You should read this document in its entirety before you decide to invest in the **[REDACTED]**, *and not rely solely on key or summarized information. The financial information in this section has been extracted without material adjustment from "Appendix I—Accountants' Report" to this document. All market statistics quoted in this document, unless otherwise specified, are from an industry report issued by CIA. See "Industry Overview" in this document for the qualifications of CIA as well as details of the industry report.*

OVERVIEW

We are a reputable integrated property management service provider headquartered in Hangzhou with deep roots in Zhejiang province and the Yangtze River Delta Region. Prior to the Reorganization, the property management business of residential and non-residential properties (including public and other properties (such as office buildings of PRC governmental bodies, industrial parks, hospitals and schools but excluding pure commercial properties such as commercial and office buildings and serviced apartments)) of our Group was carried out by the Zhong An Group and property management business of pure commercial properties including serviced apartments was carried out by the CNC Group. The subsidiaries now comprising our Group have been providing property management services to the Remaining Group for over 24 years since 1998. In 2020, 2021 and 2022, the overall revenue in the sum of approximately RMB182.4 million, RMB229.7 million and RMB247.0 million was generated from properties developed by the Remaining Group and its joint ventures and associates, representing approximately 79.0%, 77.5% and 77.2% of our overall revenue during the respective years; and approximately RMB48.3 million, RMB66.0 million and RMB72.8 million was generated from properties developed by independent third-party property developers, representing approximately 21.0%, 22.5% and 22.8% of our overall revenue during the respective years. As of December 31, 2020, 2021 and 2022, the GFA under management for properties developed by the Remaining Group or its joint ventures and associates amounted to approximately 6.0 million sq.m., 6.6 million sq.m., and 6.9 million sq.m., representing approximately 55.3%, 55.7% and 54.0% of our total GFA under management as of the respective dates; and the GFA under management for properties developed by independent third-party property developers amounted to approximately 4.8 million sq.m., 5.2 million sq.m. and 5.9 million sq.m., representing approximately 44.7%, 44.3% and 46.0% of our total GFA under management as of the respective dates.

Through over 24 years of operations since our establishment in 1998, we have grown from a local property management service provider in Hangzhou to an integrated regional property management service provider with major presence in Zhejiang province. We have also built up reputable brand recognition in the Yangtze River Delta Region and have established strategic presence in cities outside of the Yangtze River Delta Region including Guangzhou, Nanchang, Qingdao, Wuhan and Kunming as of December 31, 2022. The Yangtze River Delta Region is one of the more economically developed regions in China with higher urbanization rate and per capita annual disposable income than the national averages of China, and has a national-leading level of urban digitalization infrastructure, therefore, the Yangtze River Delta Region has always been and will continue to be our focus of development.

During the Track Record Period, all of our GFA under management was located in Zhejiang province and Anhui province in the Yangtze River Delta Region and Shandong province. As of December 31, 2022, we had a total of 139 contracted projects with a total contracted GFA of approximately 19.4 million sq.m., covering 19 cities and seven provinces in China; and managed a total of 95 projects, with a total GFA under management of approximately 12.8 million sq.m., covering 11 cities and three provinces in China. As of the Latest Practicable Date, the geographical coverage of our three main business lines principally covers the Yangtze River Delta Region and a total of eight provinces in the PRC including Zhejiang province, Anhui province, Jiangxi province, Shandong province, Jiangsu province, Yunnan province, Hubei province and Guangdong province.

According to CIA, our Group's market share in the PRC in terms of our GFA under management as of December 31, 2022 was approximately 0.04%, we have been included in the list of the Top 100 Property Management Companies in China (中國物業服務百強企業) since 2016 and our ranking among the Top 100 Property Management Companies in China in terms of overall strength of property management* increased from 82nd in 2016 to 40th in 2023, reflecting our growing property management capabilities. In addition, we were ranked seventh, ninth and 25th, among the 2023 Top 100 Property Management Companies in China headquartered in Hangzhou, Zhejiang province and the Yangtze River Delta Region, respectively, in terms of the GFA under management as of December 31, 2022.

We offer a portfolio of services and aim to provide our customers with quality and efficient services through our three main business lines, namely, (i) property management services, (ii) value-added services mainly to property developers and (iii) community value-added services, which form an integrated service along the value chain of property management.

* Each year the CIA publishes the Top 100 Property Management Companies in China in terms of overall strength based on the data from the previous year on key factors such as management scale, operational performance, service quality, growth potential and social responsibility of the property management companies under consideration.

