

Deposits mainly represent deposits with clients. Where applicable, an impairment analysis is performed at the end of each of the Relevant Periods by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for where there were no comparable companies as at 30 November 2019 was 1.86%.

2.9 Trade payables

An ageing analysis of the trade payables as at 30 November 2019, based on the invoice date, is as follows:

	As at 30 November 2019
	RMB'000
Within 1 year	61,891
Over 1 year	374
	62,265

Trade payables are non-interest-bearing and normally settled on terms of less than 90 days.

2.10 Other payables and accruals

	As at 30 November 2019
	RMB'000
Current	
Staff payroll and welfare payables	12,595
Contract liabilities	10,987
Deposits	7,793
Receipts on behalf of residents	1,910
Tax payable other than income tax	4,006
Dividend payable	4,989
Others	2,400
	44,680
Non-current	
Deposits	648
Total	45,328

2.11 SHARE-BASED PAYMENT

In September 2019, 10% shares of Tianjin Tianfu were granted to Tianjin Tianfu's management in recognition of their past services. There was no service period condition on the shares granted. As the 10% share transfer to management at the asking price was effective before the completion of the Acquisition, the difference between the fair value of those shares and its transfer price amounting RMB12,270,000 was accounted for as equity-settled share award expenses before the completion of the Acquisition.

The fair value of equity-settled share-based payment granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the shares were granted. The following table lists the inputs to the model used:

	September 2019
Weighted average cost of capital	15%
Discount for lack of marketability	40%

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this document received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 30 June 2022 of the property interests held by the Group.

AVISTA Valuation Advisory
艾 華 迪 評 估 諮 詢

23rd Floor, Siu On Centre, No. 188 Lockhart Road,
Wan Chai, Hong Kong

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info@avaval.com
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[*] 2022

The Board of Directors
Runhua Property Technology Development Inc
6th Floor, Building No. 1 Lemeng Center,
No. 28988 Jingshi Road, Huaiyin District,
Jinan City, Shandong Province,
the People's Republic of China (the "**PRC**")

Dear Sirs / Madams,

INSTRUCTIONS

In accordance with the instructions of Runhua Property Technology Development Inc (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for us to carry out the valuation of the property interests located in the PRC held and rented by the Group. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 30 June 2022 (**the "Valuation Date**").

VALUATION STANDARDS

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practise Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), RICS Valuation — Global Standards 2022 published by the Royal Institution of Chartered Surveyors ("**RICS**") and the International Valuation Standards published from time to time by the International Valuation Standards Council.

BASIS OF VALUATION

Our valuation is carried out on a market value basis, which is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised property interests have been categorised according firstly to type of interests held by the Group, which in turn being classified into the following groups:

Group I — Property interests held for investment by the Group in the PRC; and

Group II — Property interests rented by the Group in the PRC.

VALUATION ASSUMPTIONS

Our valuation of the properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature, which could affect their values.

In the course of our valuation of the properties in the PRC, we have assumed that transferable land use rights in respect of the properties for a specific term at nominal annual land use fees have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group and its legal adviser regarding the title to the properties. For the purpose of our valuation, we have assumed that the grantees have an enforceable title to the properties.

In valuing the properties in the PRC, we have assumed that the grantees or the users of the properties have free and uninterrupted rights to use or to assign the properties for the whole of the unexpired term as granted.

Unless noted in the report, vacant possession is assumed for the properties concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities. Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the properties in continued uses does not represent the amount that might be realised from piecemeal disposition of the properties in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

We have further assumed that the properties are not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as "**continued uses**").

In valuing the property interests, we have valued by income approach by taking into account the rental income of the properties derived from the existing leases or sub-leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases or sub-lease, which have been then capitalised to determine the market value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the property interests in the PRC. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser — Zhong Lun Law Firm, concerning the validity of title of the property interests in the PRC.

SITE INVESTIGATION

We have inspected the exteriors and, where possible, the interior of the properties. The site inspection was carried out on 22 February 2021 and 6 May 2021 by Amber Liu (Valuer) and on 23 June 2021 by Yoyo Mang (CPV), who have 2 years of experience of valuing properties located in the PRC. However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

Moreover, no structural surveys have been undertaken, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the utility services.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Group or the legal or other professional advisers on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited

Vincent C B Pang
MRICS CFA FCPA FCPA Australia
RICS Registered Valuer
Managing Partner

Notes: Mr. Vincent C B Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

SUMMARY OF VALUES

Group I — Property interests held for investment by the Group in the PRC

No.	Property	Market value in existing state as at 30 June 2022	Interests Attributable to the Group	Market value Attributable to the Group as at 30 June 2022
		RMB		**RMB**
1.	Unit 307 on 3/F, whole floors of 5/F and 17/F, Building No. 1-2 Lemeng Centre, No. 28988 Jingshi Road, Huaiyin District, Jinan City, Shandong Province, the PRC	19,020,000	100%	19,020,000
	Sub-total:	**19,020,000**		**19,020,000**

Group II — Property interests rented by the Group in the PRC

No.	Property	Market value in existing state as at 30 June 2022	Interests Attributable to the Group	Market value Attributable to the Group as at 30 June 2022
		RMB		**RMB**
2.	West side of Middle Road of Ming Bu Dong Road, Zhangqiu District Development Zone, Jinan City, Shandong Province, the PRC	No Commercial Value	100%	No Commercial Value
3.	Nos. -111, 102, 201, Building No. 11 (Now Unit 1 of Building No. 9) Guanzhaying Pianqu, Tian Cheng Road/Street, Tianqiao District, Jinan City, Shandong Province, the PRC	No Commercial Value	100%	No Commercial Value
4.	Nos. 113, 114, 115, 219, 220, 305-313, 403-415 and 5-24/F, The Door Of Qilu, Qi Zhou Lu, Huai Yin District, Jinan City, Shandong Province, the PRC	No Commercial Value	100%	No Commercial Value
	Sub-total:	**No Commercial Value**		**No Commercial Value**
	Grand-total:	**19,020,000**		**19,020,000**

VALUATION CERTIFICATE

Group I — Property interests held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2022
				RMB
1	Unit 307 on 3/F, whole floors of 5/F and 17/F, Building No. 1-2 Lemeng Center, No. 28988 Jingshi Road, Huaiyin District, Jinan City, Shandong Province, the PRC	The property comprises a unit on 3/F and whole floors of 5/F and 17/F with a total gross floor area of approximately 2,205.40 sq.m. within a 31-storey office building completed in 2016. Detailed area is set out as following: **Unit and Floors** / **Gross Floor Area (Sq.m.)** Unit 307 on 3/F: 294.26 Whole 5/F: 955.57 Whole 17/F: 955.57 **Total : 2,205.40** The property is located at Jinan City, with approximately 2km to Dayang station and 50km to Jinan Yaoqiang International Airport. The land use rights of the property have been granted for a term expiring on 10 March 2053 for commercial use.	As at the Valuation Date, portion of the property with lettable area of 1,897.39 sq.m. is leased by the Group to various independent third parties and two connected parties at a total monthly rent of approximately RMB102,433.26 with the latest term expiring on 30 June 2028 for commercial use. The remaining portion of the property is currently vacant.	19,020,000 (100% interests attributable to the Group: 19,020,000)

Notes:

1. Pursuant to the Real Estate Ownership Certificates issued by the relevant government institutions, the property with a total gross floor area of approximately 2,205.40 sq.m. have been vested to the Group for a land use right term of 50 years for commercial use expiring on 10 March 2053 with details shown as follows:

Unit	Gross Floor Area (sq.m.)	Registered Owner	Certificate Nos.
307	294.26	山東善佑物業經營管理有限公司	Lu (2019) Jinan Shi Bu Dong Chan Quan Di No. 0195281
501	39.65	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225291
502	40.55	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225252

Unit	Gross Floor Area (sq.m.)	Registered Owner	Certificate Nos.
503	45.24	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225229
504	53.55	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225224
505	53.55	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225220
506	51.97	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225210
507	71.56	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225187
508	51.55	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225070
509	50.85	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225071
510	75.32	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225072
511	57.11	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225163
512	56.82	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225157
513	56.18	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225144
514	77.33	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225073
515	58.58	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225074
516	57.74	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225075
517	58.02	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0225076
1701	39.65	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229499
1702	40.55	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229498
1703	45.24	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229497
1704	53.55	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229495
1705	53.55	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229448
1706	51.97	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229446
1707	71.56	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229442
1708	51.55	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229508
1709	50.85	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229505
1710	75.32	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229482

Unit	Gross Floor Area (sq.m.)	Registered Owner	Certificate Nos.
1711	57.11	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229478
1712	56.82	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229474
1713	56.18	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229458
1714	77.33	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229455
1715	58.58	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229450
1716	57.74	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229515
1717	58.02	山東潤華物業管理股份有限公司	Lu (2018) Jinan Shi Bu Dong Chan Quan Di No. 0229514

2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Group has legally and validly obtained the land use rights of the property.;

   b. The Group has the rights to occupy, use, transfer, lease and mortgage the buildings of the property legally.; and

   c. The property was pledged.

