

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to purchase our Shares. If any of the circumstances or events described in this section actually arises or occurs, our business, results of operations, financial position and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. You should also pay particular attention to the fact that our subsidiaries in China are located in a legal and regulatory environment that in some respects differ significantly from that of other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed in this section, see “Regulatory Overview” in this document.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in China; and (iii) risks relating to the [REDACTED] and 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 business, financial position and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our reliance on the Remaining Group and our future growth may be affected by the prospect of the Remaining Group.

During the Track Record Period, a large portion of our property management service agreements covered properties developed by the Remaining Group. In 2020, 2021 and 2022, revenue generated from the properties developed by the Remaining Group accounted for approximately 76.1%, 72.5%, and 71.5% of our total property management services revenue, respectively.

During the Track Record Period, our bidding success rate with respect to residential properties developed by the Remaining Group or its joint ventures and associates was 100%, 100% and 100% in 2020, 2021 and 2022, respectively. However, upon [REDACTED], we do not have control over the Remaining Group’s management strategies, nor the macroeconomic or other factors that affect their business operations. Going forward, our business may be affected if the Remaining Group suffers adverse developments that materially affect its property development business. For instance, China New City recorded a loss for both years ended 2022 and 2021. On the other hand, Zhong An recorded a decrease in revenue and profit in the year of 2022 (compared against year of 2021). In the event that the business operation or the financial performance of China New City and Zhong An further deteriorate, our business operations, financial position and results of operations could be materially and adversely affected. In any event, we cannot assure you that we will be able to diversify our customer base and procure property management service agreements from alternative sources to make up for the shortfall in a timely manner or on favorable terms, nor can we guarantee that we will be able to renew all of our property management service agreements with the Remaining Group, or enter into such agreements in relation to new properties developed by the Remaining Group. Should any of these events occur, we may experience a material adverse effect on our results of operations, financial position and growth prospect.

RISK FACTORS

Our future growth may not materialize as planned.

We have been seeking to expand our business since our inception through organic growth and by pursuing strategic acquisition and investment opportunities. The total GFA under our management increased from approximately 10.8 million sq.m. as of December 31, 2020 to 11.8 million sq.m. as of December 31, 2021, and further to 12.8 million sq.m. as of December 31, 2022. Our total revenue increased from approximately RMB230.7 million in 2020, further to RMB295.7 million in 2021, and further increased RMB319.7 million in the 2022. We plan to continue to increase our total GFA under management, number and types of properties we manage in existing and new markets, including properties developed by the Remaining Group and independent third-party property developers. See “Business—Business Strategies—Deepen our Strategic Layout of “Deeply Cultivated in Zhejiang Province, Expand across the Yangtze River Delta Region and Present in Key Cities in the PRC”, further Expand our Property Management Business and Increase our Market Share” in this document for details. However, our expansion plans are based upon our assessment and prediction of market prospects and development, which we cannot assure you that such assessment will turn out to be accurate or that we will be able to grow our business as planned. Our expansion plans may be affected by a number of factors, most of which are beyond our control. Such factors include, among other things:

- changes in China’s economic condition in general and the real estate market in particular;
- changes in per capita annual disposable income in China;
- changes in government regulations or policies;
- changes in the supply of commodity properties (being properties developed for sale) and demand for property management and value-added services;
- our ability to develop and strengthen collaborative relationship with the Remaining Group, other property developers, and property owners, residents and tenants of properties developed by them;
- our ability to develop and maintain cooperative relationship with our business partners and strategic investors;
- our ability to generate sufficient liquidity internally and obtain external financing;
- our ability to recruit and train competent employees;
- our ability to select and work with suitable subcontractors and suppliers;
- our ability to understand the needs of property developers, property owners, residents and tenants in our property management projects;

RISK FACTORS

- our ability to diversify our service offerings and to optimize our business mix;
- our ability to develop effective information technology and management systems to support our business and development plans;
- our ability to adapt to new markets where we have no prior experience and in particular, whether we can adapt to the administrative, regulatory and tax environments in such markets;
- our ability to leverage our brand names and to compete successfully in new markets, particularly against the incumbent players in such markets who might have more connections, resources and experience than us; and
- our ability to improve our administrative, technical, operational and financial infrastructure.

We cannot assure you that our future growth will materialize or that we will be able to manage our future growth effectively. If we fail to manage our future growth, our business operations, financial position and results of operations could be materially and adversely affected. For example, the impact of COVID-19 may affect our ability to enter into new property management service agreements or to acquire new target companies due to reduced levels of economic activities in China. See “—Our business operations may be affected by the COVID-19 pandemic” in this section for details.

As we expand our business operations into new geographic regions, we are subject to an increasing number of provincial and local rules and regulations. In addition, the difficulty in ensuring compliance with the various local property management regulations and the potential losses resulting from non-compliance may increase as the size and scope of our operations increase. If we fail to comply with applicable local regulations in relation to our managed properties, we may be subject to penalties or other liabilities. The national, provincial or local laws and regulations applicable to our business may also change in ways that materially increase the costs of compliance, and any failure to comply could result in significant financial penalties which could materially and adversely affect our business, financial position and results of operations.

Our historical results may not be indicative of our future prospects and results of operations.

We cannot assure you that we can sustain our historical growth in the future. Estimates and plans for future business growth are based on our predictions of market prospects, which we cannot guarantee will always be correct. Our expansion plans may also be affected by a number of factors beyond our control, including changes in the economic condition of the PRC in general, per capita annual disposable income of residents in the PRC, changes in the PRC real estate market and the property management market, changes in government regulations, changes in supply and demand for our services, as well as availability of suitable and proficient property managers and third-party service providers for our expansion efforts.

RISK FACTORS

Historical changes of these factors may not be indicative of their future developments, and therefore their historical impacts on our business operations may not serve as reliable indicators of our future business expansion and operations.

In terms of our future financial performance, our profitability depends partially on our ability to control costs and operating expenses, which may increase as our business expands. In 2020, 2021 and 2022, our overall gross profit margin was approximately 37.6%, 37.6% and 36.4%; while the gross profit margin for our property management services was approximately 36.1%, 34.7% and 33.2%. There is no guarantee that we will continue to be able to increase the number of our property management service agreements or total GFA under management as we did during the Track Record Period, nor will we be able to succeed in our business development efforts going forward. Moreover, we will continue to face challenges related to rising labor and subcontracting costs and intensive competition for employees and business opportunities. The effects of changing regulatory, economic or other factors beyond our control as discussed in this section may also have material adverse effects on our financial performance in addition to our business operations. We might not be able to enjoy economies of scale from our future geographical expansion if we expand beyond regions where we currently operate in, which, among other factors, could adversely affect our results of operations, and in particular, our gross profit margin. Thus, investors should not rely on our historical results of operations to predict our future financial performance.

Our profitability may fluctuate as we manage more properties developed by independent third-party property developers.

During the Track Record Period, as a continuous effort to further diversify our revenue source and reduce reliance on the Remaining Group, we managed to grow the percentage of our total GFA under management for properties developed by independent third-party property developers from approximately 44.7% as of December 31, 2020 to 46.0% as of December 31, 2022; the proportion of property management services revenue generated from properties developed by independent third-party property developers increased from approximately 23.9% in 2020 to 28.5% in 2022. The growth in both GFA under management and revenue from 2020 to 2022 above was primarily attributable to (i) our continuous efforts to expand our property management services to cover more properties developed by independent third-party property developers; (ii) our acquisition of a property management company, namely Zhejiang Chengcheng, in 2018; and (iii) the establishment of an investment development center by our Group to identify potential property management projects from independent third-party property developers. For projects developed by independent third-party property developers, we charged a lower monthly average property management fee as compared to those developed by the Remaining Group during the Track Record Period. See “Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Revenue” in this document for further discussion.

It is our intention to continue to adopt measures to reduce reliance on the Remaining Group upon [REDACTED] by seeking more property management service or subcontracting

RISK FACTORS

service engagements for properties developed by independent third-party property developers or by ways of strategic acquisitions of and investments in property management companies, submission of tender bids to independent third-party property developers or property owners’ associations and direct engagement after negotiations. We, however, cannot guarantee that our gross profit margin for providing property management to properties developed by independent third-party property developers or subcontracting services to other property management companies will be comparable to or more favorable than that for properties developed by the Remaining Group going forward. If we were successful in securing more property management services from independent third-party property developers, or subcontracting service engagements from other property management companies, there is no assurance that such new engagements will have a positive impact on our overall gross profit margin and profitability.

We had net operating cash outflow for the year ended December 31, 2022

We had net operating cash outflow of RMB3.3 million in for the year ended December 31, 2022. The main reasons we recorded net operating cash outflow during the year was due to (i) increase in trade receivables, which was in line with our business growth; and (ii) increases in amounts due from related companies as a result of the relatively long payment settlement cycle, and (iii) increases in prepayments, other receivables and other assets in connection with our operation. Although we seek to effectively manage our working capital, we cannot assure you that we will be able to match the timing and amounts of our cash inflows with those of our cash outflows, such as our payment obligations.

During the Track Record Period, we mainly relied on internal resources generated from our operations, including income from property management services and other services. Net operating cash outflow may require us to obtain additional financing, such as other borrowings, to meet our operating needs and obligations and to support our expansion plans. In the event that we are unable to generate sufficient cash flow from our operations or otherwise unable to obtain sufficient external funds to finance our business, our liquidity and financial condition as well as our ability to grow our business may be materially and adversely affected. If we resort to other financing activities, we will incur additional financing costs, and we cannot assure you that we will be able to obtain the financing on terms acceptable to us, or at all. Such limitations could reduce our competitiveness and increase our exposure and sensitivity to adverse economic and industry conditions, which could materially adversely affect our financial condition and results of operations. See “Financial Information—Liquidity and Capital Resources—Cash Flow—Net Cash Flows From/(Used in) Operating Activities.”

RISK FACTORS

We may be susceptible to any adverse development in government policies or business environment in the Yangtze River Delta Region.

We focus on cities in economically developed regions with high urbanization rate, and a significant portion of our operations are concentrated in Zhejiang province located in the Yangtze River Delta Region. As of December 31, 2020, 2021 and 2022, we managed an aggregate GFA of approximately 7.9 million sq.m., 8.4 million sq.m. and 9.0 million sq.m., respectively, in the Zhejiang province, which accounted for approximately 72.9% and 70.9% and 70.1%, respectively, of our total GFA under our management as of such dates; in 2020, 2021 and 2022, approximately 82.1%, 79.9% and 80.1% of our revenue generated from property management services was derived from properties in Zhejiang province, respectively. Given such concentration, any adverse development in government policies or business environment in the area will materially and adversely affect our business, financial position and results of operations, most of which are beyond our control such as changes in:

- the economic conditions, the level of economic activities and the real estate market;
- the future regional development prospects;
- the government regulations and policies regarding the property management industry and/or real estate development industry; and
- our ability to compete with other property management companies operating in the region.