- *Property management services.* We provide property developers, property owners, residents and tenants with a range of property management services, which primarily comprise (i) security services, (ii) cleaning services, (iii) gardening and landscaping services, (iv) repair and maintenance services and/or (v) car park management services. We also provide security and cleaning services as a subcontractor with respect to certain industrial parks managed by another property management company.

- *Value-added services mainly to property developers*. We provide a range of value-added services mainly to property developers, which primarily comprise (i) sales office management services, (ii) preliminary planning and design consultancy services and (iii) pre-delivery inspection services.

- *Community value-added services*. We provide community value-added services principally to property owners and residents of our managed properties, which primarily comprise (i) common area management services, (ii) renovation waste disposal services and (iii) car parking space sales agency services.

We recently complemented our traditional property management services with the application of intelligent technologies and facilities such as intelligent robots with artificial intelligent technologies and plan to launch a one-stop service mobile App by the end of the fourth quarter of 2023 to provide more convenient and efficient integrated services which we believe could satisfy the needs of our customers. We endeavored to understand the needs of our customers, refine our services and build an all-rounded service system under the "Zhong An" brand. In conducting our business and formulating our development plan, we have adhered to our service tenet of "Pursuing Excellent Quality, Creating Happy Life (追求卓越品質，創造幸福生活)" and committed to providing quality services with the direction of "Sincere Services, Standardized Management, Achievement of Excellence, and Be Proactive and Innovative (服務至誠, 管理規範, 精益求精, 進取創新)", as we believe that service quality is the key to enhance our customer satisfaction and strengthen a reputable brand recognition. In addition, during the Track Record Period, two projects and one project under our management were recognized as the China Five-star Property Management Services Projects (中國五星級物業服務項目) by CIA in 2019 and 2021, respectively*. Three of our projects under management were also recognized as the 2019 Xiaoshan District Five-star Property Services Projects (2019年度蕭山區五星級物業服務項目) by the Hangzhou Xiaoshan District Housing and Urban-Rural Development Bureau (杭州市蕭山區住房和城鄉建設局) in 2020. We were also ranked among the 2020-2021 China Property Management Enterprise Digital Power Top 30 (2020-2021中國物業企業數字力TOP 30), and were appointed as a member of the fifth

* According to CIA, the key factors it took into account in assessing "Five-star" property management services encompass the software and hardware evaluation standard systems. The software standard system consists of factors including basic requirements, housing management, public facilities management and maintenance, assistance in public security maintenance, cleaning services, greening management and other management; the hardware standard system consists of factors including basic requirements, integrated facilities, greening and landscaping, car park spaces, cultural and sports recreational facilities, shared facilities, security system, property management hardware and human resource allocation, property branding, etc..

session of the director unit of Hangzhou Property Management Institute (杭州市物業管理協會第五屆理事單位) in 2021. See "—Awards and Recognition" in this section for more information.

We experienced a continuous and steady growth during the Track Record Period. Our revenue increased at a CAGR of approximately 17.7% from RMB230.7 million in 2020 to RMB319.7 million in 2022. Our gross profit increased at a CAGR of approximately 15.8% from RMB86.8 million in 2020 to RMB116.3 million in 2022. Our net profit increased at a CAGR of approximately 4.0% from RMB47.0 million in 2020 to RMB50.9 million in 2022. The aggregate GFA of the properties 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, representing a CAGR of approximately 8.9%.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled us to achieve a competitive position in the property management industry in the PRC and differentiated us from our competitors:

An Integrated Property Management Service Provider Deeply Rooted in Zhejiang province and the Yangtze River Delta Region, with Strategic Presence in Other Key Cities

We are one of the leading integrated property management service providers in Zhejiang province with a track record of steady and continuous growth. Among the 2022 Top 100 Property Management Companies in China headquartered in Hangzhou and Zhejiang province, according to CIA, we were ranked sixth and eighth in terms of net profit in 2022, respectively. Since our inception in Hangzhou in 1998, we adhered to our service tenet of "Pursuing Excellent Quality, Creating Happy Life (追求卓越品質，創造幸福生活)" and committed to providing quality services with the direction of "Sincere Services, Standardized Management, Achievement of Excellence, and Be Proactive and Innovative (服務至誠, 管理規範, 精益求精, 進取創新)." Rooted in Zhejiang province and the Yangtze River Delta Region and during our 24 years of development, we endeavored to diversify and optimize our business, improve our service quality and extend our geographical coverage, and have grown into a reputable property management company with continuous growth.