3. In our valuation, we have made reference to some rental references and/or asking rent of property comparables in the subject and nearby development. We have adopted the range of unit rates between RMB 42 to RMB 43 per sq.m./month. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, size, floor, and location in arriving at the key assumptions. The market yield assumed by us is 5%, which is in line with the market yield of this property sector in the region of 5% to 9%.

VALUATION CERTIFICATE

Group II — Property interests rented by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value as at 30 June 2022
				RMB
2.	West side of Middle Road of Ming Bu Dong Road, Zhangqiu District Development Zone, Jinan City, Shandong Province, the PRC	The property comprises office, canteen and manufacturing areas for industrial use with a total gross floor area of approximately 10,480.02 sq.m. completed in 2005. The property is located at Jinan City, with approximately 5km to Zhangqiu station and 50km to Jinan Yaoqiang International Airport. The property is leased to 山東善佑物業經營管理有限公司, a wholly-owned subsidiary of the Company for a term commencing from 1 March 2020 and expiring on 30 June 2029.	As at the Valuation Date, portion of the property with a total gross floor area of approximately 10,480.02 sq.m. has been sub-leased to various independent third parties with the latest term expiring on 30 June 2029 for industrial use.	No commercial value (100% interests attributable to the Group: No commercial value)

Notes:

1. Pursuant to the lease agreement and the confirmation agreement entered into between 山東潤華鼎新生物科技有限公司 and 山東善佑物業經營管理有限公司, a wholly-owned subsidiary of the Company, the buildings with a total gross floor area of 10,480.02 sq.m. were leased for a term commencing from 1 March 2020 and expiring on 28 February 2023 and the expiry date of the lease will be extended to 30 June 2029 at a total annual rent of RMB 1,500,383.91.

2. Pursuant to various sub-lease agreements and the supplemental agreement dated 29 December 2021, portion of the property with a total gross floor area of approximately 10,480.02 sq.m. are leased to various independent third parties with the latest term expiring on 30 June 2029 at a total annual rent of RMB 1,973,000.

3. As advised by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

    a. The validity of the lease agreement mentioned in Note no. 1 will not be affected by the absence of house lease registration.

4. In undertaking our valuation, we have assigned no commercial value to the property since it could not be freely transferred in the market. For reference purpose, we are of the opinion that the estimated value of the aforesaid lease period as at the valuation date would be RMB 10,260,000, assuming the property could be freely transferred in the market.

5. In our valuation, we have made reference to some rental evidence and asking rent of similar properties in locality which are in the region of RMB 8 to RMB 12 per sq.m./month for industrial workshop purpose and RMB 17 to RMB 20 per sq.m./month for office purpose. The market yield assumed by us is 6.5%, which is in line with the market yield of this property sector in the region of 6% to 13%.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value as at 30 June 2022
				RMB
3.	Nos. -111, 102, 201, Building No. 11 (Now Unit 1 of Building No. 9) Guanzhaying Pianqu, Tian Cheng Road/Street, Tianqiao District, Jinan City, Shandong Province, the PRC	The property comprises three commercial units with a total gross floor area of approximately 5,236.40 sq.m. were completed in 2015. The property is located at Jinan City, with approximately 1km to Jinan station and 40km to Jinan Yaoqiang International Airport. The property is leased to 濟南邵新天和商貿有限公司, a wholly-owned subsidiary of the Company for a term commencing from 10 December 2018 and expiring on 9 December 2027.	As at the Valuation Date, the property with a total gross floor area of approximately 4,387.76 sq.m. has been sub-leased to two independent third parties with the latest term expiring on 9 December 2027 for commercial use. The remaining portion of the property is currently vacant.	No commercial value (100% interests attributable to the Group: No commercial value)

Notes:

1. Pursuant to the lease agreement entered into between 濟南舊城開發投資集團有限公司 and 濟南邵新天和商貿有限公司, a wholly-owned subsidiary of the Company, the building with a total gross floor area of approximately 5,236.40 sq.m. were contracted to be assigned for a term commencing from 10 December 2018 and expiring on 9 December 2027 at the annual rent is shown as details below:

Period	Annual Rent (RMB)
10 December 2018 – 9 December 2019 (With a 6-month rent-free period)	1,476,810
10 December 2019 – 9 December 2021	2,929,542
10 December 2021 – 9 December 2024	3,017,368
10 December 2024 – 9 December 2027	3,108,090

2. Pursuant to two sub-lease agreements and a supplementary agreement, portion of the property with a total gross floor area of approximately 4,387.76 sq.m. are leased to two independent third parties with the latest term expiring on 9 December 2027 at a total annual rent of RMB 2,598,204.00.

3. As advised by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. The validity of the lease agreement mentioned in Note no. 1 will not be affected by the absence of house lease registration.

4. In undertaking our valuation, we have assigned no commercial value to the property since it could not be freely transferred in the market. For reference purpose, we are of the opinion that the estimated value of the aforesaid lease period as at the valuation date would be RMB 15,980,000, assuming the property could be freely transferred in the market.

5. In our valuation, we have made reference to some rental evidence and asking rent of similar properties in locality which are in the region of RMB 59 to RMB 67 per sq.m./month for shop purpose. The market yield assumed by us is 6%, which is in line with the market yield of this property sector in the region of 5% to 13%.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Fair value as at 30 June 2022
				RMB
4.	Nos. 113, 114, 115, 219, 220, 305-313, 403-415 and 5-24/F, The Door Of Qilu, Qi Zhou Lu, Huai Yin District, Jinan City, Shandong Province, the PRC	The property comprises a whole block of commercial building with a total gross floor area of approximately 38,453.85 sq.m.. The property is located at Jinan City, with approximately 1.3km to Jinan West station and 40km to Jinan Yaoqiang International Airport. The property is leased to 山東潤物停車場管理有限公司, a wholly-owned subsidiary of the Company for a term commencing from 8 December 2021 and expiring on 31 December 2027.	As at the Valuation Date, the property with a total gross floor area of approximately 7,037.7 sq.m. has been sub-leased to various independent third parties with the latest term expiring on 14 July 2027 for commercial use. The remaining portion of the property is currently vacant.	No Commercial Value (100% interest attributable to the Group: No Commercial Value)

Notes:

1. Pursuant to the lease agreement and the confirmation agreement entered into between 山東齊魯之門商業運營有限公司 and 山東潤物停車場管理有限公司, a wholly-owned subsidiary of the Company, the buildings with a total gross floor area of 38,453.85 sq.m. were leased for a term commencing from 8 December 2021 and expiring on 31 December 2024 and the expiry date of the lease will be extended to 31 December 2027 at the annual rent is shown as details below:

Period	Annual Rent (RMB)
8 December 2021 – 7 December 2022	3,460,846
8 December 2022 – 31 December 2023	15,989,495
1 January 2024 – 31 December 2024	16,112,152
1 January 2025 – 31 December 2025	17,040,906
1 January 2026 – 31 December 2026	18,660,593
1 January 2027 – 31 December 2027	20,705,476

2. Pursuant to various sub-lease agreements, portion of the property with a total gross floor area of approximately 7,037.7 sq.m. are leased to twenty three independent third parties with the latest term expiring on 14 July 2027 at a total annual rent of RMB 4,500,000.

3. As advised by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. The validity of the lease agreement mentioned in Note no. 1 will not be affected by the absence of house lease registration.

4. In undertaking our valuation, we have assigned no commercial value to the property since it could not be freely transferred in the market. For reference purpose, we are of the opinion that the estimated value of the aforesaid lease period as at the valuation date would be RMB76,713,000, assuming the property could be freely transferred in the market.