We are susceptible to changes in the regulatory landscape of the PRC property management industry.

We seek to comply with the regulatory regime of the property management service industry in conducting our business operations. In particular, the PRC Government promulgates new laws and regulations relating to property management fees from time to time. In December 2014, the NDRC issued the Circular of the NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755) (發改價格 [2014]2755號) (the “**2014 Circular**”), which requires the relevant provincial authorities to liberalize price control policies in relation to certain types of properties that have met the relevant conditions. Property management fees for government-supported houses, houses under housing-reform and properties in old residential areas and management fees under preliminary property management service agreements remain subject to price guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. See “Regulatory Overview—Laws and Regulations Relating to Property Management Services and Other Related Services—Fees Charged by Property Management Enterprises” in this document for details.

RISK FACTORS

We expect that price controls on residential properties will be relaxed over time. For now, some of our property management fees will continue to be subject to price controls until the relevant authorities pass local regulations to implement the 2014 Circular. For details, see “Business—Property Management Services—Our Pricing Policy” in this document. However, we cannot assure you that the PRC Government may not reverse its policy and re-impose limits on property management fees. In the event that it imposes limits on property management fees, we may see diminished profit margins as our labor and other costs increase. We cannot assure you that we would be able to respond to such changes timely and effectively by implementing our cost-saving measures, nor that we would be able to pass any additional costs to our customers. The PRC Government may also unexpectedly promulgate new laws and regulations related to other aspects of our industry. This could increase our compliance and operational costs, thereby materially and adversely affecting our business, financial condition and results of operations. For instance, on July 13, 2021, eight PRC Government departments jointly issued the Regulatory Notice, according to which the PRC Government aimed to improve the real estate industry in the PRC in around three years by curbing the violations of laws and regulations, enhancing the regulation mechanism and establishing an oversight information system. According to the guidelines laid out in the Regulatory Notice, the governmental rectification efforts will focus on not only real estate development, property sale and purchase and housing leasing but also on property management services. To the extent that the new laws and regulations related to our industry might increase our compliance and operational costs, our business, financial position and results of operations could be materially and adversely affected.

Due to the stringent governmental regulations on property management fees and the lack of cooperation from property owners, it may be impracticable to collect additional property management fees. We may therefore be forced to reduce costs in order to strike a balance between collected property management fees and expenditures in relation to service provisions, or write off the uncollected payments on behalf of the property owners. Such cost saving measures to mitigate impact of uncollected property management fees may also adversely affect our service quality and customers satisfaction.

The PRC Government exerts considerable direct and indirect influence on the development of the PRC real estate sector by imposing industry-related policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC Government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we service. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth. In particular, the PRC Government has introduced initiatives and implemented more stringent measures, such as setting caps on certain debt ratios, with a view to control the increase of the debt levels in the real estate sector. Such potential initiatives or measures, once in place, may further limit property developers’ access to capital and slow down the overall growth of the real estate sector and expansion of property developers, including the Remaining Group,

RISK FACTORS

which may in turn negatively impact the growth of the property management industry and the supply of new properties for management by property management companies like us. In addition, property sales are also heavily regulated by the PRC Government, which may hinder the ability to generate sales proceeds by the property developers, including the Remaining Group, to fund their project development. In extreme case that the Remaining Group encounters financial difficulties that may result in delays in completion of its projects, the growth of our GFA under management will be affected, which in turn will adversely affect the growth of our property management services and other value-added services. Furthermore, any economic slowdown, recession or other developments in the social, political, economic or legal environment of the PRC could result in fewer new property development projects, or a decline in the purchasing power of property owners, residents or tenants of the properties we manage, resulting in lower demand for our services and lower revenue for us. As such, our business, financial condition and results of operations could be materially and adversely affected.

We are affected by the PRC Government regulations on the PRC real estate industry.

We generated a large portion of our revenue from our property management services during the Track Record Period. The performance of our property management services business is primarily dependent on the total GFA and number of projects we manage. As such, our growth in the property management services business is, and will likely continue to be, affected by the PRC Government regulations of the real estate industry. For further information on laws and regulations that are applicable to our business, see “Regulatory Overview” in this document.

The PRC Government has introduced various restrictive measures to discourage speculation in the real estate market. The government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC Government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we service. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations.

Also, in August 2020, according to certain news articles, the PBOC and the MOHURD plan to control the financing activities of property developers and the scale of interest-bearing debts of property developers in China by applying a newly proposed standard in the assessment of the debt burden of property developers which lay out three red-line standards on debt-to-asset ratio, net gearing ratio and cash to short-term debt ratio applicable to property developers. As of the Latest Practicable Date, apart from the policy relaxation

RISK FACTORS

proposed in early 2022 and policy adjustment published in November 2022⁽¹⁾, no such new regulations had been officially proposed. See “Industry Overview—Market Drivers—The “Three Red-Line” Standards” in this document for details. The “Three Red-Line” standards may slow down the growth of the whole real estate sector in the PRC, affecting the expansion of property developers such as the Remaining Group and in turn imposing adverse effect on our growth. Given that (i) most of the Remaining Group’s (including both the Remaining Zhong An Group and the CNC Group)⁽²⁾ relevant financial ratios as of December 31, 2022 did not exceed any of the aforementioned three red-line standards based on the annual report of the Remaining Group for the year ended December 31, 2022; (ii) the Group has generally been expanding its portfolio of property management services projects developed by independent third-party property developers during the Track Record Period, the GFA under management of which accounted for approximately 44.7%, 44.3% and 46.0% of our total GFA under management as of December 31, 2020, 2021 and 2022, respectively; (iii) a significant portion of our Group’s revenue was generated from services provided to independent third-party customers, which accounted for at least 64.8% throughout the Track Record Period, and such proportion is expected to increase once the contracted but undelivered projects developed by the Remaining Group or its joint ventures and associates as of December 31, 2022 have been delivered to independent third-party property purchasers; and (iv) as of the Latest Practicable Date, 98.2% of our trade-related receivables due from related parties as of December 31, 2022 had been subsequently settled, our Directors are of the view that the “Three Red-Line” standards will not have material adverse effect on our Group’s business operation and financial performance in the event it officially comes into effect. Nevertheless, in the event that the Remaining Group or other independent third-party property developers are unable to obtain sufficient financing to support their expansion of

Note:

- (1) On November 11, 2022, the People’s Bank of China and the China Banking and Insurance Regulatory Commission jointly issued the Notice on Improving the Steady and Healthy Development of the Real Estate Market Supported by Finance(《關於做好當前金融支持房地產市場平穩健康發展工作的通知》). A total of 16 specific measures were published to maintain reasonable and appropriate real estate financing, safeguard the legitimate rights and interests of consumers, and promote the steady and healthy development of the real estate market.
- (2) Based on China New City’s 2022 audited financial statements contained in its 2022 annual report, as of December 31, 2022, its interest-bearing bank loans and other borrowings repayable within one year was approximately RMB1,319,438,000 and its cash and cash equivalents was approximately RMB948,087,000. Accordingly, its cash to short-term debt ratio was lower than 1.0 time as of the relevant date and therefore deviated from one of the three red-line standards. Furthermore (i) China New City recorded a loss for both years for 2021 and 2022 mainly due to the unstable epidemic, as well as temporary suspension of service or rental reductions caused by upgrades, renovation and alteration of its commercial properties, which led to a lower average occupancy rate of its properties, and (ii) Zhong An recorded a decrease in profit in the year of 2022 (compared against year of 2021) due to fluctuated economic environment in the PRC and the recurrent epidemics. Notwithstanding the above, to the best of our Director’s knowledge after consultation with the management of Zhong An and China New City, given (i) there was no evidence to suggest Zhong An and China New City had experienced any material financial difficulties and does not expect a material delay of its property development plans in 2023; and (ii) Zhong An and China New City was able to generate stable revenues and cash flows as of the Latest Practicable Date, our Directors are of the view that it is unlikely that such deviation would have caused any material financial difficulties or impact to its financial performance and resulted into any material adverse effect to our business operations.

RISK FACTORS

business which results in a delay in the delivery of new properties to be managed by us, the growth of our GFA under management may be adversely affected.

Also, on October 23, 2021, the 31st Session of the Standing Committee of the 13th National People’s Congress adopted the Decision, authorizing the State Council to carry out a pilot program 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 located in urban areas, and that the holders of land use rights and owners of such real estate shall pay the real estate tax. The Decision authorizes the State Council to formulate specific measures for the real estate tax pilot program, determine the list of cities for the pilot program and file the record with the SCNPC. The Decision also authorizes the local governments of the pilot areas to formulate specific rules for its implementation. Although it is unclear when the detailed measures for the real estate tax pilot program and the list of the real estate tax pilot cities will be formally introduced, the real estate tax, when implemented, might have an effect on the Remaining Group’s and our business operations.

We are subject to changing laws and regulations regarding regulatory matters, environmental, social and governance and public disclosure that have increased both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a public company, the Stock Exchange and the SFC, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, as well as the various regulatory authorities in China and the Cayman Islands, and to new and evolving regulatory measures under applicable laws. Our efforts to comply with new and changing laws and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and our business may be harmed.

Our business operations may be affected by the COVID-19 pandemic.

An outbreak of respiratory illness caused by a novel coronavirus, namely COVID-19, was identified in late 2019 and spread globally. In March 2020, the World Health Organization characterized the outbreak of COVID-19 as a pandemic. As of the Latest Practicable Date, the COVID-19 outbreak is expected to have a continuous impact on the global economy due to reduced market liquidity and the prolonged depressed economic activities.

RISK FACTORS

The COVID-19 pandemic has caused and may continue to cause an adverse impact on the economy and social conditions in China and other affected countries, which may have an indirect impact on the PRC property development and management industries, in turn may adversely affect our business operations and future prospect. In addition, in order to comply with the requirements of local governments with respect to community management during the outbreak of the COVID-19 pandemic, we may need to assign additional personnel and incur additional costs to conduct visitor control and implement other precautionary measures in properties under our management. While we do not expect COVID-19 to have a significant adverse impact on our business operations or financial position in the long run, we are uncertain as to when the COVID-19 pandemic will be completely contained in China and globally, nor can we guarantee whether the COVID-19 pandemic will have a long-term impact on our business operations. If we are unable to effectively and efficiently operate our business and implement our strategies as planned due to the prolonged economic impact brought by COVID-19, we may not be able to grow our business and generate revenue as anticipated, and our business operations, financial condition and prospects may be materially and adversely affected. See “Business—Effects of the COVID-19 Outbreak” in this document for details.