The Yangtze River Delta Region is one of the more economically developed regions in China with higher urbanization rate and per capita annual disposable income than the national averages of China, and has a national-leading level of urban digitalization infrastructure. We believe these in turn will create huge demand for basic property management services and provide a strong foundation for the development of value-added services. As of December 31, 2022, we established branch offices in ten cities in Zhejiang province and managed a total of 63 projects in Zhejiang province, with a total GFA under management of approximately 9.0 million sq.m., representing approximately 70.1% of our total GFA under management as of the same date. According to CIA, among the 2023 Top 100 Property Management Companies in China headquartered in Zhejiang province and the Yangtze River Delta Region, we were ranked ninth and 25th, respectively, in terms of the GFA under management as of December 31, 2022. With our experience and brand recognition, we expect to continue benefitting from the continuation of urban development in Zhejiang province and the increasing demand for quality property management services from customers.

Leveraging our quality management and business capabilities, we have grown out of the Yangtze River Delta Region and have established strategic presence in cities including Guangzhou, Nanchang, Qingdao, Wuhan and Kunming. As of December 31, 2022, we managed a total of 95 projects, covering three provinces and 11 cities in China. During the Track Record Period, we recorded a steady and continuous growth in our property management services business line. As of December 31, 2020, 2021 and 2022, we managed a total of 73, 74 and 95 projects, respectively, representing a CAGR of approximately 14.1%. As of December 31, 2022, we managed a total of 95 projects, and was contracted to manage 44 projects that had not been delivered for our management, all of which are expected to be delivered to us for management within the next one to three years. Our GFA under management increased from approximately 10.8 million sq.m. as of December 31, 2020 to approximately 12.8 million sq.m. as of December 31, 2022, representing a CAGR of approximately 8.6%. From 2020 to 2022, the CAGR of our total revenue is approximately 17.7% which, according to CIA, is higher than the CAGR of the average revenue of approximately 13.5% of the Top 100 Property Management Companies in China.

We believe that our quality services have served, and will continue to serve, as a strong basis for us to strengthen our existing market position, expand our portfolio of services, maintain high retention and renewal rates of our managed properties and generate new business opportunities going forward. Combining with our industry reputation, we believe that we would be able to further increase our market share in the property management market in Zhejiang province, as well as the Yangtze River Delta Region.

Diversified Service Offerings and Revenue Streams Balanced our Business Development and Significantly Improved our Profit Level

Over the course of our development, in addition to our efforts in managing residential property projects, we also focused on non-residential property projects comprising primarily commercial and office buildings, serviced apartments, public and other properties (such as office buildings of PRC governmental bodies, industrial parks, hospitals, schools and prison). As of December 31, 2022, we managed a total of 25 non-residential property projects, representing approximately 26.3% of the total number of projects under our management as of the same date; the total GFA under management of non-residential property projects we managed was approximately 1.5 million sq.m., representing approximately 12.1% of our total GFA under management as of the same date. In 2021, the revenue from property management services generated from non-residential property projects was approximately RMB50.6 million, representing approximately 24.7% of our total revenue from property management services for the same year. In 2022, the revenue from property management services generated from non-residential property projects was approximately RMB60.1 million, representing approximately 26.9% of our revenue from property management services for the same year. We believe that the development of our non-residential property projects portfolio would enable us to develop more personalized and professional service offerings and enhance our service standards, which would in turn allow us to provide our customers with better quality services and elevate our brand reputation and image.

To further diversify our sources of revenue and increase our profit level, we also provide a range of value-added services mainly to property developers and community value-added services in addition to our traditional property management services:

- *Value-added services mainly to property developers.* We began providing value-added services mainly to property developers in 2010. Our value-added services mainly to property developers include sales office management services, preliminary planning and design consultancy services and pre-delivery inspection services. During the Track Record Period, our sales office management services served as our main value-added services mainly to property developers and we managed a total of 33 sales offices as of December 31, 2022. Our sales office management services and preliminary planning and design consultancy services allow us to establish and cultivate relationships with property developers at the early stage of property development projects, which may increase our chance to secure property management service agreements for these projects in the future. Our value-added services mainly to property developers cover different stages of property development projects from their commencement to completion. At the early stage of a property development project, we provide planning and design consultancy services and conduct on-site inspection during its construction from time to time. At the stage of property sales, we provide sales office management services. At the delivery stage, we provide pre-delivery inspection services prior to the delivery of properties to the property owners. Our revenue from value-added services mainly to property developers was approximately RMB33.3 million, RMB59.2 million and

RMB60.7 million in 2020, 2021 and 2022, respectively, with a CAGR of approximately 35.1%, and represents approximately 14.4%, 20.0% and 19.0% of our total revenue for the respective years.