5. In our valuation, we have made reference to some rental evidence and asking rent of similar properties in locality which are in the region of RMB 39 to RMB 44 per sq.m./month on lettable area basis for shop purpose. The market yield assumed by us is 5%, which is in line with the market yield of this property sector in the region of 5% to 9%.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix [●] in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles is [●] divided into [●] shares of [●] each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Cayman Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The number of Directors shall not be less than two.

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director).

The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors who are to retire by rotation at such meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors. The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by a notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Companies Act; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Act.

2.6 Special resolution -majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly appointed representatives), and any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any meeting of the Company (including general meeting and creditors meeting of the Company) or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

Extraordinary general meetings may be convened on the requisition of two or more shareholders (or any one member which is a recognised clearing house (or its nominee(s)) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Act or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a statement of financial position as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may, in its absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase. The holder of the shares being purchased shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Directors shall specify the certificate(s) thereof, if any, for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend may be paid or declared, the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the bolder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Act and the current Companies Act of

England. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 June 2020 under the Cayman Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Cayman Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premium on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in Foss v. Harbottle (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Cayman Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, if an exempted company incorporated in the Cayman Islands is tax resident outside the Cayman Islands, it will not be required to satisfy the economic substance test set out in the ES Law.

22 General

Campbells, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 June 2020. Accordingly, our Company's corporate structure and Articles are subject to relevant laws of the Cayman Islands. A summary of our Articles and Memorandum of Association is set out in Appendix IV of this document. Our registered office is at Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands.

Our principal place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 24 May 2021. Ms. Szeto Kar Yee Cynthia has been appointed as the authorised representative of our Company for the acceptance of service of process and notice, on behalf of our Company in Hong Kong at the above address.

2. Changes in authorised and issued share capital of our Company

As at the date of incorporation, our Company had an authorised share capital of US$50,000 divided into 500,000,000 Shares of US$0.0001 each.

The following sets out the changes in our Company's share capital since its incorporation:

(a) on 30 June 2020, one Share of par value US$0.0001 was allotted, issued and credited as fully paid to an initial subscriber, an independent third party, and the same was then transferred to Springrain Investment at par value on the same date.

(b) on 30 June 2020, our Company allotted and issued (i) 147,870,000 Shares to Springrain Investment, (ii) 6,000,000 Shares to Cool breeze Ltd, (iii) 5,000,000 Shares to Zhaohua Ltd, (iv) 5,000,000 Shares to Chengxin&Susan Ltd, (v) 700,000 Shares to Yanglei Ltd, (vi) 500,000 Shares to Xiaxiaojun Limited, (vii) 1,000,000 Shares to Liyanhong Ltd, (viii) 1,000,000 Shares to Suixianfeng Ltd, (ix) 8,500,000 Shares to Yangliqun Ltd, (x) 2,600,000 Shares to Feizhongli runheart service Ltd, (xi) 1,600,000 Shares to Lyanyan Ltd, (xii) 1,600,000 Shares to Chenjie&Anne Ltd, (xiii) 1,300,000 Shares to Liyily Ltd, (xiv) 1,300,000 Shares to Zhangyuqiang Ltd, (xv) 540,000 Shares to Caohongtao Ltd, (xvi) 800,000 Shares to Zhengyi sunshine Co., Ltd, (xvii) 540,000 Shares to Cuiyongsheng Ltd, (xviii) 200,000 Shares to Kangnaishui Limited, (xix) 5,000,000 Shares to Ryan&Serena Ltd, (xx) 5,000,000 Shares to Liutong Ltd, (xxi) 700,000 Shares to Zhangdeguo Limited, (xxii) 500,000 Shares to Hutianqun Limited, (xxiii) 450,000 Shares to Jinzuoyang Ltd, (xxiv) 450,000 Shares to Liurunxi Limited, (xxv) 500,000 Shares to Flora Ltd, (xxvi) 450,000 Shares to Lizhigang Ltd, (xxvii) 450,000 Shares to Yusumin Ltd and (xxviii) 450,000 Shares to Ziyue Ltd.

(c) on 26 October 2020, 5,000,000 Shares were transferred from ZhaoHua Ltd to Springrain Investment. On the same date, our Company allotted and issued 2,000,000 Shares to Archery Capital Management Limited.

Immediately following completion of the **[REDACTED]** but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]**, the issued share capital of our Company will be US$**[REDACTED]** divided into **[REDACTED]** Shares, all fully paid or credited as fully paid, and **[REDACTED]** Shares will remain unissued.

Save as disclosed above and as mentioned in the paragraph headed "— 4. Written resolutions of the Shareholders passed on [●]" below, there has been no alteration in our share capital within the two years immediately preceding the date of this document.

3. Changes in share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this document.

The following alteration in the share capital of our principal subsidiary has taken place within two years immediately preceding the date of this document:

On 25 November 2019, the shareholders of Jinan Runwu Construction resolved to increase the registered capital of Jinan Runwu Construction from RMB2.0 million to RMB20.0 million.

Save as disclosed in this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

For details of the Reorganisation which our Group has underwent in preparation for the **[REDACTED]**, please refer to the section headed "History, Development and Reorganisation — Reorganisation" in this document for further details.

4. Written resolutions of the Shareholders passed on [●]

On [●] 2022, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, **[REDACTED]**) of the conditions set out in "Structure of the **[REDACTED]** — Conditions of the **[REDACTED]**" and pursuant to the terms set out therein:

(a) the Company approved and adopted the Memorandum and Articles of Association with effect conditional and immediately upon the **[REDACTED]**;

(b) the **[REDACTED]** and the grant of the **[REDACTED]** were approved and executive Director of our Company from time to time or (if applicable), any of his duly authorised attorney (the "**Authorised Signatory**") were authorised to allot and issue the Shares pursuant to the **[REDACTED]** and the exercise of the **[REDACTED]**;

(c) the **[REDACTED]** was approved and any Authorised Signatory would be authorised to implement the **[REDACTED]**;

(d) conditional on the share premium account of our Company being credited as a result of the **[REDACTED]** and issue of the **[REDACTED]** pursuant to the **[REDACTED]**, our Directors were authorised to capitalise a maximum amount of **[REDACTED]** standing to the credit of the share premium account of the Company and to apply such amount in paying up in full at par an aggregate of **[REDACTED]** Shares for **[REDACTED]** and issue, credited as fully paid at par and rank pari passu in all respects with each other and the existing issued Shares (except entitlement to the **[REDACTED]**), to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the **[REDACTED]** becomes unconditional (or as they may direct) in proportion to their respective shareholdings in our Company (as nearly as possible without fractions), and the Directors were authorised to give effect to such capitalisation and distribution;

(e) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares; or (iii) a specific authority granted by the Shareholder(s) in general meeting, shall not exceed the aggregate of:

(A) 20% of the total number of Shares in issue immediately following the completion of the **[REDACTED]**;

(B) the aggregate number of Shares brought back by the Company (if any) under the general mandate to buy back Shares referred to in paragraph below;

(C) such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting (the "**Relevant Period**"); and

(D) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to buy back the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the **[REDACTED]** of the Company in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting.

5. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its Shares.

Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to buy back their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed purchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written resolution passed by our then Shareholders on [●], 2022, a general unconditional mandate (the "**Buy-back Mandate**") was given to the Directors authorizing any purchase by us of Shares on the Hong Kong Stock Exchange or on any other approved stock exchange on which the securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the **[REDACTED]**, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Purchases must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not buy back its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time. Under the Cayman Companies Act, the par value of any Shares bought back by us may be provided for out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the purchase or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital. Any premium payable on a purchase over the par value of the Shares to be bought back must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorised by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital.

(iii) Trading restrictions

The total number of Shares which we may buy back is up to 10% of the total number of our Shares in issue immediately after the completion of the **[REDACTED]** (but not taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**). We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a purchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from buying back Shares on the Hong Kong Stock Exchange if the purchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a purchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the purchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

(iv) Status of bought-back Shares

All bought-back Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Companies Act, a company's bought-back shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate par value of the bought back shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of buy back

Pursuant to the Listing Rules, we may not make any purchases of Shares after inside information has come to our knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not buy back Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, purchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding purchases of Shares made during the year, including a monthly analysis of the number of shares bought-back, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly buying back securities on the Hong Kong Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(a) Reasons for purchases

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to buy back Shares in the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such purchases will benefit us and our Shareholders.