We operate a highly competitive business and may not compete successfully against existing and new competitors.

The PRC property management industry is highly competitive and fragmented. See “Industry Overview—Competition” in this document for details. We primarily compete against the Top 100 Property Management Companies, particularly those affiliated with reputable property developers in China. Competition may intensify as our competitors expand their product or service offerings or as new competitors enter our existing or new markets. We believe that we compete with our competitors on a number of factors such as business scale, brand recognition, profitability, financial resources, price and service quality. Our competitors may have better track records, longer operating histories, greater financial, technical, sales, marketing, distribution and other resources, greater brand recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale, and support of their services. In addition to competition from established companies, emerging companies may enter into our existing or new markets. The emerging companies may have stronger capital resources, greater expertise in management and human resources and greater financial, technical, and public relations resources than we have.

We believe our current success can be partially attributed to our standardization of operations in providing our property management services. We plan to optimize our service standardization practice to enhance the quality and ensure consistency of our services, improve our on-site service teams’ efficiency and reduce our costs. Our competitors may emulate our business model, and we may lose a competitive advantage that has distinguished ourselves from our competitors. If we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

Furthermore, we may lose property developer clients who decide to enter into the property management business themselves, which will also intensify competition in the market. We seek to have large and reputable property developers as our clients, and such clients may develop their own property management businesses and provide in-house property management services. In such event, we may lose future business opportunities from such property developers, and our business, results of operations and financial position could be materially and adversely affected.

We may fail to secure new or renew our existing property management service agreements on favorable terms, or at all.

We believe that our ability to expand our portfolio of property management service agreements is key to the sustainable growth of our business. During the Track Record Period, we procured new property management service agreements for residential properties generally through tender processes. The selection of a property management company depends on a variety of factors, including but not limited to, the quality of services, the level of pricing and the operating history of the property management company. Our efforts may be hindered by factors beyond our control, which may include, among other things, changes in the general economic conditions, evolving government regulations as well as supply and demand dynamics within the property management industry. We cannot assure you that we will be able to procure new property management service agreements in the future on acceptable terms, or at all.

We usually enter into preliminary property management service agreements with property developers prior to the delivery of the properties. We cannot assure you that we will be able to maintain our current bidding success rate in obtaining preliminary property management service agreements. In addition, such agreements are transitional in nature and are used to facilitate the transfer of legal and actual control of the properties from property developers to property owners. Preliminary property management service agreement typically expires after the property owners’ association has been established and a new property management service agreement has been entered into with the property owners’ association. As of December 31, 2022, 37 property management service agreements for residential properties under our management were entered into with property owners’ associations, accounting for approximately 52.9% of the total number of residential properties under our management as of the same date. As of the Latest Practicable Date, the property owners’ associations of the aforesaid residential properties had not requested to replace us with other property management companies. During the Track Record Period, our property management service agreements generally had terms ranging from one to three years. See “Business—Property Management Services—Property Management Service Agreements” in this document for details. We cannot assure you that property owners’ associations will continue to engage us for property management services. Our customers select us based on parameters such as quality and cost, and we cannot assure you that we will always be able to balance them on favorable terms for both sides.

RISK FACTORS

Even where we succeed in entering into property management service agreements with property owners’ associations, we cannot guarantee that property owners’ associations will renew the agreements upon expiration or will not terminate the agreements prior to expirations for cause. There is no guarantee that we would be able to find other business opportunities and enter into alternative property management service agreements on favorable terms, or at all. Moreover, as both termination and non-renewal may be detrimental to our reputation, we may experience material adverse effects to our brand value.

We generated all revenue from property management services on a lump-sum basis. We may be subject to losses if we fail to control our costs in rendering our property management services.

During the Track Record Period, we derived all of our revenue from property management services on a lump-sum basis where we charge property management fee at a pre-determined price either on a per sq.m. per month basis or on a per project basis without reference to any GFA, representing an all-inclusive fee for our property management services provided. These property management fees do not change with the actual amount of property management costs we incur. We recognize the full amount of property management fees we charge to the property owners, tenants or property developers as revenue throughout the relevant contract terms, and recognize the actual costs we incur in connection with rendering our services as our cost of sales during the relevant contract terms. Our profitability depends on our ability to estimate or control our costs in performing our property management services.

In the event that the amount of property management fees that we charge is insufficient to cover all the costs for property management services we incur, we are not entitled to collect the shortfall from property owners, tenants or property developers. We may, as a result, suffer losses. In 2020, we incurred losses with respect to seven projects we managed on a lump-sum basis, respectively⁽¹⁾. See “Business—Property Management Services— Property Management Fees” in this document for details.

If we are unable to raise property management fees for properties managed on a lump-sum basis and there is a shortfall in working capital after deducting the property management expenses, our gross profit margin would be adversely affected. In such events, we may seek different measures to reduce property management expenses through cost-saving initiatives such as operation digitalization and automation measures to reduce labor costs and energy-saving measures to reduce energy costs. However, these initiatives may not be successful. Our cost-saving efforts may negatively affect the quality of our property management services, which in turn reduce property owners’ willingness to pay property management fees or property developers’ willingness to retain us as their property management service provider, which may further affect our results of operations and financial position negatively.

Note:

(1) For 2021 and 2022, we did not have loss-making property management projects.

RISK FACTORS

We may not be able to collect property management fees from property owners, tenants or property developers and as a result, may incur impairment losses on receivables.

We may encounter difficulties in collecting property management fees from property owners especially in communities where vacancy rate is relatively high. Even though we seek to collect overdue property management fees through a number of collection measures, we cannot assure you that such measures will be effective or will enable us to accurately predict our future collection rates of property management fees. Delays in receiving payments from, or non-payment by property developers, property owners or tenants would adversely affect our cash flow position and our ability to meet our working capital requirements.

Our allowance for impairment of trade receivables amounted to approximately RMB5.9 million, RMB6.3 million and RMB8.9 million as of December 31, 2020, 2021 and 2022, respectively. Although our management’s estimates and the related assumptions have been made in accordance with information available to us, such estimates or assumptions may need to be adjusted if new information becomes known. See note 15 to the Accountants’ Report in Appendix I to this document. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of any new information, we may need to provide for an additional allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial position and results of operations. In the event that we are unable to collect property management fees from customers or face difficulty or experience a prolonged delay in receiving such fees, our cash flow position and our ability to meet our working capital requirements may be adversely affected.

Our future acquisitions may not be successful or materialized, and we may face difficulties in integrating acquired operations with our existing operation.

We plan to continue to evaluate opportunities to acquire other property management companies and/or other businesses and integrate their operations into our business, so as to further expand our business scale, service offerings and geographical coverage. However, there can be no assurance that we will be able to identify suitable opportunities. The PRC property management market is highly fragmented and competitive with numerous market participants. See “Industry Overview—Competition” in this document for details. Accordingly, a number of property management companies with similar resources and strategies could be competing for acquisition targets that may be considered high-quality by us. In addition, even if we manage to identify suitable opportunities, we may not be able to complete the acquisitions on terms favorable or acceptable to us in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects.

RISK FACTORS

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 liabilities;
- inability to apply our business model or standardized operational processes on the acquisition targets;
- difficulties in integrating acquired operations with our existing business;
- failure to achieve the intended business expansion or optimization objectives, benefits or revenue-enhancing opportunities;
- failure to protect and maintain the acquired rights relating to brand names and/or other material intellectual property rights; and
- diversion of resources and management attention.

Approximately [REDACTED]%, or HK\$[REDACTED] of the [REDACTED] raised from the [REDACTED] will be used to pursue strategic acquisitions and investments. See “Future Plans and [REDACTED]” in this document for details. If we fail to identify suitable acquisitions opportunities or our future acquisition transactions fail to consummate for other reasons which are beyond our control, our [REDACTED] from the [REDACTED] may not be effectively used.

We may be jointly and severally liable for those debts or liabilities of Yuyao Zhong An and Hangzhou Zhongan Henglong prior to their demergers which are not otherwise allocated to Yuyao Zhongli and Hangzhou Zhonghong, being the newly established companies as a result of the demergers.

Under the PRC Company Law and the Civil Code of the PRC (《中華人民共和國民法典》), where a company undergoes a demerger, the demerged companies shall bear joint and several liabilities for the debts of the relevant predecessor companies prior to demerger, unless otherwise agreed between the relevant debtor and creditor. Yuyao Zhong An is the predecessor of Yuyao Zhongli of our Group, while Hangzhou Zhongan Henglong is the predecessor of Hangzhou Zhonghong, prior to their respective demergers on November 24, 2020 and November 18, 2020. See “History, Reorganization and Corporate Structure” in this document for details. Based on the unaudited management accounts of Yuyao Zhong An and Hangzhou Zhongan Henglong, such remaining liabilities of Yuyao Zhong An and Hangzhou Zhongan Henglong prior to their respective demergers (which are not otherwise allocated to Yuyao Zhongli and Hangzhou Zhonghong and excluding the amounts released pursuant to the consents obtained from the relevant creditors of Yuyao Zhong An and Hangzhou Zhongan Henglong in releasing Yuyao Zhongli and Hangzhou Zhonghong from the debts or liabilities of Yuyao Zhong An and Hangzhou Zhongan Henglong) as at the Latest Practicable Date, amounted to not more than RMB10.3 million, while approximately RMB8.2 million of such

RISK FACTORS

remaining liabilities were prepayments and deposits by tenants of Yuyao Zhong An and Hangzhou Zhongan Henglong under their respective lease agreements.

We cannot assure you that (i) Yuyao Zhong An and Hangzhou Zhongan Henglong and their respective holding companies will have sufficient resources to repay such remaining liabilities; and (ii) Zhong An will have sufficient resources to indemnify and keep us fully indemnified from any losses arising from or in connection with such remaining liabilities in the event that Yuyao Zhong An and Hangzhou Zhongan Henglong and their respective immediate holding companies fail to repay such remaining liabilities. Accordingly, Yuyao Zhongli and Hangzhou Zhonghong may be required to repay such remaining liabilities under the joint and several liability, which in turn may adversely affect the business, financial condition, the results of operations and prospects of our Group.

We may not be able to collect indemnity from the selling shareholders of Zhejiang Chengcheng for residual liabilities arising from the acquired company’s non-compliances and/or disputes prior to our acquisition, and we may be unable to include the indemnity clauses in the agreements of our future acquisition.