- *Community value-added services.* We provide a range of community value-added services principally to property owners and residents of the properties we manage, which include common area management services, renovation waste disposal services and car parking space sales agency services. We believe that our commitment to enhancing the experience of property owners and residents of the projects we manage via the provision of community value-added services will continuously contribute to our brand value, increase our interaction with them, and enhance their living experiences and loyalty, which eventually will be advantageous to the renewal negotiation of our existing property management service agreements. Further, the provision of community value-added services creates an additional revenue stream with relatively high profit margin for us. Our revenue from community value-added services was approximately RMB14.2 million, RMB31.3 million and RMB35.4 million in 2020, 2021 and 2022, respectively, with a CAGR of approximately 58.0%, and represents approximately 6.1%, 10.6% and 11.1% of our total revenue for the respective years.

The steady and continuous development of our value-added services helped boost our profitability. In 2020, 2021 and 2022, the gross profit margin of our value-added services mainly to property developers was approximately 42.7%, 43.0% and 41.7%, respectively, whilst the gross profit margin of our community value-added services was approximately 46.0%, 46.5% and 47.4%, respectively.

We also attach great importance to our intelligent technologies and facilities for property management. We have different types of intelligent facilities installed across the projects we manage such as intelligent surveillance cameras, facial recognition access control systems, intelligent car park management system, community facility equipment monitors and intelligent robots monitors, all the information and data collected by these facilities will be consolidated into our intelligent property management system for centralized information management, which allows us to supervise and monitor our operations more closely and provide feedback and resolve issues in a more efficient manner. For details, see "—Standardized Operation and Digitalization—Intelligent Management" in this section.

We believe that our diversified service offerings can create synergies between our business lines and our intelligent technologies and facilities can improve the living quality of our customers, together will allow us to generate diversified sources of revenue and capture more business opportunities across our different business lines.

Benefitting from the Long-term Support of the Remaining Group whilst Expanding Our Reach to Independent Third-Party Customers

Zhong An is one of the leading real estate developers in the Yangtze River Delta Region, whilst the CNC Group, a group controlled by Zhong An, is a major commercial property developer in the Yangtze River Delta Region and their development projects include residential properties, commercial complexes, hotels and other properties. According to CIA, in terms of overall strength, Zhong An ranked 64th among the 2023 Top 100 Real Estate Companies in China (2023中國房地產百強企業). As of December 31, 2022, to the best knowledge of our Directors after consulting the Remaining Group, it had about 52 property projects under development or held for development in the PRC, with a total GFA of approximately 8.6 million sq.m.. Among the projects mentioned above, we have obtained service agreements in respect of 35 property projects with a total GFA of approximately 5.6 million sq.m. as of December 31, 2022.

The expansion of the Remaining Group in recent years provided a solid foundation for our continued growth. As of December 31, 2022, we managed a total of 42 property projects developed by the Remaining Group or its joint ventures and associates with a total GFA under management of approximately 6.9 million sq.m., representing approximately 44.2% and 54.0% of our total number of projects and GFA under management as of the same date, respectively. As of December 31, 2022, our total GFA of contracted but undelivered projects developed by the Remaining Group or its joint ventures and associates was approximately 5.7 million sq.m., being the 35 property projects abovementioned, which are expected to be delivered to us for management in the next one to three years generally. In 2022, approximately 71.5% of our property management services revenue was generated from property projects developed by the Remaining Group or its joint ventures and associates. During the Track Record Period, our bidding success rate of the residential projects developed by the Remaining Group or its joint ventures or associates was 100%, 100% and 100% in 2020, 2021 and 2022, respectively; and our retention rate of all projects developed by the Remaining Group or its joint ventures and associates was 100%, 100% and 100% in 2020, 2021 and 2022.