(b) Funding of purchases

In securities buy-back, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this document and taking into account the current working capital position, the Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this document. The Directors, however, do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Buy-back Mandate, on the basis of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** (but not taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**), could accordingly result in **[REDACTED]** Shares being bought back by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the "**Relevant Period**").

(c) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. We have not bought back any Shares since our incorporation.

If, as a result of any purchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases pursuant to the Buy-back Mandate. Any purchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only be implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Buy-back Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or any member of our Group within two years preceding the date of this document and are or may be material:

(a) the Shandong Runhua Capital Injection Agreement dated 28 June 2020 entered into between Shandong Runhua and MedEvolve Company Limited, pursuant to which MedEvolve Company Limited subscribed 0.9901% equity interest in Shandong Runhua at a consideration of RMB 1,100,000 (or equivalent to subscription price in HK dollars for RMB500,000 additional registered capital in Shandong Runhua);

(b) the Deed of Non-competition;

(c) the Deed of Indemnity; and

(d) the **[REDACTED]**.

2. Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademark in the PRC which we consider to be material to our business:

No.	Trademark	Class	Register Owner	Place of Registration	Registration Number	Expiry Date
1.	护万家 HU WAN JIA	44	Shandong Runhua	PRC	46918339	27 January 2031
2.	护万家 HU WAN JIA	44	Shandong Runhua	PRC	60874389	6 June 2032
3.	悦享潤華	43	Shandong Runhua	PRC	60875973	20 May 2032
4.	悦享潤華	45	Shandong Runhua	PRC	60908878	20 May 2032
5.	悦享潤華	36	Shandong Runhua	PRC	60906160	20 May 2032
6.	悦享潤華	44	Shandong Runhua	PRC	60878333	20 May 2032
7.	润华善佑 RUNHUA SHANYOU	39	Shandong Shanyou	PRC	39784078	6 March 2030
8.	润华善佑 RUNHUA SHANYOU	36	Shandong Shanyou	PRC	39769890	6 March 2030
9.	润华善佑 RUNHUA SHANYOU	45	Shandong Shanyou	PRC	39764134	6 March 2030
10.	润华善佑 RUNHUA SHANYOU	37	Shandong Shanyou	PRC	39774935	6 March 2030
11.	润华善佑 RUNHUA SHANYOU	44	Shandong Shanyou	PRC	39789036	6 March 2030

As of the Latest Practicable Date, we have registered the following trademark in Hong Kong which we consider to be material to our business:

No.	Trademark	Class	Registered owner	Trademark Number	Expiry Date
1	R 润华物业 RUNHUA PROPERTY R 润华物业 RUNHUA PROPERTY	35, 36, 37 & 43	the Company	305483601	17 December 2030

Pursuant to the Trademark Licensing Agreement entered into between our Company and Runhua Group Company on [*] 2022, our Group was licensed to use the following trademarks:

No.	Trademark	Class	Registered Owner	Trademark Number	Expiry Date
1		37	Runhua Group Company	1349775	27 December 2029
2		37	Runhua Group Company	5535200	27 November 2029

(b) Domain name

As of the Latest Practicable Date, we have registered the following domain name which we consider to be material to our business:

No.	Domain name	Registered Owner	Date of Registration	Expiry Date
1.	sdrhwy.cn	Shandong Runhua	29 August 2017	29 August 2024
2.	kaidinet.cn	Kaidi Network	18 September 2021	18 September 2022
3.	kaidinet.com	Kaidi Network	18 September 2021	18 September 2022

(c) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be material to our business:

No.	Name of Copyright	Copyright Registration Number	Place of Registration	First Publication Date	Registration Date
1	Runhua Property Intelligent Management Platform V1.0 (潤華物業智慧管理大平台V1.0)	2019SR0757226	PRC	16 March 2019	22 July 2019
2	Runhua Property Smart Rail Transit Hub Management System V1.0 (潤華物業智慧軌道交通樞紐管理系統V1.0)	2019SR0754407	PRC	28 March 2019	22 July 2019
3	Runhua Property Wise Hospital Management System V1.0 (潤華物業智慧醫院管理系統V1.0)	2019SR0903794	PRC	22 March 2019	30 August 2019
4	OSCS Service System V1.0 for Hospital (一站式醫院臨床支持服務系統V1.0)	2020SR0618417	PRC	19 April 2019	12 June 2020

No.	Name of Copyright	Copyright Registration Number	Place of Registration	First Publication Date	Registration Date
5	Runhua Property Wisdom Middle School Management System V1.0 (潤華物業智慧中學管理系統V1.0)	2019SR0057003	PRC	1 November 2017	17 January 2019
6	Medical Waste Collection and Transport System V1.0 (醫療廢棄物收集運送系統V1.0)	2020SR061894	PRC	28 April 2019	12 June 2020
7	Kaidi Property Service Platform V1.0 for Wechat Terminal (凱迪物業服務大平台（微信端）V1.0)	2020SR0936185	PRC	20 July 2019	17 August 2020
8	Kaidi Property Service Platform Management System V1.0 (凱迪物業服務大平台管理系統V1.0)	2020SR0935688	PRC	22 June 2019	17 August 2020
9	Kaidi Property Intelligent Security Management System V1.0 (凱迪物業智慧安保管理系統V1.0)	2020SR0935906	PRC	26 July 2019	17 August 2020
10	Kaidi Property Service Platform V1.0 for IOS System (凱迪物業服務大平台IOS系統V1.0)	2020SR0935695	PRC	28 June 2019	17 August 2020
11	Kaidi Property Smart Device Management System V1.0 凱迪物業智慧設備管理系統V1.0	2020SR0936179	PRC	5 August 2019	17 August 2020
12	Kaidi Property Service Platform V1.0 for Android System (凱迪物業服務大平台安卓系統V1.0)	2020SR0936193	PRC	14 July 2019	17 August 2020
13	Kaidi Vehicle PSI V1.0 (Purchase, Sales and Inventory) Management System (凱迪整車進銷存管理系統V1.0)	2019SR1257292	PRC	31 December 2017	2 December 2019

No.	Name of Copyright	Copyright Registration Number	Place of Registration	First Publication Date	Registration Date
14	Kaidi Vehicle Service Platform V2.0 for Wechat Terminal (凱迪汽車服務大平台微信端V2.0)	2019SR0639727	PRC	—	20 June 2019
15	Kaidi Vehicle Service Platform V1.0 for Android System (凱迪汽車服務大平台安卓系統 V1.0)	2019SR0604679	PRC	—	13 June 2019
16	Kaidi Vehicle Service Platform V1.0 for IOS System (凱迪汽車服務大平台IOS端系統 V1.0)	2019SR0605137	PRC	—	13 June 2019
17	Kaidi Insurance Agency Management System V1.0 (凱迪保險代理管理系統 V1.0)	2018SR844020	PRC	2 September 2018	23 October 2018
18	Kaidi Vehicle Service Platform V1.0 System for Management (凱迪汽車服務大平台管理端系統 V1.0)	2018SR061535	PRC	—	26 January 2018
19	Kaidi Vehicle Service Platform V1.0 System for Wechat Terminal (凱迪汽車服務大平台微信端系統 V1.0)	2018SR061179	PRC	—	25 January 2018
20	Kaidi Vehicle Service Platform V1.0 System for Store (凱迪汽車服務大平台門店端系統 V1.0)	2017SR712466	PRC	—	21 December 2017
21	Kaidi Task Management System for Customer V1.0 (凱迪客戶任務管理系統 V1.0)	2017SR094482	PRC	26 October 2016	28 March 2017
22	Intelligent Office Automation System V1.0 (智能協同辦公系統 V1.0)	2021SR0251927	PRC	15 March 2017	18 February 2021
23	Kaidi Intelligent Payroll Offering and Paying System 1.0 (凱迪智能薪資報盤發放系統1.0)	2021SR1051150	PRC	25 April 2021	16 July 2021