We have been seeking to expand our business through potential acquisitions of other property management companies. For example, in January 2018, we completed the acquisition of 80% equity interest in Zhejiang Chengcheng.

Acquisition agreements may not include indemnity clauses and thereby indemnifying us from any residual liabilities or potential penalties arising from the acquired companies’ non-compliances and/or disputes prior to the acquisition. As such, we may encounter difficulties in collecting indemnity from the selling shareholders of the acquired companies if we are held liable for such non-compliances and/or disputes. We cannot assure you that our measures to collect indemnity will be effective. With respect to Zhejiang Chengcheng, the acquisition agreement did not provide such terms. While the relevant non-compliances or disputes do not have materially adverse impact on our operation and financial condition, we cannot assure you that we will not be liable for other non-compliances or disputes related to Zhejiang Chengcheng in the future, which may materially impact our operation and financial condition.

We cannot assure you that we will be able to collect indemnity if we are held liable for such non-compliance and/or disputes, which could materially adversely affect our results of operations and financial condition.

RISK FACTORS

We may be involved in legal and other disputes and claims or subject to administrative actions from time to time arising out of our operations.

We may, from time to time, be involved in disputes with and subject to claims by property developers, property owners and residents, to whom we provide property management services. Disputes may also arise if they are dissatisfied with our services. In addition, property owners or residents may take legal action against us if they perceive that our services are inconsistent with our service standards we agreed to. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties involved in our business, including our third-party subcontractors, suppliers and employees, or other third-parties who sustain injuries or damages while visiting properties under our management. All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against us, thereby resulting in damage to our reputation, substantial costs and diversion of resources and management's attention from our business activities. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

We may be subject to administrative penalties if we fail to comply with applicable regulations and requirements such as on fire and safety systems at our managed properties. If we fail to comply with applicable regulations in the future, we may be subject to administrative fines or other penalties, and our business and results of operations may be adversely affected.

Our success largely depends on the retention of our senior management team and our ability to attract and retain qualified and experienced employees.

Our continued success depends on the efforts of our senior management team and other key employees. As they possess industry expertise and practical experience in the property management industry, losing their services may have a material adverse effect on our business. Should any or all members of our senior management team join or form a competing business with their expertise, connections and full knowledge of our business operations, we may not be able to estimate the extent of and compensate for such damage. If any of our key employees leaves and we are unable to promptly hire and integrate a qualified replacement, our business, financial position and results of operations may be materially and adversely affected. In addition, the future growth of our business will depend, in part, on our ability to attract and retain qualified personnel in all aspects of our business, including corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial position and operating results could be materially and adversely affected.

RISK FACTORS

Damage to the common areas and facilities of our managed properties may adversely affect our business, financial position and results of operations.

The common areas and facilities of the properties we manage may suffer damage due to causes beyond our control, including but not limited to natural disasters, accidents or intentional damage. Although PRC law requires that each residential community to establish a public fund to pay the renewal, repair and maintenance costs of common areas and facilities, there is no guarantee that there will be sufficient sums in those public funds. Where the damage is caused by natural disasters such as earthquakes, floods or typhoons, or accidents or intentional harm such as fires, the damage caused may be extensive. At times additional resources may have to be allocated to assist police and other governmental authorities in investigating criminal actions that may have been involved.

As a property management service provider, we may be viewed as responsible for restoring the common areas and facilities and assisting any investigative efforts. In the event that there is any shortfall in the public funds necessary to cover all the costs involved, we may have to compensate for the difference with our own resources first. We would need to collect the amount of the shortfall from the property owners later. To the extent that our attempts are unsuccessful, we may experience material adverse effects on our business, financial position and results of operations. As we intend to continue growing our business, the likelihood of such occurrences may rise in proportion to any increases in the number of our managed properties.

The common areas of the communities we manage, such as lobbies, hallways, stairways, elevators and lifts, and gardens may be damaged or impacted in a variety of ways that are out of our control, including but not limited to natural disasters, residents’ intended or unintended actions, and epidemics, such as severe acute respiratory syndrome.

The additional costs we incur due to damage to the common areas and facilities of our properties may increase along with our business growth and geographic expansion. For example, areas into where we expand may be subject to natural disasters such as earthquakes and typhoons. Although none of our assets, business, results of operations and financial positions were materiality affected during the Track Record Period, we continue to be exposed to such risks that a material number of the properties may suffer damage due to reasons such as natural disasters, epidemics and residents’ intended or unintended actions.

Our community value-added services business may not grow as planned.

We plan to use approximately [REDACTED]% or HK\$[REDACTED] of the [REDACTED] raised from the [REDACTED] to enrich the service offerings, scale and efficiency of our community value-added services. See “Future Plans and [REDACTED]” in this document for details. However, there is no assurance that we could grow such business as planned, and our related costs incurred may not be recovered. We need to recruit suitable employees with relevant experience to grow our community value-added services business. As the market is competitive, there is no assurance that we will be able to recruit sufficient

RISK FACTORS

number of suitable employees to support our growth plan. In addition, the development of community value-added services also relies on our ability to tap our existing customer base from our managed properties for community value-added services. However, our current planning may be changed or certain community value-added services that we plan to offer may not be realised due to changes in demand from customers and market trends. As a result, we must stay abreast of emerging lifestyle and consumer preferences and anticipate product and service trends that will appeal to existing and potential users. New products and services, or entrance into new markets, may require substantial time, resources and capital, and profitability targets may not be achieved. We cannot assure you that the residents will use the products and services we offer under the community value-added services. If our customers cannot access their desired products or services among all community value-added services that we offer at attractive prices or at all, our customers may lose interest in our products or service offerings, if at all, which in turn, may adversely affect our business, financial position and results of operations.

Increase in labor costs and subcontracting costs could adversely impact our business and reduce our profitability.

In 2020, 2021 and 2022, our labor costs (recorded as staff costs) accounted for approximately 77.8%, 74.8%, and 75.3%, respectively, of our total cost of sales. During the same years, our subcontracting costs represented approximately 9.9%, 11.2%, and 9.9%, respectively, of our total cost of sales. We face pressure from rising labor costs and subcontracting costs due to various contributing factors, including but not limited to:

- increases in minimum wages. The minimum wage in the regions where we operate has increased considerably in recent years, directly affecting our labor costs as well as the fees we pay to our third-party subcontractors;
- increases in headcount. As we expand our operations, the headcount of our property management staff, sales and marketing staff and administrative staff will continue to grow. We will also need to retain and continuously recruit qualified employees to meet our growing demand for talent. Moreover, as we continue to expand our business scale, we will need a growing number of subcontractors. This increase in headcount also increased other associated costs such as those related to recruiting, staff costs, training, social insurance and housing provident funds contributions and quality control measures; and
- delay in implementing digitalization and automation of our operations, service professionalization and procedure standardization. There may be a lapse in time between our commencement of property management services for a particular property project and any implementation of our digitalization and automation of our operations, service professionalization and procedure standardization to that property project to reduce labor costs. Before we carry out such measures, our ability to mitigate the impact of labor cost increase is limited.

RISK FACTORS

We cannot assure you that we will be able to control our costs or improve our efficiency. If we cannot achieve this goal, our business, financial position and results of operations may be materially and adversely affected.

We rely on third-party subcontractors to perform certain property management services.

During the Track Record Period, we delegated certain property management services, primarily including cleaning services, gardening services, repair and maintenance services and garbage disposal services to third-party subcontractors. We may not be able to monitor their services as directly and efficiently as with our own services. They may take actions contrary to our or our customers' instructions or requests, or be unable or unwilling to fulfill their obligations. As a result, we may have disputes with our subcontractors, or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions and potentially expose us to litigations and damage claims.

We cannot assure you that upon the expiration of our agreements with our current third-party subcontractors, we will be able to renew such agreements or find suitable replacements in a timely manner, on terms acceptable to us, or at all.

In addition, if our third-party subcontractors fail to maintain a stable and qualified staff, or if their staff fails to perform their obligations properly or in a timely manner, the work process may be interrupted, potentially resulting in breach of contracts between our customers and us, which could materially and adversely affect our service quality, our reputation, as well as our business, financial position and results of operations.

We may require additional cash resources to finance our continued growth, which may require additional funding.

We may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

RISK FACTORS

We may recognise impairment loss on our prepayment and other receivables.

We recorded prepayments, deposits and other receivables of approximately RMB12.5 million, RMB23.0 million and RMB46.8 million as of December 31, 2020, 2021 and 2022, respectively. Our prepayments, deposits and other receivables primarily consist of (i) prepayments on behalf of customers to utility suppliers; (ii) advance to staff; (iii) deposits; (iv) other prepayments; and (v) others. These financial assets are unsecured, non-interest-bearing and repayable on demand. Although these financial assets included in the above balances related to receivables had no recent history of default and past due amounts, and as of December 31, 2020, 2021 and 2022, the loss allowance for such balances was assessed to be minimal, we cannot assure you that there would not be any impairment charging on our prepayment or other receivables and we may record impairment losses on such amounts in the future, which may materially and adversely affect our business, results of operations and financial conditions.

We may incur additional cost and be subject to fines for failure to register for and/or sufficiently contribute to social insurance and housing provident funds on behalf of some of our employees.

During the Track Record Period, we did not register for and/or make full contributions to social insurance and housing provident funds for certain employees as required by the relevant PRC laws and regulations. We made provisions in the amounts of approximately RMB1.1 million, RMB0.7 million and RMB0.3 million, in respect of such potential liabilities in 2020, 2021 and 2022, respectively, for certain of our PRC subsidiaries and branch offices.

According to the relevant PRC laws and regulations, (i) for housing provident fund registrations that we fail to complete before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch; and (ii) for housing provident fund contributions that we fail to pay within the prescribed deadlines, we may be subject to an order by the relevant people’s court to make such payments. According to the relevant PRC laws and regulations, (i) for social insurance registrations that we fail to complete, we may be ordered by the social insurance administrative authorities to make correction within the prescribed deadlines; where correction is not made within the prescribed deadlines, we may be subject to a fine ranging from one to three times the amount of the social insurance premiums payable; and (ii) for outstanding social insurance contributions that we did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a prescribed deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; if we fail to make such payments within the prescribed deadline, we may be liable to a fine of one to three times the outstanding contribution amount. See “Business—Employees—Social Insurance and Housing Provident Fund Contributions” in this document for details. If the relevant government authorities exercise their enforcement options described above due to our historical or future failure to register for and/or make full contribution to social insurance and housing provident funds on behalf of our employees, our results of operations and financial condition may be materially and adversely affected.