In 2019, the People's Government of Zhejiang Province announced the "Future Community" development plan and the Zhejiang Provincial Development and Reform Commission (浙江省發展和改革委員會) identified the first 24 pilot future communities in Zhejiang province. Around two years after the announcement of the development plan, the "Future Community" development plan has officially commenced trial in certain areas of Zhejiang province. In December 2020, the Remaining Zhong An Group successfully obtained land use right in the Shabei Future Community Project in Gaoxin District, Taizhou city, Zhejiang province. We successfully secured the property management service agreement for this project with contracted GFA of approximately 331,000 sq.m. and became one of the first companies to participate in the first pilot future communities. According to CIA, it is anticipated that the number of future communities located in Zhejiang province will reach 467 projects in total taking into consideration the Zhejiang province future community development and construction lists previously issued, and the recent Notice on Announcement of the Fifth Batch of Zhejiang Province Future Community Development and Construction List (《關於公佈浙江省第五批未來社區創建名單的通知》) jointly issued by the Department of Housing and Urban-Rural Development of Zhejiang Province (浙江省住房和城鄉建設廳) and Special Office for Zhejiang Province Urban and Rural Landscape Improvement Work (浙江省城鄉風貌整治提升工作專班辦公室) in May 2022. We have gained a first-mover advantage in participating in a pilot future community and we believe that we will have advantage in obtaining further service agreements for properties to be developed under the "Future Community" development plan. For further details on "Future Community" development plan, see "—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—Our strategic layout" in this section.

In the course of providing property management services for the property projects developed by the Remaining Group, we have accumulated extensive management experience, established our brand recognition and strengthened our ability to acquire property management projects from independent third-party property developers as we understand the needs and requirements of sizeable property developers better. As of December 31, 2020, 2021 and 2022, we managed a total of 39, 36 and 53 property projects developed by independent third-party property developers, respectively, with a CAGR of approximately 58.0%. As of December 31, 2022, we managed a total of 53 property projects developed by independent third-party property developers, out of which 37 of them were residential property projects and the remaining 16 were non-residential property projects. As of December 31, 2020, 2021 and 2022, the GFA under management of the projects developed by independent third-party property developers accounted for approximately 44.7%, 44.3% and 46.0% of our total GFA under management as of the respective dates, which demonstrated an overall increasing trend throughout the Track Record Period notwithstanding a slight decrease for the year ended December 31, 2020 and 2021. In 2020, 2021 and 2022, our property management services revenue generated from projects developed by independent third-party property developers was approximately RMB43.7 million, RMB56.4 million and RMB63.7 million, respectively, accounting for approximately 23.9%, 27.5% and 28.5% of our property management services revenue of the respective years.

While we are able to enjoy the support from the Remaining Group, we are also capable of identifying and securing market opportunities independently. We believe that our long-term and stable relationship with the Remaining Group will continue going forward and allow us to continue to benefit from its diversified property portfolio and abundant land reserves, which will enable us to expand our property portfolio, business scale and geographical coverage.

Excellent Management and Services at the Core of our Competitive Strengths

We strive to deliver excellent services and build up the "Zhong An" brand throughout the course of our operation. The projects under our management received various honors and awards and we have gradually established brand recognition and reputation in the industry. For instance, two projects and one project under our management were recognized as China Five-star Property Management Services Projects (中國五星級物業服務項目) by CIA in 2019 and 2021, respectively, and two residential communities under our management were recognized as Xiaoshan District Attractive Demonstration Communities (蕭山區美麗示範小區) by the Xiaoshan District local authority in 2020. Three of the projects under our management were also recognized as 2019 Xiaoshan District Five-star Property Services Projects (2019年度蕭山區五星級物業服務項目) by the Hangzhou Xiaoshan District Housing and Urban-Rural Development Bureau (杭州市蕭山區住房和城鄉建設局) in 2020, based on a comprehensive assessment covering certain aspects including, among other things, property management and operation performance, service quality, community and environmental maintenance standards, and security management. We were also ranked among the 2020-2021 China Property Management Enterprise Digital Power Top 30 (2020-2021中國物業企業數字力TOP 30), and were appointed as a member of the fifth session of the director unit of Hangzhou Property Management Institute (杭州市物業管理協會第五屆理事單位) in 2021.

We place great emphasis on our standardization and institutionalized management. We obtained the ISO9001:2015 quality management certification, ISO14001:2015 environmental management certification and ISO45001:2018 occupational health and safety management certification, and have conducted our operations in accordance with the standards prescribed thereunder. We have also established quality control system and feedback and complaint handling procedures, which cover standardized internal policies and procedures to ensure the standard and quality of our services, as well as inspection and assessment guidelines for our employees to follow so as to ensure our capabilities are at the forefront of the industry.