No.	Name of Copyright	Copyright Registration Number	Place of Registration	First Publication Date	Registration Date
24	Kaidi Employee Benefit Management System1.0 (凱迪員工福利管理系統1.0)	2021SR1051169	PRC	15 May 2021	16 July 2021
25	Intelligent Attendance Management System V1.0 (智能考勤管理系統V1.0)	2021SR1428963	PRC	5 July 2021	26 September 2021
26	Information Requirements Management System V1.0 (信息需求管理系統V1.0)	2021SR1428964	PRC	13 July 2021	26 September 2021
27	Enterprise Budget Preparation Management System V1.0 (企業預算編制管理系統V1.0)	2021SR1923872	PRC	8 September 2021	29 November 2021
28	Enterprise Budget Execution Management System V1.0 (企業預算執行管理系統V1.0)	2021SR1923974	PRC	20 October 2021	29 November 2021
29	Online Intelligent Monitoring System for Water Supply and Drainage V1.0 (給排水在線智能監測系統V1.0)	2022SR0765001	PRC	27 April 2022	16 June 2022
30	Domestic Waste Classification Management System V1.0 (生活垃圾分類管理系統V1.0)	2022SR0312628	PRC	5 January 2022	4 March 2022
31	Intelligent Power Supply and Distribution Monitoring System V1.0 (智慧供配電監測系統V1.0)	2022SR0765002	PRC	28 March 2022	16 June 2022
32	Kaidi Property Service Platform Management System V2.0 (凱迪物業服務大平台管理系統V2.0)	2022SR0384907	PRC	30 May 2021	23 March 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and the chief executive

Immediately following completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), so far as our Directors are aware, the interests or short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are **[REDACTED]**, will be as follows:

(i) Long position in the shares

Name of Directors	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest held immediately after the [REDACTED] and the [REDACTED](1)
Mr. Luan(2)(3)	Interest in a controlled corporation; Interest held jointly with another person; Interest of spouse	**[REDACTED]**	**[REDACTED]**
Mr. HQ Luan(3)(4)	Interest in a controlled corporation; Interest held jointly with another person	**[REDACTED]**	**[REDACTED]**
Mr. Yang(5)	Interest in a controlled corporation	**[REDACTED]**	**[REDACTED]**
Mr. Fei(6)	Interest in a controlled corporation	**[REDACTED]**	**[REDACTED]**
Mr. Cheng(7)	Interest in a controlled corporation	**[REDACTED]**	**[REDACTED]**

Notes:

(1) Without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]**.

(2) Springrain Investment is held as to 59.85% by Mr. Luan. Therefore, Mr. Luan is deemed to be interested in the Shares which Springrain Investment is interested in under the SFO. Mr. Luan is the spouse of Ms. Liang and therefore Mr. Luan is deemed to be interested in the Shares held by Ms. Liang.

(3) On 18 June 2021, Mr. Luan, Mr. HQ Luan and Ms. Liang entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of our Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter, details of which are set out in the section headed "History, Development and Reorganisation — Acting in Concert Arrangement" of this document. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, i.e. Springrain Investment, Mr. Luan, Mr. HQ Luan and Ms. Liang is deemed to be interested in approximately 75.68% of the issued share capital of our Company as of the Latest Practicable Date.

(4) Springrain Investment is held as to 37.10% by Mr. HQ Luan. Therefore, Mr. HQ Luan is deemed to be interested in the Shares which Springrain Investment is interested in under the SFO.

(5) Shares in which Mr. Yang is interested consist of **[REDACTED]** Shares held by Yangliqun Ltd, a company wholly-owned by Mr. Yang, in which Mr. Yang is deemed to be interested under the SFO.

(6) Shares in which Mr. Fei is interested consist of **[REDACTED]** Shares held by Feizhongli run heart service Ltd, a company wholly-owned by Mr. Fei, in which Mr. Fei is deemed to be interested under the SFO.

(7) Shares in which Mr. Cheng is interested consist of **[REDACTED]** Shares held by Chengxin&Susan Ltd, a company wholly-owned by Mr. Cheng, in which Mr. Cheng is deemed to be interested under the SFO.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares held in the relevant company	Approximate percentage of interests in our associated corporation
Mr. Luan	Springrain Investment	Beneficial owner	5,985	59.85%
Mr. HQ Luan	Springrain Investment	Beneficial owner	3,710	37.10%
Mr. Yang	Yangliqun Ltd	Beneficial owner	1	100%
Mr. Fei	Feizhongli run heart service Ltd	Beneficial owner	1	100%
Mr. Cheng	Chengxin&Susan Ltd	Beneficial owner	1	100%

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the Shares are **[REDACTED]**, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

2. Particulars of Service Contracts

Each of Mr. Yang and Mr. Fei, being our executive Directors, and Mr. Luan, Mr. HQ Luan and Mr. Cheng, being our non-executive Directors, will enter into a service agreement with our Company with an initial term of three years commencing from the **[REDACTED]**, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our independent non-executive Directors will enter into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our independent non-executive Directors is appointed with an initial term of three years commencing from the **[REDACTED]** subject to termination in certain circumstances as stipulated in the relevant letters of appointment. Save as the aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any members of our Group (other than contracts expiring or determinate by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) incurred for FY2019, FY2020, FY2021 and 1H2022 was approximately RMB975,000, RMB3,073,000, RMB1,557,000 and RMB662,000, respectively.

Save as the disclosed in this document, no other amounts have been paid or are payable by any member of our Group to our Directors for the three years ended 31 December 2022 and 1H2022.

Pursuant to the existing arrangements that currently in force as of the date of this document, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending 31 December 2022 is estimated to be approximately RMB1.7 million in aggregate.

4. Agent fees or commissions received

Save in connection the **[REDACTED]**, none of our Directors nor any of the parties listed in "E. Other Information — 8. Qualification of Experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of our Company or any member of our Group within the two years preceding the date of this document.

5. Disclaimers

Save as disclosed in this document:

(a) There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation) between the Directors and member of our Group);

(b) none of our Directors nor any of the parties listed in the section headed "E. Other Information — 8. Qualification of Experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this document, been acquired or disposed by or leased to our Company or any member of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any member of our Group;

(c) none of our Directors or chief executive of our Company has any interests and short position in the shares, underlying shares and debentures of our Company or our associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to our Company and the Stock Exchange, in each case once our Shares are **[REDACTED]** on the Stock Exchange;

(d) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interest in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of our Group;

(e) save as disclosed in this document or in connection with the **[REDACTED]**, none of our Directors nor any of the parties listed in "E. Other Information — 8. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business in our Group;

(f) save in connection with the **[REDACTED]**, none of the parties listed in "E. Other Information — Qualification of Experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any member of our Group; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) none of our Directors or their respective associates (as defined under the Listing Rules) or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5.0% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. SHARE INCENTIVE SCHEME

I. [REDACTED] Share Option Scheme

The following is a summary of the principal terms of the **[REDACTED]** Share Option Scheme conditionally adopted pursuant to the written resolutions of our Shareholders and Directors passed on [*]:

1. Purpose of the Share Option Scheme

The purpose of the **[REDACTED]** Share Option Scheme is to provide an incentive or reward for the Grantees (as defined below) for their contribution or potential contribution to our Group.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

Our Board of our Company may, subject to and in accordance with the provisions of the **[REDACTED]** Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees, executives or officers (including Directors) of our Company or any of its subsidiaries who, in the sole opinion of our Board has contributed or will contribute to our Group (collectively, the "**Eligible Participants**") and whom our Board may in its absolute discretion select and subject to such conditions as it may think fit.

3. Status of the [REDACTED] Share Option Scheme

(a) Conditions of the* [REDACTED] *Share Option Scheme

The **[REDACTED]** Share Option Scheme shall take effect conditional upon and is subject to:

(i) the passing of the necessary resolutions by our Board and our Shareholders to approve and adopt the rules of the **[REDACTED]** Share Option Scheme;

(ii) the **[REDACTED]** granting the **[REDACTED]** of, and **[REDACTED]**, our Shares to be issued pursuant to the exercise of options under the **[REDACTED]** Share Option Scheme;

(iii) the obligations of the **[REDACTED]** (under the **[REDACTED]**) becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the **[REDACTED]**, acting for and on behalf of the **[REDACTED]**) and not being terminated in accordance with their terms or otherwise; and

(iv) the commencement of **[REDACTED]** in our Shares on the Stock Exchange, (the "**Conditions**").

(b) Life of the Share Option Scheme

The **[REDACTED]** Share Option Scheme shall be valid and effective for a period commencing on the date on which the Share Option Scheme was conditionally adopted by an ordinary resolution of our Shareholders and ending on the tenth anniversary of the **[REDACTED]** (both dates inclusive) (the "**Scheme Period**"), after which time no further option will be granted, but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the **[REDACTED]** Share Option Scheme.