RISK FACTORS

We may incur additional cost to comply with the new policy regarding the tax bureau to collect social insurance and may be required by the tax bureau to make additional social insurance contributions.

On July 20, 2018, the General Office of the Communist Party of China and the General Office of the State Council released the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》) (the “**Taxation Collection Reform Plan**”). Effective from January 1, 2019, the Taxation Collection Reform Plan places the responsibility of calculating and collecting social insurance contributions solely with the tax bureau instead of the human resources bureau, which is expected to improve social insurance compliance since the tax bureau is better resourced to monitor and collect such contributions. The impact of the newly adopted Taxation Collection Reform Plan is still uncertain as advised by our PRC Legal Advisor. We may incur additional costs to adapt to the Taxation Collection Reform Plan instead of the systems we have been using for a long time, such as hiring cost to recruit staff who are familiar with this new plan or training cost in respect of our existing staff. In addition, if we cannot adapt to the Taxation Collection Reform Plan as required under the prescribed timeframe, we may not be able to calculate and make contributions for social insurance in a timely manner which may subject us to the risk of being fined and in turn may have a material adverse impact on our business, financial position and results of operations.

We may be subject to administrative penalties as we have not filed some of our lease agreements with housing administration authorities.

Pursuant to applicable PRC laws and regulations, lease agreements must be filed with housing administration authorities. As of the Latest Practicable Date, we had not filed five lease agreements in relation to the properties we leased with the local housing administration authorities as required under the applicable PRC law, primarily due to the lack of cooperation from our lessors in registering the relevant lease agreements, which was beyond our control. Our PRC Legal Advisor has advised us that according to the relevant PRC laws and regulations, we might be ordered to rectify this failure by competent authorities and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed as a result. As of the Latest Practicable Date, we had not received any notice from the relevant 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 PRC Legal Advisor has also advised us that the failure to file the lease agreements would not affect the validity of such lease agreements. In the event that our leases are challenged by third-parties, we intend to find alternative locations nearby and relocate. We may incur additional relocation costs and cannot assure you that we will be able to find alternative locations in a timely or effective manner.

RISK FACTORS

Our rights to use our leased properties could be challenged by third-parties, or we may be forced to relocate due to title defects, which may result in a disruption of our operations.

As of the Latest Practicable Date, for a total of nine leased properties, the relevant lessors could not provide the title certificates or proof of property ownership to us. As advised by our PRC Legal Advisor, if such lessors are unable to prove that they have valid titles to or valid leasehold interests in these properties, we may not be able to enforce our leases in relation to the aforesaid nine leased properties against third-parties with the relevant property interests. Any dispute or claim in relation to the titles of or the right to use of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, could require us to relocate our office premise or business operations occupying these properties. If any of our leases are terminated or voided as a result of challenges from third-parties or the relevant local governmental authorities, 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 prospect. 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, licenses or permits, or impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we use.

Our property management service agreements may have been obtained without going through the required tender and bidding process.

Under PRC laws and regulations, property developers are typically required to enter into preliminary property management service agreements for residential properties with a property management company through a tender and bidding process, and may be subject to fines and penalties if the required tender and bidding processes were not adopted in entering into preliminary property management service agreements. In addition, a public tender process may also be required under the PRC laws and regulations for the PRC Government, public institutions and bodies with public fiscal funds to engage property management service providers for management of properties, such as government buildings and public service facilities.

During the Track Record Period, eight of the preliminary property management service agreements we entered into with property developers were obtained by us without conducting the required tender and bidding processes in accordance with the PRC laws and regulations or the requirements of relevant local authorities. See “Business—Property Management Services—Tender Process” in this document for details. As confirmed by our Directors, the lack of tender and bidding processes for the selection of property management service providers for the abovementioned preliminary property management service agreements was caused by the relevant property developers but not us. As advised by our PRC Legal Advisor, a residential property developer may be required to take rectification measures and pay a fine within a prescribed period if it fails to comply with such tender and bidding requirements under the PRC laws prior to entering into preliminary property management service agreement. In addition, there are no specific laws or regulations in the PRC which set forth

RISK FACTORS

administrative penalties upon property management companies for failing to undergo the tender and bidding processes prior to the entering into of the preliminary property management service agreements. As further advised by our PRC Legal Advisor, the lack of tender and bidding processes for the eight agreements aforementioned shall not affect the validity of such agreements. However, according to the Regulation on Property Management (《物業管理條例》), any preliminary property management service agreements obtained without going through the required tender and bidding processes may be determined to be invalid by the relevant local judicial authority subject to the circumstances of the case. If this occurs, the relevant property developer may need to organise a tender and bidding process to select a new property management service provider for the relevant project. In the event that we do not win the tender and bidding process, we may not be able to continue to provide property management services for the relevant projects and our revenue and business may be negatively impacted.

We may not be able to honor our obligation in respect of the contract liabilities which may have impact on our results of operations and financial condition.

Our contract liabilities amounted to approximately RMB46.6 million, RMB45.4 million and RMB40.1 million as of December 31, 2020, 2021 and 2022, respectively. Our contract liabilities mainly represent property management fees received upfront as of the beginning of a billing cycle but not recognized as revenue. See “Financial Information—Selected Items of the Consolidated Statements of Financial Position—Contract Liabilities” in this document for details.

We may fail to honor our obligations under our contracts with customers for various reasons within or beyond our control. For example, property owners may not be satisfied with our services during the contract period and may decide not to continue to make upfront property management fee payments going forward. If so, we may not be able to convert such contract liabilities into revenue. Our customers may also terminate us for quality or other reasons and require us to refund the cash we have received upfront, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may also adversely affect our relationships with such customers, which may in turn affect our reputation and results of operations in the future.

RISK FACTORS

Our insurance coverage may not sufficiently cover the risks related to our business.

We cannot assure that our insurance coverage will be sufficient or available to cover damage, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses and there is an insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial position and results of operations. See “Business—Insurance” in this document for details.

Accidents in our business may expose us to liabilities and reputational risk.

Accidents may occur in the ordinary course of our business. Hence, we are exposed to risks in relation to work safety, including but not limited to claims for injuries, fatalities or otherwise, sustained by our employees or subcontractors, which may also damage our reputation within the property management industry. We may also experience business disruptions and be required to implement additional safety measures or modify our business model because of governmental or other investigations. To the extent that we incur additional costs, we may suffer material adverse effects to our business, financial position, results of operations and brand value. In addition, we are exposed to claims that may arise due to employees’ or third-party subcontractors’ negligence or recklessness when performing repair and maintenance services. We may be held liable for the injuries or deaths of employees, subcontractors, residents or others. We may also experience interruptions to our business and may be required to change the manner in which we operate because of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

We may be exposed to liabilities from disputes involving products advertised under our community value-added services.

To facilitate the development of our community value-added services, we assist property owners in leasing out common spaces of the projects we manage such as lifts, fences, entrance and exit gates to advertising companies or third-party vendors. We may therefore be subject to product liability arising from advertising the products under the Laws on the Protection of Rights and Interests of Consumers of the PRC, the Civil Code of the PRC (《中華人民共和國民法典》), the Advertising Law of the PRC and other relevant PRC laws and regulations. For instance, claims may be brought against us by purchasers, regulatory authorities or other third-parties alleging, among other things, that: (i) advertisements made with respect to such products are false, deceptive, misleading, libellous, injurious to the public welfare or otherwise offensive; and (ii) such marketing, communications or advertising infringe on the proprietary rights of other third-parties.

RISK FACTORS

We currently do not carry any product liability insurance coverage. Any product liability claim or governmental regulatory action could be costly and time-consuming. We could be required to pay substantial damages as a result of such claim or action. A material design, manufacturing or quality failure in the products offered or advertised, safety issues or heightened regulatory scrutiny could each result in a product recall and increased product liability claims. Furthermore, customers may not use the products in accordance with product usage instructions, possibly resulting in customer injury. All of these events could materially harm our brand and reputation and marketability of such products, divert our management’s attention and have a material adverse effect on our business, financial position and results of operations.

Interruptions and security risks to our information technology and management systems, failure to upgrade such systems, and risks related to third-party online payment platforms may result in disruption of our operations.

We rely on our information technology and management systems in our business operations to centralize the management of our operational functions such as storage of business information and the monitoring of communications with our customers. To facilitate our business development, we need to continuously maintain and upgrade our systems to meet evolving requirements of our operations and customer needs and preferences. However, we may fail to upgrade our information technology and management systems according to our operational needs and customers’ demands. If we are unable to detect or promptly remedy any system malfunction or misconfiguration, we may experience system interruptions or delays, which could adversely affect our operations.

We also accept payments via various methods, including but not limited to cash payments, bank transfers, credit cards or third-party platforms such as WeChat Pay and Alipay. Transactions conducted through such third-party platforms involve the transmission of confidential information over public networks. However, we do not have control over the security measures taken by providers of our third-party platforms. In the event that the security and integrity of these third-party platforms are compromised, we may experience material adverse effects on our ability to process property management fees. In the event funds paid using these platforms are misappropriated or otherwise do not reach our accounts, for example, in the event of a fraud involving wire transfers from the payment platform, we may bear financial loss which is difficult or impossible to recover from the wrongdoers or other responsible parties. We may also be perceived as partially responsible for failures to secure personal information and be subject to claims alleging possible liability brought by our customers. Such legal proceedings may damage our reputation and harm our brand value.

Moreover, we cannot assure you that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar occurrences relating to our information technology and management systems will not occur going forward. We may incur significant costs in restoring any damage to our information technology and management systems. Failures in or disruptions to our information technology and management systems and loss or

RISK FACTORS

leakage of confidential information could cause transaction errors, processing inefficiencies and the loss of customers and sales, and subject us to increased costs, litigation and other liabilities, which could materially and adversely affect our business, financial position, results of operations and our reputation.

Failure to protect confidential information of our customers and our network against security breaches, any actual or perceived failure by us or third-parties to comply with applicable data protection laws and regulations or privacy policies could harm our business, financial condition and results of operations.

During the ordinary course of our business, we collect, store and process personal and other sensitive data from our customers. Our security measures may be breached due to employee error, malfeasance, system errors or vulnerabilities, or otherwise. Outside parties may also attempt to fraudulently induce employees to disclose sensitive information in order to gain access to our data or our customers’ data. While we have taken steps to protect the confidential information that we have access to, our security measures could nevertheless be breached. Because techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or willful security breaches or other unauthorized access to our database could cause confidential customer information to be stolen and used for unlawful purposes. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity.