We believe that our quality management and services will enable us to position ourselves as a professional property management company, pave the way for us to capture greater market shares in the Yangtze River Delta Region, and continue to expand our services into other areas outside of the Yangtze River Delta Region.

The Combination of Seasoned and Professional Management Team and Human Resources Policies Cultivated Outstanding Workforce

One of the principal reasons for our steady and continuous growth of our business is our educated and professional senior management team and an integrated management team with extensive practical experience. We believe a professional management team and effective human resources policies are key to the growth of our business and our future success. Our executive Directors on average have over 13 years of property management experience. See "Directors and Senior Management—Executive Directors" in this document for their biographies. We believe their expertise and knowledge in the property management industry, and abilities in execution and resource coordination had contributed to our steady and continuous growth during the Track Record Period.

We appreciate that talent is one of the core competencies for the sustainable development of an enterprise, thus we have established a human resources system with an aim to cultivate and promote talents. We have also established a performance-based incentive mechanism providing bonus rewards to employees for accomplishment of performance targets. For instance, we adopted an incentive scheme to motivate our employees to provide us with information on potential business expansion opportunities. For senior management personnel, we have a training plan covering on-the-job trainings organized by professional institutions to strengthen their management and leadership skills, and industry exchanges to cultivate their forward-looking insights of the industry landscape. For regular management personnel, we regularly provide interactive training activities such as training and exchange on corporate culture, team building, legal knowledge, financial knowledge and industry development trend so as to continuously strengthen and diversify the knowledge of our team. We also started to recruit young graduates through our newly implemented Smart Star Program (智慧之星計劃). At the same time, we may also organize external training programs for our staff to strengthen their teamwork and cohesion.

We believe our talent pool, performance-based incentive system and sound talent cultivation mechanism will continue to optimize our human resources, which would in turn drive our business development and help us maintain our competitiveness in the market.

BUSINESS STRATEGIES

We plan to strengthen our position in China's property management industry by implementing the following 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

Our strategic layout

We plan to strengthen our leading position in Zhejiang province and expand into other key regions in the Yangtze River Delta Region and other key cities in the PRC with relatively better economic foundation and market-oriented operation such as Anhui province, Jiangsu province, Hunan province, Hubei province and Jiangxi province. The focus of our property management service expansion will be communities located in economically developed regions that match our property management service offerings. In other words, with economically developed regions as our core focus, we intend to obtain property management projects in higher quality communities, with an aim to grow out of the Yangtze River Delta Region and plan to expand into the Pearl River Delta region, and subsequently into the Central region. Meanwhile, we will continue to ensure our development quality and expand our business into regions which are in line with our property management operation model.

We also intend to participate in other projects to be implemented in other provinces which are similar to the "Future Community" development plan. Primarily driven by government policies, the "Future Community" development plan aims at improving living environment and experience through constructing future communities and revitalizing dilapidated urban areas. In this regard, we are contracted to provide property management services for one project among the first 24 pilot future communities in Zhejiang province. We believe that the "Future Community" development plan is the future trend for community development. Our Directors consider that the scope of services to be provided by us for projects under the "Future Community" development plan will be relatively wider than the scope of our existing property management services and community value-added services. For instance, we may provide various types of community value-added services such as housekeeping services, health care consultancy services, community education services, real estate agency services and turnkey move-in services, which we believe will further improve the living experience of community residents. Together with our Group's strategy to bolster the development of communities across the projects we manage, our Directors believe that the participation in the "Future Community" development plan will transform our Group from a traditional property management service provider to a community operation service provider, and enhance our brand value and customers' satisfaction rates through the provision of a full span of community value-added services. We also believe that our participation in the "Future Community" development plan can increase and diversify our revenue base, enhance our brand value and expand our GFA under management. During the Track Record Period, the Remaining Group and its joint ventures and associates had obtained land use rights in another two "Future Community" projects in Wenzhou and Shaoxing, both in Zhejiang province, respectively, and we had been engaged to provide property management services to the aforesaid projects. Leveraging our first-mover advantage as one of the first property management companies to participate in a pilot future community, we could gather information on the needs and preferences of customers in such community, which we believe will assist us in securing the property management engagement for the remaining "Future Community" project abovementioned, as well as additional property management service agreements in other similar projects.