4. Grant of options

(a) Making of offer

An offer shall be made to an Eligible Participant by an offer document in such form as our Board may from time to time determine (the "**Offer Document**"), requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the **[REDACTED]** Share Option Scheme.

(b) Acceptance of offer

An option shall be deemed to have been granted to (subject to certain restrictions in the **[REDACTED]** Share Option Scheme), and accepted by, the Eligible Participant (the "**Grantee**") and to have taken effect upon the issue of an option certificate after the duplicate Offer Document comprising acceptance of the option duly signed by the Grantee, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant of the option is received by our Company on or before the last day for acceptance set out in the Offer Document. The remittance is not in any circumstances refundable and shall be deemed as part payment of the Exercise Price (as defined below). Once accepted, the option is granted as from the date on which it was offered to the Grantee (the "**Offer Date**").

(c) Restrictions on time of grant

(i) No grant of options shall be made after any inside information has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

(1) the date of our Board meeting as shall have been notified to the Stock Exchange for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(ii) For so long as the shares are **[REDACTED]** on the Stock Exchange, no options may be granted to a Director on any day which financial results of our Company are published and:

(1) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(2) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee (as defined below) of the options, the vote of such independent non-executive Director shall not be counted for the purposes of approving the grant).

(e) Grant to substantial shareholders and independent non-executive directors

Without prejudice to sub-paragraph 4(c) above, any grant of options to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates shall be subject to, in addition to the approval of our independent non-executive Directors in sub-paragraph (d) above, the issue of a circular by our Company to its Shareholders and the approval of our Shareholders in general meeting in the manner set out in the Listing Rules if our Shares issued and to be issued upon exercise of all options and awards already granted and proposed to be granted to him (excluding any options and awards lapsed in accordance with the terms of the scheme) under the **[REDACTED]** Share Option Scheme or any other scheme in the twelve (12) month period up to and including the Offer Date, would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the **[REDACTED]** Rules, of our Shares in issue on the Offer Date.

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under sub-paragraph 4(e) above, the Grantee, his associates and all core connected persons of our Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the Articles and the relevant provisions of the Listing Rules.

(g) Performance target

Our Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the **[REDACTED]** Share Option Scheme can be exercised. There is no specific performance targets stipulated under the terms of the **[REDACTED]** Share Option Scheme and our Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the **[REDACTED]** Share Option Scheme.

5. Exercise price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Exercise Price**") shall, subject to any adjustment pursuant to paragraph 7 below, be determined by our Board in its sole discretion but in any event shall be at least the highest of:

(i) the official closing price of our Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;

(ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the nominal value of a Share;

provided that for the purpose of determining the Exercise Price under sub-paragraph 5(ii) above where our Shares have been **[REDACTED]** on the Stock Exchange for less than five Business Days preceding the Offer Date, the issue price of our Shares in connection with such **[REDACTED]** shall be deemed to be the closing price of our Shares for each Business Day falling within the period before the **[REDACTED]** of our Shares on the Stock Exchange.

6. Maximum number of Shares available for subscription

(a) Scheme limit

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options and awards may be granted under the **[REDACTED]** Share Option Scheme and any other Schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of

Shares in issue immediately upon completion of the **[REDACTED]** and the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised and without taking into account Shares that may be allotted and issued upon exercise of options granted under the **[REDACTED]** Share Option Scheme) (the "**Scheme Limit**") which is expected to be [●] Shares. For the purpose of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) Renewal of scheme limit

Our Company may renew the Scheme Limit by:

(i) seeking approval by our Shareholders in general meeting after three years from the date of Shareholders' approval of adoption of the **[REDACTED]** Share Option Scheme (or the last renewal of Scheme Limit); or

(ii) if within any three- year period as referred to in sub-paragraph 6(b)(i) above, seeking approval by our independent Shareholders in general meeting,

provided that the total number of Shares which may be issued in respect of all options and awards to be granted under all of the schemes adopted by our Company under the Scheme Limit as renewed must not exceed 10% of the total number of Shares in issue as at the date of our Shareholders' approval.

(c) Grant of options beyond scheme limit

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Participants who are specifically identified by our Board before such approval is sought.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted to each Eligible Participant, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

(d) Grantee's maximum holding

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, our Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options or awards granted to such Grantee during any twelve (12) month period up to the Offer Date exceed 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options or awards granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any twelve (12) month period up to and including the date of such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his close associates (or associates if the Grantee is a connected person) abstaining from voting. Our Company must send a circular to our Shareholders.

(e) Adjustment

The number of Shares subject to the **[REDACTED]** Share Option Scheme shall be adjusted in such manner as our Company's independent financial advisor shall certify to our Board to be appropriate, fair and reasonable in accordance with paragraph 7 below but in any event shall not result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the **[REDACTED]** Share Option Scheme and the other schemes exceed the limit set out in sub-paragraph 6(a).

7. Capital restructuring

(a) Adjustment of options

In the event of any **[REDACTED]**, rights issue, **[REDACTED]** (if there is a price dilutive element), sub-division or consolidation of Shares, or reduction of capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(i) the number of Shares subject to any outstanding option;

(ii) the Exercise Price; and/or

(iii) the number of Shares subject to the **[REDACTED]** Share Option Scheme;

as the approved independent financial advisor shall at the request of our Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable provided that any such alterations shall be made on the basis that a Grantee shall have as near as possible the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all the issuers relating to **[REDACTED]** Share Option Scheme) as that to which the Grantee was previously entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Exercise Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of our Shareholders.

(b) Independent financial advisor confirmation

On any capital reorganisation, independent financial advisor shall certify in writing to our Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to **[REDACTED]** Share Option Schemes and/or such other requirement prescribed under the Listing Rules from time to time.

8. Cancellation of options

Any cancellation of options granted but not exercised must be approved in writing by the Grantees of the relevant options. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 9. Where our Company cancels options, the grant of new options to the same Grantee may only be made under the **[REDACTED]** Share Option Scheme within the limits set out in sub-paragraphs 6(a), 6(b), and 6(e).

9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or attempt to do so.

10. Rights attached to the Shares

Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of issue. Accordingly, such Shares will entitle the holders to have the same voting, dividend, transfer and other rights, and to participate in all dividends or other distributions paid or made on or after the date on which the allottee is registered as a member (the "**Registration Date**") other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until completion of registration of the Grantee or his nominee as the holder of such Share on the register of members of our Company. Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

11. Time of vesting and exercise of options

An option shall be held for a minimum period, being the period between the date which an option is granted accordance with paragraph "*4. Grant of options*" and the date on which such option vests and become exercisable (the "**Vesting Date**"), both days inclusive, and if so required by the Listing Rules, such period shall not be less than 12 months or such other period as the Listing Rules may prescribe or permit except otherwise approved by the Remuneration Committee (the "**Vesting Period**"), and the performance target (if any) as set out in sub-paragraph "*4. Grant of options — (g) Performance target"* must be achieved before it can become vested and exercisable and the Vesting Period shall be determined by the Board from time to time, subject to the approval of the Remuneration Committee if so required by the Listing Rules.

All vesting criteria, time and conditions (including the achievement of performance target (if any)) and periods (including the Vesting Date) shall be set out in the relevant Grantee's Offer Document issued to each Grantee.

12. Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (e) above;

(iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in sub-paragraph 11(e);

(iv) the date the scheme or compromise referred to in sub-paragraph 11(d) above becomes effective;

(v) the date on which the Grantee ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of our Company and/or any of its subsidiaries (if so determined by our Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary. A resolution of our Board or the board of directors of the relevant subsidiary to the effect that the relationship of the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;

(vi) the date that is thirty (30) days after the date on which a Grantee is terminated by our Company and/or any of its subsidiaries by reasons other than termination of employment on grounds under sub-paragraph 12(v);

(vii) the date on which a Grantee commits a breach of paragraph 9 above or the options are cancelled in accordance with paragraph 8 above; or

(viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document, if any.

13. Alteration of the [REDACTED] Share Option Scheme

Those specific provisions of this Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of the Board in relation to any alteration of the terms of the **[REDACTED]** Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of this Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of this Scheme. The Scheme so altered must comply with Chapter 17 of the Listing Rules.