Under the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), network operators are generally obligated to protect their networks against disruption, damage or unauthorized access, and to prevent data leakage, theft or tampering. In addition, they will also be subject to specific rules depending on their classification under the multi-level network security protection scheme. With respect to personal information protection, the Cyber Security Law requires network operators not to disclose, tamper with or damage personal information collected or generated in the business operation, and they are obligated to delete unlawfully collected information and to amend incorrect information. In addition, network operators shall not collect, use or provide personal information to others without consent. Moreover, the Provisions on Protection of Personal Information of Telecommunication and the Internet Users (《電信和互聯網用戶個人信息保護規定》) is the specialized regulation governing the collection and use of personal information of users in the provision of telecommunication service and internet information services. These laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. The evolving PRC regulations regarding (i) data collection, usage and transfer; and (ii) cyber security may lead to future restrictions and the establishment of new regulatory agencies, and we may bear more legal responsibilities and compliance costs, which may have an adverse effect on our prospects. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our reputation and brands could be

RISK FACTORS

severely damaged and we could incur significant liability, and our business, financial condition and results of operations could be adversely affected.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which called for the improvement of laws and regulations regarding data security, cross-border data transfer and management of confidential information. Such laws and regulations are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process. We cannot guarantee whether new rules or regulations promulgated in the future will impose additional compliance requirements on us.

According to the Cyber security Review Measures (2021), operators of critical information infrastructure which purchase network products and services and online platform operators which carry out data processing activities that affect or may affect national security, shall conduct a cyber security review. According to the Cyber security Review Measures (2021), an online platform operator which holds and controls more than one million users’ personal information must report to the Cyber security Review Office (網絡安全審查辦公室) for a cyber security review if it intends to be listed abroad (國外上市).

Pursuant to the Draft Regulations on Administration of Network Data Security published on November 14, 2021, the PRC Government will focus on the protection of personal information and important data and will strictly protect core data. Data processors shall be responsible for the data security and fulfill their obligations of data security protection in data processing. Data processors shall take necessary measures such as backup, encryption and access control to protect data from disclosure, theft, tampering, destruction, loss and illegal use, to deal with data security incidents, and to prevent illegal and criminal activities targeting and using data, maintain the integrity, confidentiality and availability of data. It stipulates that data processors shall, in accordance with the relevant national regulations, apply for cyber security review if they engage in the following activities, including, among other things, (i) intending to be listed abroad which processes more than one million users’ personal information, or (ii) intending to be listed in Hong Kong which affect or may affect national security. As at the Latest Practicable Date, the Draft Regulations on Administration of Network Data Security had not been formally adopted.

Since (i) our Group, as a property management service provider, only collects limited type of data from our customers such as customer’s name, home address and contact information during our Group’s operation and we have collected, used, stored and managed the aforesaid data or personal information from our customers by fully complying with the principles and requirements set out in the relevant laws and regulations (including the draft laws and regulations) with respect to cyber security and data protection, (ii) we will continue to be collecting such limited data or personal information and to be compliant with the relevant laws and regulations (including the draft laws and regulations) after the launch of our mobile App, (iii) after consulting with our PRC Legal Advisor, considering the nature of our

RISK FACTORS

business and our Group’s limited collection and usage of data, our Directors are of the view that the risk of the [REDACTED] being determined to affect or may affect national security is remote and therefore the possibility of our Group being required to comply with the reporting obligations set out in the Draft Regulations on Administration of Network Data Security is remote, (iv) we did not operate any online platform or hold, control or process more than one million users’ personal information as at the Latest Practicable Date for which we are not required to comply with the reporting obligations set out in the Cyber security Review Measures (2021) and the Draft Regulations on Administration of Network Data Security, and (v) as at the Latest Practicable Date, our Group had not been notified by any authority of being classified as a data processor or an online platform operator carrying out data processing activities that affect or may affect national security or holding, controlling or processing more than one million users’ personal information, or that the [REDACTED] affects or may affect national security, neither had our Group been subject to any cyber security penalty, review, enquiry, investigation or notice by the Cyberspace Administration of China (國家互聯網信息辦公室) or any other relevant PRC governmental authority, our Directors and our PRC Legal Advisor are of the view that the Cyber security Review Measures (2021) and the Draft Regulations on Administration of Network Data Security will not affect our Group’s compliance with the applicable laws and regulations related to cyber security and data protection which were in effect as at the Latest Practicable Date in any material aspects. Based on the above, our Directors are of the view that the Cyber security Review Measures (2021) and the Draft Regulations on Administration of Network Data Security will not affect our business operations and financial position in any material aspects. Our Directors also expect that our Group will continue to be compliant with the relevant laws and regulations in all material respects after our mobile App has been launched. However, as advised by our PRC Legal Advisor, the exact details of the Cyber security Review Measures (2021), the Draft Regulations on Administration of Network Data Security and the current regulatory regime remain unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws and regulations. As such, our Directors and PRC Legal Advisor cannot preclude the possibility that new rules or regulations promulgated in the future will impose additional compliance requirements on our Group in relation to cyber security review, which may result in, among other things, an increase in our cost of compliance and expected time required in case we conduct further capital raising in future.

Apart from the Cyber security Review Measures (2021) and the Draft Regulations on Administration of Network Data Security, the evolving PRC regulations regarding cyber security and data protection may lead to future restrictions and establishment of new regulatory agencies. We may therefore be subject to more legal responsibilities and compliance costs, which may have an adverse effect on our business. For further details, see “Regulatory Overview—Laws and Regulations on Data Security and Privacy” in this document.

RISK FACTORS

Negative publicity, including adverse information on the internet, about us, our Shareholders and affiliates, our brand and management may have a material adverse effect on our business, reputation and the trading price of our Shares.

Negative publicity about us, our Shareholders and affiliates, the properties we manage, our brand, management and other aspects of our business operations may arise from time to time. They may appear in the form of comments on internet postings and other media sources, and we cannot assure you that other types of negative publicity will not arise in the future. For example, in the event that we fail to meet our customers’ expectations as to the quality of our services, our customers may disseminate negative comments on social media platforms such as WeChat and Weibo. Our subcontractors may also become the subject of negative publicity for various reasons, such as customer complaints about the quality of their services. In the long term, if such negative publicity about us, our Shareholders and affiliates, our brand, management and other aspects of our business operations damage our reputation and result in a loss of customer confidence, it would affect our future ability to attract and retain new customers and employees, and our business, financial position, results of operations and prospects would be materially and adversely affected.

Our reputation may be adversely affected by customer complaints relating to the services provided by our Group even if they may be frivolous or vexatious.

Our customers may file complaints or claims against our Group regarding our services. Our customers include individual property owners and residents and our business is to provide property management and other services to them, which includes addressing the everyday needs of their homes and their families. These property owners and residents, even though living in the same property under our management, come from different backgrounds and may have different expectations on how their properties and neighbourhoods should be managed. As a result, during our ordinary course of business, we need to strike a balance among these varying expectations among different groups of property owners and residents.

Although we have established procedures to monitor the quality of our services and maintained communication channels through which customers may provide feedbacks and complaints, there is no assurance that all property owners’ and residents’ expectations and demands can be addressed in a timely and effective manner. There is no guarantee that certain individual property owners and residents and/or groups of property owners and residents of a property under our management will not have specific demands or expectations which are beyond what we can provide within our normal course of operations. Furthermore, there is no guarantee that, in order to compel us to meet these demands, such property owners and residents will not attempt to exert pressure on our Group by means beyond our control, such as by way of lodging or making frivolous or vexatious complaints directly to us or through various media sources. Any of such events or any negative publicity thereof, regardless of veracity, may distract our management’s attention and may have an adverse effect on our business, our reputation and the trading price of our Shares.

RISK FACTORS

During the Track Record Period and up to the Latest Practicable Date, we did not receive any complaints from our customers that may have a material adverse impact on our operations or business reputation. Nevertheless, our Directors cannot assure you that we will not receive customer complaints which may affect our reputation even if the complaints are frivolous or vexatious.

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 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, if a customer subcontracted a project to us for property management which constitutes its non-compliance, the contract may be deemed void, which may cause us to make compensation and incur losses, such misconduct may also cause us to suffer damage to our reputation in the market.

Our information management system 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 involved in intellectual property disputes and claims.

As of the Latest Practicable Date, we registered three domain names and 20 trademarks, and filed application for registration of four trademarks that we believe are material to our business. We have also been licensed by the Remaining Zhong An Group to use 17 of its trademarks for our operation pursuant to which we were entitled to use such trademarks on a non-exclusive, non-transferable and royalty-free basis for the period stipulated in the trademark licensing agreement. We rely on and expect to continue to rely on a combination of confidentiality procedures and license agreements, as well as trademark and domain name protection laws, to protect our proprietary rights. See “Business—Intellectual Property” and “Connected Transactions—(A) Continuing Connected Transactions Fully Exempted from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements—1. Trademark Licensing” in this document for details. Nevertheless, these measures afford limited protection. Policing unauthorized use of proprietary information can be difficult and expensive. In addition, 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. To our knowledge, the relevant authorities in the PRC historically have not protected intellectual property rights to the same extent as most developed countries. If

RISK FACTORS

we were unable to detect unauthorized 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.

We may become subject to claims from competitors or third-parties alleging intellectual property infringement by us 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 result in substantial costs and divert capital resources and management attention. In the event of an adverse administrative or judicial decision, we may be compelled to pay substantial damages or to seek licenses from third-parties and pay ongoing royalties on unfavorable 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 in our industry.

There are uncertainties about the recoverability of our deferred tax assets, which could adversely affect our results of operations.

We recorded deferred tax assets of approximately RMB1.5 million, RMB1.6 million and RMB2.2 million as of December 31, 2020, 2021 and 2022, respectively. We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

Fluctuations in amounts of government subsidies may lead to volatility in our profit.

We received subsidies from government authorities granted in light of, among other things, the outbreak of COVID-19.

Our government grants amounted to approximately RMB4.6 million, RMB707,000 and RMB928,000 in 2020, 2021 and 2022, respectively. Government grants fluctuated during the Track Record Period because such grants were subject to the sole discretion of the relevant government authorities. There can be no assurance that we will continue to receive significant amounts of government grants, or at all. Accordingly, we may experience additional fluctuations in our government grants, which may lead to volatility in our profit.

RISK FACTORS

We may fail to obtain or renew required permits, licenses, certificates or other relevant PRC governmental approvals necessary for our business operations.

We are required to obtain and maintain certain licenses, permits, certificates and approvals in order to provide property management and certain other services that we currently offer. We must meet various specific conditions in order for the government authorities to issue or renew any certificate or permit. We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to our services or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our operations, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be adversely affected.