Expansion following the growth of the Remaining Group

Our long-term and stable cooperation with the Remaining Group allowed us to understand and meet the business needs and expectations of the Remaining Group. As of December 31, 2022, to the best knowledge of our Directors after consulting the Remaining Group, the total GFA of the land reserves of the Remaining Group was approximately 10.1 million sq.m., whilst the GFA of properties sold and delivered in 2022 was approximately 0.4 million sq.m.. In 2022, the Remaining Group acquired a total of seven land parcels with a total GFA of approximately 0.5 million sq.m., all of which is located in the Yangtze River Delta Region. Leveraging on our long-term and stable cooperation with the Remaining Group, we believe we will continue to obtain property management service engagements for projects developed by the Remaining Group and benefit from its growth and abundant land reserves, which will continue to drive our stable and continuous growth.

Diversify the types of properties under management

During the Track Record Period, the types of properties we managed mainly cover residential properties and non-residential properties such as commercial and office buildings, serviced apartments, and public and other properties such as office buildings of PRC governmental bodies, industrial parks, hospitals, schools and prison. We intend to diversify the types of properties we manage by covering additional types of non-residential properties so as to diversify our income stream and revenue structure.

Expand External Projects Portfolio through Strategic Acquisitions and Investments, as well as Tender and Bidding

Strategic acquisitions and investments

We plan to continue consolidating our market position through strategic acquisitions of and investments in majority interest of small- and medium-sized property management companies that focus on residential or non-residential properties, such as public facilities, education institutions or hospitals, with business operation in the Yangtze River Delta Region (particularly Zhejiang province) or other key cities across the PRC with high growth potential such as Fuzhou, Xiamen, Quanzhou and Nanchang in Eastern China region, Wuhan and Changsha in Central China region, and Chengdu in South Western China region. We plan to focus on suitable targets which: (i) have business operations that are compliant with all relevant PRC laws and regulations; (ii) have a total GFA under management of not less than 1.0 million sq.m.; (iii) have a total annual net profit of not less than RMB1.0 million for the most recent financial year; and (iv) have reputable brand and good corporate image without major negative news or reports on unsatisfactory property management services, negative credit records, debt disputes, administrative penalties or pending legal proceedings and disputes. With the aforesaid expansion plan in mind, we endeavor to promote our brand and continuously expand our market share in the Yangtze River Delta Region.

Post-acquisition integration strategies

To facilitate the integration between the newly acquired target property management companies and our Group after the acquisitions, we plan to enhance our level of vertical management of the newly acquired companies and focus on the integration of human resources, organizational structures and corporate cultures. We believe our post-acquisition integration strategies will improve the overall management efficiency and performance standard of the newly acquired companies, safeguard our brand reputation and service quality and give full play to the synergy effect of the acquisitions.

We plan to use approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** in strategic acquisitions of and investments in property management companies. We believe the acquisition of and investment in property management companies will contribute to the growth of our business and our number of quality projects, enhance our overall profitability resulting from economies of scale, diversify our property portfolio and service offerings, expand our geographical presence and potential customer base for value-added services, and reduce our reliance on the Remaining Group. See “Future Plans and **[REDACTED]**— **[REDACTED]**” in this document for details.

Tendering and bidding

Going forward, we intend to continue to actively participate in tender and bidding process for the selection of property management company in relation to properties developed by independent third-party property developers, so as to expand our property portfolio and reduce our reliance on the Remaining Group. We believe our competitive advantages are our quality property management services based on our experience and understanding of the business needs of our customers, and our deep understanding on the nature of properties we manage, which allow us to provide services that can meet the market expectation. We believe that our competitive advantages will help us to win new property management projects through tendering and bidding process.

Increase our Investment in Intelligent Technologies and Facilities to Bolster the Development of Communities across the Projects we Manage and Optimize our Business Model

We are committed to providing our customers with more convenient and reliable services by gradually standardizing and digitalizing our operation and building up communities across our managed properties. During the Track Record Period, we deployed intelligent robots with artificial intelligent technologies at a residential project, we managed to perform certain property management functions such as greeting, cleaning, patrolling and grass-cutting so as to increase the frequency and improve the quality of our services, which would in turn better meet the needs of property owners and residents and increase customer stickiness. It will also reduce the number of our on-site personnel to a certain extent, which will in turn reduce our labor costs, standardize our operation and increase efficiency. We intend to gradually develop communities across the projects we manage by investing in the upgrade or development of our intelligent technologies and facilities for property management such as intelligent patrol system, intelligent public facilities management system, power consumption system, facial recognition cameras and monitoring sensors. We expect these technologies and facilities can further standardize the quality of our property management services, shorten our service response time, improve our cost effectiveness, and most importantly, bring convenience and better living experience to property owners and residents of the communities we manage.