14. Termination

We may by ordinary resolution in general meeting or our Board at any time terminate the operation of the **[REDACTED]** Share Option Scheme and in such event no further option shall be offered or granted. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the **[REDACTED]** Share Option Scheme.

15. Present status of the [REDACTED] Share Option Scheme

At at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the **[REDACTED]** Share Option Scheme.

The **[REDACTED]** Share Option Scheme is subject to the provision of Chapter 17 of the **[REDACTED]** as in effect from time to time.

As of the Latest Practicable Date, no option has been granted by our Company under the Share Option Scheme.

II. [REDACTED] RSU Scheme

The following is a summary of the principal terms of the **[REDACTED]** RSU Scheme approved and adopted by our Company on [●] 2022, which will become effective subject to (i) the Stock Exchange granting the **[REDACTED]** of, and **[REDACTED]**, the Shares underlying the awards which may be granted pursuant to this **[REDACTED]** RSU Scheme (the "**Awards**"); and (ii) the commencement of **[REDACTED]** of the Shares on the Main Board of the Stock Exchange. The **[REDACTED]** RSU Scheme is subject to the provisions of Chapter 17 of the Listing Rules as in effect from time to time.

1. [REDACTED] RSU Mandate Limit

The maximum aggregate number of Shares underlying all grants of **[REDACTED]** RSUs will not exceed 5,000,000 Shares, representing approximately **[REDACTED]** of the number of Shares in issue immediately after the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised and without taking into account any Shares which may be issued pursuant to the **[REDACTED]** Share Option Scheme) ("**[REDACTED] RSU Mandate Limit**").

2. Selected Persons of the [REDACTED] RSU Scheme

Our Board may select any employee or officer of any member of our Group ("**[REDACTED] Eligible Employees**") to be granted with RSUs under the **[REDACTED]** RSU Scheme after the **[REDACTED]**.

3. Duration of the [REDACTED] RSU Scheme

Subject to the fulfilment of the conditions of the **[REDACTED]** RSU Scheme and the termination clause in paragraph (s) below, the **[REDACTED]** RSU Scheme shall be each valid and effective for a term of ten years commencing on the Adoption Date (the "**[REDACTED] RSU Scheme Period**"), after which period no further RSUs shall be granted or accepted, but the provisions of the **[REDACTED]** RSU Scheme shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the **[REDACTED]** RSU Scheme Period.

4. Administration of the [REDACTED] RSU Scheme

The **[REDACTED]** RSU Scheme shall be subject to the administration of our Board or an advisory committee (the "**Advisory Committee**") appointed by our Board in accordance with the rules of such scheme. The Board has the power to construe and interpret the rules of the **[REDACTED]** RSU Scheme and the terms of the Awards granted thereunder. Any decision of our Board made in accordance with the rules of the **[REDACTED]** RSU Scheme shall be final and binding, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

5. Grant of RSUs

After our Board has selected the grantees, it will inform the RSU Trustee of the name(s) of the person(s) selected, the number of Shares underlying the RSUs to be granted to each of them, the vesting schedule and other terms and conditions (if any) that the RSUs are subject to as determined by our Board. Subject to limitations and conditions of the **[REDACTED]** RSU Scheme, the RSU Trustee shall, upon receipt of the notification from our Board, shall grant to each of the selected persons an offer of grant of Award(s) by way of a letter, which shall attach an acceptance notice, subject to the conditions that the Board thinks fit.

6. Acceptance of Awards

If the selected person intends to accept the offer of grant of RSUs as specified in the grant letter, he or she is required to sign the acceptance notice and return it to our Company within the time period and in a manner prescribed in the grant letter. Upon the receipt from the selected person of a duly executed acceptance notice, the RSUs are granted to such person, who becomes a grantee pursuant to the relevant **[REDACTED]** RSU Scheme.

To the extent that the offer of grant of RSUs is not accepted by any selected person within the time period or in a manner prescribed in the grant letter, it shall be deemed that such offer has been irrevocably declined and thus the RSUs has immediately lapsed.

7. Restrictions on grants

Our Board or the Advisory Committee appointed by the Board for administering the **[REDACTED]** RSU Scheme shall not grant any **[REDACTED]** RSUs to any selected person after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced by our Company in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(a) the date of the meeting of the Board (as such date is first notified to Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules).

8. Grant to Connected Persons

For as long as the Shares are **[REDACTED]** on the Stock Exchange, any grant of an Award to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a Director pursuant to Rule 14A.95 of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant Director's remuneration under his/her service contract.

9. Appointment of RSU Trustee

Our Board has appointed the RSU Trustee, namely [●] as the trustee in respect of the **[REDACTED]** RSU Scheme to administer the granting and vesting of Award granted to the grantee pursuant to the **[REDACTED]** RSU Scheme.

As at the Latest Practicable Date, the RSU SPV, which is wholly-owned by the RSU Trustee, was holding [5,000,000] Shares for the purpose of the **[REDACTED]** RSU Scheme. [Save for the holding of the [5,000,000] Shares reserved for the grant of Awards in the future and the administration fee to be received by the RSU Trustee from our Company, the RSU Trustee and the RSU SPV are independent third parties.] As at the Latest Practicable Date, no RSU had been granted or agreed to be granted by our Company pursuant to the **[REDACTED]** RSU Scheme.

The RSU Trustee shall obtain written directions from time to time from the Advisory Committee of the relevant **[REDACTED]** RSU Scheme (which shall comprise employee of our Group who is not core connected person of our Company) to exercise all rights pertaining to the RSU, the Shares or other assets comprised in the trust fund under the **[REDACTED]** RSU Scheme.

10. Rights attached to Awards

A grantee does not have any contingent interest in any Shares underlying Awards unless and until these Shares are actually transferred to the grantee from the RSU Trustee. Furthermore, a grantee may not exercise any voting right in respect of the Shares underlying **[REDACTED]** RSUs and, unless otherwise specified by the Board in its sole discretion in the grant letter to the grantee, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the Awards.

11. Rights attached to Shares

Any Shares transferred to a grantee in respect of any **[REDACTED]** RSUs shall be subject to the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the grantee to participate in all dividends or other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of our Company closed, the first day of the reopening of the register of members.

The RSU Trustee may not exercise any voting rights in respect of any Shares underlying the Awards that have not yet vested.

12. Awards to be personal to grantees

Awards granted pursuant to the **[REDACTED]** RSU Scheme shall be personal to each grantee and shall not be assignable or transferrable, except for (i) the transmission of an Award on the death of the grantee to his personal representatives(s) according to the terms of the **[REDACTED]** RSU Scheme, or (ii) the transfer of any Award to any trustee, acting in its capacity as such trustee, of any trust of which the grantee is a beneficiary. Subject to the above, the grantees are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favour of any other person over or in relation to any property held by the relevant RSU Trustee on trust for the grantees, Awards or any interest or benefits therein.

13. Vesting

The vesting period for an Award shall not be less than 12 months.

The Board has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of Award(s) to any grantee, which may also be adjusted and re-determined by our Board from time to time. The RSU Trustee shall administer the vesting of Awards granted to each grantee pursuant to the vesting period and vesting criteria (if any) determined by the Board.

Upon fulfilment or waive of the vesting period and vesting criteria (if any) applicable to each of the grantees, a vesting notice will be sent to the grantee by the Board, or by the RSU Trustee under the authorisation and instruction by the Board confirming (a) the extent to which the vesting period and vesting criteria have been fulfilled or waived, and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares). The grantee is required to execute, after receiving the vesting notice, certain documents set out in the vesting notice that the Board considers necessary (which may include, without limitation, a certification to the Group that he or she has complied with all the terms and conditions set out in the **[REDACTED]** RSU Scheme and the grant letter).

Subject to the execution of documents by the grantee set out above, our Board may decide at its sole discretion to (i) direct and procure the relevant RSU Trustee to transfer the Shares underlying the RSUs (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) to the grantee or his or her wholly-owned entity; or (ii) direct the Trustee to sell on-market at prevailing price, the number of Shares so vested in respect of the selected **[REDACTED]** Eligible Employees and pay to the grantee in cash to the proceeds arising from such sale based on the actual selling price, net any cost involved, as set out in the vesting notice (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) set out in (i) above.

Unless otherwise determined by our Board, in the event that the grantee fails to execute the required documents within seven (7) days after receiving the vesting notice, the vested RSUs will lapse.