Any inability to comply with our environmental responsibilities may subject us to liability.

We are subject to various laws and regulations related to environmental protection in the PRC, which may become increasingly stringent going forward. For example, an increasing number of cities in the PRC have implemented garbage sorting regulations which impose fines on property management companies for failure to comply with the relevant sorting standards. In addition, awareness of environmental issues in the PRC has been growing. As a result, we may be expected to comply with higher and stricter standards than provided in prevailing environmental laws and regulations in order to maintain positive reputation and brand image. If we are unable to comply with existing or future environmental laws and regulations or are unable to meet public expectations in relations to environmental issues, we may be required to pay fines and penalties, and our reputation may be damaged. We may also be required to invest financial and managerial resources to implement remedial measures. Any of the above could materially and adversely affect our business operations, results of operations and financial condition.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

We are vulnerable to adverse changes in economic, political and social conditions and government policies in China.

We manage all of our business operations through our subsidiaries and branches in the PRC. Accordingly, our financial position, results of operations and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in China. The PRC economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, investment control, resource allocation, growth rate and control over foreign exchange. Before its adoption of

RISK FACTORS

reform and open-door policies beginning in 1978, China was primarily a planned economy. Since then, the PRC economy has been transitioning to become a market economy with socialist characteristics.

For approximately four decades, the PRC Government has implemented economic reform measures to utilize market forces in the PRC economy. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may lead to further readjustment or introduction of other reform measures. This reform process and any changes in laws and regulations or the interpretation or implementation thereof in China may have a material impact on our operations or may adversely affect our financial position and results of operations.

While the PRC economy has grown significantly in recent years, this growth has been geographically uneven among various sectors of the economy and during different periods. We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may materially and adversely affect our business. In the past, the PRC Government has periodically implemented a number of measures intended to slow down certain segments of the economy which the PRC Government believed was overheating. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC Government to guide economic growth and allocate resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may reduce demand for our properties and therefore materially and adversely affect our business, financial position and results of operations.

In addition, the outlook for the world economy and financial markets remains uncertain. China’s economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. The lasting impact the trade war may have on China’s economy and the industry we operate remains uncertain. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue to adversely affect, the PRC economy, which in turn may affect our business.

Moreover, the outbreak of COVID-19 may materially and adversely affect the global economy. See “—Our business operations may be affected by the COVID-19 pandemic” in this section for details. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the overall PRC economy, which would in turn affect our business.

RISK FACTORS

We may be subject to the approval and/or other requirements of the CSRC or other PRC governmental authorities in connection with the [REDACTED] and our future capital raising activities under the PRC law.

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which became effective on March 31, 2023.

According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. For the circumstances under which an overseas listing or offering is explicitly prohibited, see “Regulatory Overview—Laws and Regulations Relating to Property Management Services and Other Related Services—Overseas Listing”.

The Overseas Listing Trial Measures also provides that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings. Given that (i) our domestic operating entities generated 100% of our total revenue as shown in our audited consolidated financial statements for the year ended December 31, 2022; (ii) most of our senior management are PRC citizens; and (iii) our business activities are mainly conducted in the PRC, the [REDACTED] falls within the scope of indirect overseas offering and listing by PRC domestic companies. Therefore, we are subject to the filing obligations as contemplated in the Overseas Listing Trial Measures.

On February 17, 2023, the CSRC also issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知) (the “**Notice**”), which, among others, clarified that domestic companies that have obtained approval from overseas regulatory authorities or securities exchanges (for example, a contemplated offering and/ or listing in Hong Kong has passed the hearing of the Stock Exchange) for their indirect overseas offering and listing prior to the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) but have not yet completed their indirect overseas issuance and listing, are granted a six-month transition period from March

RISK FACTORS

31, 2023. Those who complete their overseas offering and listing within such six months are deemed as Existing Issuers (存量企業) and are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC. Within such six-month transition period, however, if such domestic companies need to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as requiring a new hearing of the Stock Exchange), or if they fail to complete their indirect overseas offering and listing, such domestic companies shall complete the filing procedures with the CSRC.

Given we have obtained the approval of the Stock Exchange for the [REDACTED] before [REDACTED] and based on the verbal communication with CSRC on [REDACTED], our PRC Legal Advisor is of the view that we will not be required to complete the filing procedures with the CSRC for the [REDACTED], if (i) we are not required to go through the hearing procedure with the Stock Exchange again, and (ii) we complete our [REDACTED] by [REDACTED]. However, if (i) we are required to go through the hearing procedure with the Stock Exchange again, or (ii) we fail to complete our [REDACTED] by [REDACTED], our PRC Legal Advisor is of the view that we will be required to complete the filing procedures with the CSRC in connection with the [REDACTED].

In addition, the Overseas Listing Trial Measures also provide that domestic companies must file with the CSRC within three business days for its follow-on offering of securities after it is listed in an overseas market. If we fail to complete such filing with the CSRC, in a timely manner or at all, for any future securities offering or any other financing activities which are subject to the filing requirements under the Overseas Listing Trial Measures, our ability to raise or utilize funds and our operations could be materially and adversely affected.

Governmental control of currency conversion may limit our ability to use capital effectively.

The PRC Government, in certain cases, imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. See “Regulatory Overview—Laws and Regulations Relating to Foreign Exchange Control” in this document for details. We received all of our revenue in Renminbi during the Track Record Period. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or make other payments or satisfy other foreign currency denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under existing PRC foreign exchange regulations, overseas organizations and individuals making direct investments in the PRC shall, after obtaining approval from the relevant authorities in charge, undergo the registration formalities with the foreign exchange control authorities, except for payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE by complying with certain procedural requirements. Also, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions

RISK FACTORS

under capital accounts could also affect our subsidiaries’ ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

Fluctuations in exchange rates may have a material adverse impact on your investment.

The exchange rate of the Renminbi fluctuates against the Hong Kong dollar, U.S. dollar and other foreign currencies and is affected by, among other factors, the policies of the PRC Government and changes in international and domestic political and economic conditions. In light of the trend towards Renminbi internationalization, the PRC Government may announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, U.S. dollar or other foreign currencies.

All of our revenue, liabilities and assets are denominated in Renminbi, while our [REDACTED] from the [REDACTED] will be denominated in Hong Kong dollars. Material fluctuations in the exchange rate of the Renminbi against the Hong Kong dollar may negatively impact the value and amount of any dividends payable on our Shares. For example, significant appreciation of the Renminbi against the Hong Kong dollar could reduce the amount of Renminbi received from converting [REDACTED] or [REDACTED] from future financing efforts to fund our operations. Conversely, significant depreciation of the Renminbi may increase the cost of converting our Renminbi-denominated cash flow into Hong Kong dollars, thereby reducing the amount of cash available for paying dividends on our Shares or carrying out other business operations.

Inflation in China could negatively affect our profitability and growth.

Economic growth in China has, in the past, been accompanied by periods of high inflation. In response, the PRC Government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. The PRC Government may take similar measures in response to future inflationary pressures. Rampant inflation without the PRC Government’s mitigation policies would likely increase our costs, thereby materially reducing our profitability. There is no assurance that we will be able to pass any additional costs to our customers. On the other hand, such control measures may also lead to slower economic activity and we may see reduced demand for our properties.

Our ability to access credit and capital markets may be adversely affected by factors beyond our control.

Interest rate increases by the PBOC or market disruptions may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may rely to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will

RISK FACTORS

be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations or implement our growth strategy.

Uncertainties with respect to the PRC legal system could limit the legal protection available to you.

The legal system in China has inherent uncertainties that could limit the legal protection available to our Shareholders. As we conduct all of our business operations in China, we are principally governed by PRC laws, rules and regulations. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their interpretation by the Supreme People’s Court of China (中國最高人民法院), while prior legal decisions and judgments have limited significance as precedent. The PRC Government has been developing a commercial law system, and has made significant progress in promulgating laws and regulations related to economic affairs and matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade.

However, many of these laws and regulations are relatively new. There may be a limited volume of published decisions regarding their interpretation and implementation, or the relevant local administrative rules and guidance on implementation and interpretation have not been put into place. Thus, there are uncertainties involved in their enactment timetable, which may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is partly based on government policies and administrative rules that may have retroactive effect. Consequently, we may not be aware of any violation of these policies and rules until sometime after such violation has occurred. Furthermore, the legal protection available to you under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and result in substantial costs and diversion of resources and management attention.

You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our Directors or senior management residing in China.

Our Company is incorporated in Cayman Islands. All of our assets are located in China, all of our executive Directors and most of our senior management ordinarily reside in China. Therefore, it may not be possible to effect service of process within elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of civil court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a civil court judgment obtained in other jurisdictions may be difficult or impossible.

In addition, on July 14, 2006, the Supreme People’s Court of China and the Government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between

RISK FACTORS

Parties Concerned (《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**”). Pursuant to the 2006 Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. It may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

In addition, on January 18, 2019, the Supreme People’s Court of China and the Government of the Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments 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 the recognition and enforcement of judgments in a wider range of civil and commercial matters between China and Hong Kong. The 2019 Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People’s Court of China and the completion of the relevant legislative procedures in Hong Kong. Once it becomes effective, the 2019 Arrangement will supersede the 2006 Arrangement, and discontinue the requirement for a choice of court agreement for bilateral recognition and enforcement. As for now, the 2019 Arrangement has not come into force.

On January 9, 2021 MOFCOM promulgated Measures for Blocking Improper Extraterritorial Application of Foreign Laws and Measures (《阻斷外國法律與措施不當域外適用辦法》) with immediate effect, or Order No. 1, pursuant to which, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third State (or region) or its citizens, legal persons or other organizations, he or she/it shall truthfully report such matters to MOFCOM within 30 days. Upon assessment and being confirmed that there exists unjustified extra-territorial application of foreign legislation and other measures, MOFCOM shall issue a prohibition order to the effect that, the relevant foreign legislation and other measures are not accepted, executed, or observed, but such a citizen, legal person or other organization of China may apply to MOFCOM for an exemption from compliance with such prohibition order. However, since the Order No. 1 is relatively new, the enforcement of it involves uncertainty in practice.

RISK FACTORS

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

Pursuant to the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**Bulletin 7**”), an “indirect transfer” of PRC taxable assets, including a transfer of equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, factors to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly hold PRC taxable assets have real commercial nature, which is evidenced by their actual function and risk exposure; the duration of shareholders, existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be reported on with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements. Late payment of applicable tax will subject the transferor to default interest. Gains derived from the sale of shares by investors through a public stock exchange will not be subject to PRC enterprise income tax pursuant to Bulletin 7 where such shares were acquired in a transaction through a public stock exchange.