14. Acceleration of vesting

Our Board has the sole discretion to determine, at any time, to accelerate the vesting of any Award granted to any grantee for various considerations as set out below.

(a) Rights on a takeover

In the event a general offer by way of takeover, merger or otherwise in a like manner (other than by way of scheme of arrangement set out as below) is made to all the shareholders of our Company (or shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects prior to the vesting, the Award(s) of the grantee will vest immediately to the extent specified in a notice given by the Company.

(b) Rights on a scheme of arrangement

In the event a general offer for Shares by way of scheme of arrangement is made by any person to all the shareholders of the Company and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting, the Awards of the grantee will vest immediately to the extent specified in a notice given by the Company.

(c) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and a notice is given by our Company to its shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement prior to the vesting, the RSUs of the grantee will vest immediately to the extent specified in a notice given by our Company.

(d) Rights on a voluntary winding-up

In the event that an effective resolution is passed during the **[REDACTED]** RSU Scheme Period for voluntarily winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement as set out above), prior to the vesting, the RSUs of the grantee will vest immediately to the extent specified in a notice given by the Company provided that all unexercised RSUs must be exercised and effected by no later than one business day before the day of the proposed general meeting to be convened for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company (or to pass written resolutions of the shareholders to the same effect).

(e) Lapse of Awards

Subject to the rules under the **[REDACTED]** RSU Scheme, an unvested Award will automatically lapse immediately upon the occurrence of the following:

(i) the grantee (being an Employee of any member of the Group) ceases to be an employee or an officer by reason of the termination of his employment or appointment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily; provided that whether any of the events specified above occurred in relation to a grantee shall be solely and conclusively determined by the Board;

(ii) the grantee (being an Employee) serves as an employee or officer of any other companies that are not a member of the Group, and/or, whether alone or jointly with others, carried on or be concerned or interested, directly or indirectly, whether as shareholder, employee, director, investor, consultant, adviser, partner or agent in any types of business which are in competition with or in opposition to any business of any member of our Group;

(iii) unless our Board otherwise determines, and other than in the circumstances referred to in the relevant **[REDACTED]** RSU Scheme, the date the grantee ceases to be a **[REDACTED]** Eligible Employee as determined by the Board for any reason;

(iv) the grantee makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any Shares underlying the granted Awards or any interests or benefits in relation to the Awards; and

(v) our Company commences winding-up.

15. Cancellation of RSUs

Our Board may at its sole discretion cancel any Award that has not vested or lapsed, provided that:

(a) the Company or its appointees pay to the grantee an amount equal to the fair value of the Award at the date of the cancellation as determined by the Board, after consultation with an independent financial adviser appointed by our Board;

(b) our Company or its appointees provides to the grantee a replacement Award of equivalent value to the Award to be cancelled; or

(c) our Board makes any arrangement as the Grantee may agree in order to compensate him for the cancellation of the Award.

16. Reorganisation of Capital Structure

In the event of an alteration in the capital structure of our Company whilst any RSU has not vested by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of any stock exchange (other than an issue of Shares as consideration in respect of a transaction to which our Company or any of its subsidiary is a party or in connection with any share option, restricted share or other equity incentive schemes of the Group or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) (other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company), such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the RSU so far as unvested as the auditors or an independent financial adviser approved by the Company shall certify in writing, either generally or as regard any particular grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a grantee the same proportion (or rights in respect of the same proportion) of the share capital of our Company as that to which that grantee was previously entitled.

17. Alteration or Amendment of the [REDACTED] RSU Scheme

The terms of the **[REDACTED]** RSU Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any grantee thereunder. Any alternation, amendment or waiver to the **[REDACTED]** RSU Scheme of a material nature shall be approved by the Shareholders. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

18. Termination of the [REDACTED] RSU Scheme

The **[REDACTED]** RSU Scheme may be terminated at any time prior to the expiry of the **[REDACTED]** RSU Scheme Period by the Board provided that such termination shall not affect any subsisting rights of any grantee thereunder. For the avoidance of doubt, no further Awards shall be granted after the **[REDACTED]** RSU Scheme is terminated but in all other respects the provisions of the **[REDACTED]** RSU Scheme shall remain in full force and effect. No further Award shall be granted after such termination; however, all Awards granted prior to such termination and not vested on the date of termination shall remain valid. In such event, the Board shall notify the relevant RSU Trustee and all grantees of such termination and how the Shares held by the relevant RSU Trustee on trust and other interests or benefits in relation to the outstanding Awards shall be dealt with.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group.

2. Tax and other indemnities

Our Controlling Shareholders have, under a Deed of Indemnity, given joint and several indemnities to our Company in connection with, amongst other things, taxation resulting from profits or gains earned, accrued or received, and any penalty imposed due to non-compliance with any applicable laws, rules and regulations by our Group on or before the date the **[REDACTED]** becomes unconditional.

3. Litigation

Save as disclosed in the section headed "Business — Legal Proceedings and Compliance" of this document, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the **[REDACTED]** for the **[REDACTED]** of, and the **[REDACTED]**, the Shares in issue and to be issued or sold as mentioned in this document (including the Shares which may be issued pursuant to the exercise of the **[REDACTED]**). The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees payable to the Sole Sponsor in respect of their services as sponsors for the **[REDACTED]** are HK$5.0 million and are payable by us.

5. Preliminary Expenses

The preliminary expenses relating to the incorporation of our Company were approximately RMB36,200 and have been paid by us.

6. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Binding Effect

This document shall have effect, if an application is made pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Qualification of Experts

The following are the qualifications of experts (as defined under the Listing Rules and the Companies Ordinance) who gave opinions or advice which are contained in this document:

Name	Qualifications
Zhongtai International Capital Limited	Licenced to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Zhong Lun Law Firm	PRC Legal Advisers
Campbells	Cayman legal adviser
Frost & Sullivan (Beijing) Inc.	Industry consultant
AVISTA Valuation Advisory Limited	Property valuer

9. Consent of Experts

Each of the experts as referred to in the section headed "8. Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of experts named above has any shareholders' interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for interests in our Company or any member of our Group.

10. Promoters

Our Company has no promoter. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document.

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2020 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

12. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) neither our Company, nor any member of our Group has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;

(iv) no commission has been paid or payable (except commission to sub-**[REDACTED]**) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that:

(i) since 31 December 2020 (being the date on which the latest audited consolidated financial statements of the Group were made up), there has been no material adverse change in our financial or trading position or prospects;

(ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document;

(iii) our Group has no outstanding convertible debt securities or debentures; and

(iv) the principal register of members of our Company will be maintained in the Cayman Islands by **[REDACTED]** and a branch register of members of our Company will be maintained in Hong Kong by **[REDACTED]**. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to **[REDACTED]**.

(c) No company within our Group is presently listed on any stock exchange or traded on any trading system.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents:

(a) a copy of the **[REDACTED]**;

(b) copies of each of the material contracts referred to in the paragraph headed "B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix V to this document; and

(c) the written consents referred to in the paragraph headed "E. Other Information — 8. Consent of experts" in Appendix V to this document.

B. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.sdrhwy.cn up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and Articles of Association;

(b) the Accountant's Report from Ernst & Young, in respect of the historical financial information of our Group for FY2019, FY2020, FY2021 and 1H2022, the text of which is set out in Appendix I to this document;

(c) the report on unaudited **[REDACTED]** financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Group for FY2019, FY2020, FY2021 and 1H2022;

(e) the property valuation report prepared by AVISTA Valuation Advisory Limited;

(f) the letter of advice prepared by Campbells, our Cayman Islands legal advisers, summarising certain aspects of the Cayman companies Act referred to in Appendix IV to this document;

(g) the Cayman Companies Act;

(h) the material contracts referred to in the paragraph headed "B. Further Information about our Business — 1. Summary of material contracts" in Appendix V to this document;

(i) the service contracts and letters of appointment referred to in the paragraph headed "C. Further Information about our Directors and Substantial Shareholders" in Appendix V to this document;

(j) the F&S Report;

(k) the written consents referred to in the paragraph headed "E. Other Information — 8. Consent of Experts" in Appendix V to this document;

(l) the PRC legal opinion prepared by Zhong Lun Law Firm, our PRC Legal Advisers, in respect of certain aspects of our Group and our property interests in the PRC; and

(m) the **[REDACTED]** Share Option Scheme.