There are uncertainties as to the application of Bulletin 7. Bulletin 7 may be determined by the tax authorities to be applicable to sale of the shares of our offshore subsidiaries or investments where PRC taxable assets are involved. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, or the sale of the shares in our offshore subsidiaries or investments. Our Company may be subject to filing obligations or taxes if our Company is the transferor in such transactions, and may be subject to withholding obligations if our Company is the transferee in such transactions, under Bulletin 7. For transfers of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiary may be requested to assist with the filing under Bulletin 7. As a result, we may be required to expend valuable resources to comply with Bulletin 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company should not be taxed under Bulletin 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries or investments, which may have a material adverse effect on our financial condition and results of operations.

RISK FACTORS

The PRC tax authorities have the discretion under Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Bulletin 7, or under Bulletin on Issues Concerning the Withholding of Non-PRC Resident Enterprise Income Tax at Source (《關於非居民企業所得稅源泉扣繳有關問題的公告》), our income tax costs associated with such potential acquisitions or disposals will increase, which may have an adverse effect on our financial condition and results of operations.

We may be deemed a “PRC resident enterprise” under the EIT Law and be subject to a tax rate of 25% on our global income, which could result in unfavorable tax consequences to us.

Pursuant to the EIT Law, which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, an enterprise established outside China whose “de facto management body” is located in China is considered a “PRC resident enterprise” and will generally be subject to the uniform enterprise income tax rate, or EIT rate, of 25% on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the organizational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (“Circular 82”) on April 22, 2009 (which was amended on December 29, 2017) setting out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or a PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily business operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. In addition, Circular 82 also requires that the determination of “de facto management body” shall be based on the principle that substance is more important than form. Further to Circular 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) (the “Bulletin 45”), which took effect on September 1, 2011 and amended on April 17, 2015, June 28, 2016 and June 15, 2018 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are

RISK FACTORS

registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general. Most of the members of our senior management are currently based in China; if we are deemed a PRC resident enterprise, the EIT rate of 25% on our global taxable income may reduce capital we could otherwise divert to our business operations.

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

Under the EIT 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 realized 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 realized 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 realized 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 realized 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.

RISK FACTORS

PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in China.

A number of PRC laws and regulations, including the M&A Rules, the Anti-Monopoly Law (《反壟斷法》), the Measures for the Security Review of Foreign Investments (《外商投資安全審查辦法》) and the Rules of MOFCOM on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) promulgated by MOFCOM on August 25, 2011 and effective from September 1, 2011 (the “**Security Review Rules**”), have established procedures and requirements that are expected to make the review of certain merger and acquisition activities by foreign investors in China more time-consuming and complex. These include requirements in some instances to notify MOFCOM in advance of any transaction in which foreign investors take control of a PRC domestic enterprise, or to obtain approval from MOFCOM before overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control or security review.

The Security Review Rules prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to merger and acquisition activities in China, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations, including levying fines, revoking business and operating licenses, confiscating our income and requiring us to restructure or unwind our restructuring activities. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial position and results of operations. Furthermore, if the business of any target company we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

RISK FACTORS

Natural disasters, public health and public security hazards in the PRC may severely disrupt our business and operations.

Our business is subject to general economic and social conditions in the PRC. The outbreak of any severe diseases in China such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu, severe acute respiratory syndrome or COVID-19, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in China, which in turn may have an adverse impact on domestic consumption and the demand for our services. In addition, if employees are affected by a severe communicable disease, we may be required to institute measures to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect the operations of our general suppliers and other service providers.

Moreover, China has experienced natural disasters, including floods, landslides, fire and droughts in the past, resulting in deaths of people, significant economic losses and significant and extensive damage to factories, power lines and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. Any future natural disasters, public health and public security hazards may materially and adversely affect or disrupt our operations. Furthermore, such natural disasters, public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business, results of operations and prospects.

RISKS RELATING TO THE [REDACTED] AND THE [REDACTED]

Possible setting of the [REDACTED] after making a [REDACTED]

We have the flexibility to make a [REDACTED] to set the [REDACTED] at [REDACTED] below the bottom end of the indicative [REDACTED] range per [REDACTED]. It is therefore possible that the [REDACTED] will be set at HK\$[REDACTED] per [REDACTED] upon the making of a [REDACTED]. In such a situation, the [REDACTED] will proceed and the [REDACTED] will not apply. If the [REDACTED] is set at HK\$[REDACTED], the estimated [REDACTED] we will receive from the [REDACTED] will be reduced to approximately HK\$[REDACTED], and such reduced [REDACTED] will be used as described in “Future Plans and [REDACTED] — [REDACTED]” in this document.

There has been no prior market for our Shares, and their liquidity and market price following the [REDACTED] may be volatile.

Prior to the [REDACTED], there was no public market for our Shares. The indicative [REDACTED] range and the [REDACTED] will be determined by negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and they may differ significantly from the market price of our Shares following the [REDACTED].

RISK FACTORS

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, there can be no guarantee that: (i) an active or liquid trading market for our Shares will develop; or (ii) if such a trading market does develop, it will be sustained following completion of the [REDACTED]; or (iii) the market price of our Shares will not decline below the [REDACTED]. The trading volume and price of our Shares may be subject to significant volatility in response to, among others, the following factors:

- variations in our financial position and/or results of operations;
- changes in securities analysts’ estimates of our financial position and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors’ perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic cooperation or acquisitions;
- industrial or environmental accidents, litigation or loss of key personnel;
- changes in laws and regulations that impose limitations on our industry;
- fluctuations in the market prices of our properties;
- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- the liquidity of the market for our Shares; and
- general economic and other factors.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

Normally, a [REDACTED] acting on behalf of the [REDACTED] may [REDACTED] (via [REDACTED]) or effect short sales or any other stabilizing activities with a view to stabilizing or maintaining the market price of the [REDACTED] at a level higher than that which might otherwise prevail in the open market. However, given that we will not grant any [REDACTED] to the [REDACTED], and the fact that no [REDACTED] has been appointed by us in connection to the [REDACTED] and it is anticipated that no price stabilization activities will

RISK FACTORS

be conducted by any [REDACTED], which may result in substantial losses for investors during the period when [REDACTED] activities would normally have been conducted.

Potential investors will experience immediate and substantial dilution as a result of the [REDACTED] and could face dilution as a result of future equity financings.

The [REDACTED] substantially exceeds the per Share value of our net tangible assets after subtracting our total liabilities, and therefore potential investors will experience immediate dilution when they purchase our Shares in the [REDACTED]. If we were to distribute our net tangible assets to our Shareholders immediately following the [REDACTED], potential investors would receive less than the amount they paid for their Shares.

We will comply with Rule 10.08 of the Listing Rules, which specifies that no further Shares or other securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to such an issue within six months from the [REDACTED]. However, after six months from the [REDACTED] we may raise additional funds to finance future acquisitions or expansions of our business operations by issuing new Shares or other securities of our Company. As a result, the percentage shareholding of the then Shareholders may be diluted and such newly issued Shares or other securities may confer rights and privileges that have priority over those of the then Shareholders.

Future or perceived sales of substantial amounts of our Shares could affect their market price.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favorable times and prices may also be materially and adversely affected. Our Shares held by the Controlling Shareholders are currently subject to certain lock-up undertakings, the details of which are set out in “[REDACTED]—[REDACTED]” in this document. However, there is no assurance that following the expiration of the lock-up periods, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our Shares.

We may not declare dividends on our Shares in the future.

Any declaration of dividends will be proposed by our Board, and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial position, capital requirements and surplus, contractual restrictions, future prospects and other factors which our Board may determine are important. See “Financial Information—Dividend Policy and Distributable Reserves” in this document for details. We cannot guarantee when, if and in what form dividends will be paid. Our historical dividend policy should not be taken as indicative of our dividend policy in the future.

RISK FACTORS

Our management has significant discretion as to how to use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may use the [REDACTED] from the [REDACTED] in ways that you may not agree with or that do not yield a favorable return to our Shareholders. By investing in our Shares, you are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from this [REDACTED]. See “Future Plans and [REDACTED]” in this document for details.

Investors may experience difficulties in enforcing their Shareholders’ rights because we are incorporated in the Cayman Islands, and the protection afforded to minority Shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by our Memorandum, Articles of Association, the Cayman Islands company law and the common law of the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or those of other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as those afforded under the laws of Hong Kong or in other jurisdictions. A summary of the Cayman Islands company law on protection of minority shareholders is set out in “Appendix III—Summary of the Constitution of our Company and Cayman Islands Company Law” to this document.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of Shareholders who subscribe for Shares in the [REDACTED].

Immediately upon completion of the [REDACTED], and assuming no exercise of the [REDACTED], our Controlling Shareholders will directly or indirectly control the exercise of 75% of voting rights in the general meeting of our Company. See “Relationship with Controlling Shareholders” in this document for details. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of our Company that would otherwise benefit our other Shareholders. To the extent that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

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

The [REDACTED] of our Shares will be determined on the [REDACTED], which is expected to be on or around [REDACTED]. However, our Shares will not commence trading

RISK FACTORS

on the Stock Exchange until the [REDACTED], which is expected to be on [REDACTED]. Accordingly, investors may not be able to sell or deal in our Shares during the period between the [REDACTED] and the [REDACTED]. Our Shareholders are subject to the risk that the price of our Shares 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].

We cannot guarantee the accuracy of facts, forecasts and statistics with respect to China, the PRC economy and our relevant industries contained in this document.

Certain facts, forecasts and statistics in this document relating to China, the PRC economy and industries relevant to us were obtained from information provided or published by PRC Government agencies, independent research institutions or other third-party sources, and we can guarantee neither the quality nor reliability of such source materials. They have not been prepared or independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED] or any of its respective affiliates or advisors. Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced for other economies and should not be relied upon. Furthermore, there can be no assurance 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, investors should consider how much weight or importance they should attach to or place on such facts, forecasts or statistics.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim”, “anticipate”, “believe”, “can”, “consider”, “continue”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, financial performance, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

RISK FACTORS

You should read this entire document carefully and not consider or rely on any particular statements in this document or in published media reports without carefully considering the risks and other information in this document.

Prior or subsequent to the publication of this document, there has been or may be press and media coverage regarding us and the [REDACTED], in addition to marketing materials we published in compliance with the Listing Rules. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We have not authorized the publication of any such information contained in unauthorized press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the contents of this document, we expressly disclaim it. Accordingly, prospective investors should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to purchase the [REDACTED].