With a view to provide more convenient and efficient integrated services to our customers, we also plan to launch a mobile App by the end of the fourth quarter of 2023 which will serve as a one-stop service platform for the property owners, residents and tenants of certain projects we manage. The primary functions of our mobile App will include repair and maintenance reporting, feedback and complaints collection, property management fees payment and property management fee statements tracking. The information we receive from the intelligent facilities we installed across our managed properties will be consolidated into our intelligent property management system for centralized information management and exported to the mobile App for the usage by our property owners, residents and tenants, which we expect will provide our customers with more convenient and efficient integrated services. Internally, the App will allow us to standardize our operations and supervise and monitor different aspects of our operations such as issues handling, environment quality monitoring, safety management, patrol management and quality inspection, thus will in turn allow us to provide feedback and resolve issues in a more efficient manner.

We also plan to focus on the investment in the development and upgrade of our internal intelligent property management system, which will complement the intelligent technologies and facilities to be installed in the communities we manage. By implementing an information-driven management platform, we aim to strategically improve our management quality, operational efficiency and profitability. In addition, we plan to further invest in the cloud-based technologies to support the application of internet of things going forward, which will allow real-time monitoring of various aspects in our operations.

We plan to invest approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** in investment and upgrade in hardware and software for the development of communities across the projects we manage. We believe that, through the application of the aforementioned intelligent technologies and facilities, we will achieve a transformation from a labor-intensive property management service provider to a technology-incentivized enterprise. See "Future Plans and **[REDACTED]**—**[REDACTED]**" in this document for details.

Continue to Improve our Service Quality, Expand and Diversify our Community Value-added Services to Cater for the Needs of our Customers and to Increase our Revenue Streams

We believe that property management services extend beyond traditional scope of services and the ability to offer a variety of value-added services will become a vital criteria for customers to choose a property management company. In this regard, we seek to leverage our solid property management experience and the breadth of our value-added services mainly to property developers and community value-added services, so as to address the evolving needs of our customers. Building on our existing service offerings, we intend to expand and introduce new community value-added services to our managed communities in order to improve our property owners' and residents' living experience and satisfaction, and thereby diversifying our income streams through innovative service and value creation.

We plan to expand the existing scope of our community value-added services to include certain lifestyle services such as housekeeping services, maintenance services, real estate agency services, turnkey move-in services, community elderly and child care services, as well as community catering services. We also intend to bring our community value-added services online by developing a WeChat mini program which will serve as an online platform for our customers. We expect our customers will be able to enjoy more efficient and convenient community value-added services once the WeChat mini program has been launched.

We plan to invest approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** in enriching the service offerings, scale and efficiency of our community value-added services. We believe that by diversifying and deepening the breadth of our community value-added services, we can create additional service value for our customers while broadening our revenue streams in the long run. See "Future Plans and **[REDACTED]**—**[REDACTED]**" in this document for details.

Continue to Attract, Recruit, Cultivate and Retain Talents to Support our Business Growth

We consider our success depends, to a large extent, on our ability to attract, recruit, cultivate and retain quality employees. We will continue to review our internal training and recruitment mechanism regularly, cultivate and promote outstanding talents through our performance-based incentive system and talent cultivation mechanism.

In terms of talent recruitment, we will continue to explore and diversify our talent recruitment channels such as attracting experienced personnel from other established property management companies. In terms of talent cultivation, we will also continue to recruit young graduates through our newly implemented Smart Star Program (智慧之星計劃) and offer them adequate trainings to facilitate their career progression within our Group. We also intend to strengthen our selection and promotion mechanism to cultivate and select management talents from our employee pool, thereby incentivizing and enhancing the work enthusiasm of our employees and promote sufficient managerial personnel to support our business growth in the long run.

We believe that having a sufficient pool of talented managerial staff and employees is crucial to support our planned business growth and maintain our service quality.

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue primarily from the following three business lines.

Property Management Services	We provide property developers, property owners, residents and tenants with a range of property management services, which primarily comprise (i) security services, (ii) cleaning services, (iii) gardening and landscaping services, (iv) repair and maintenance services and/or (v) car park management services. Our portfolio of managed properties mainly comprises (i) residential properties and (ii) non-residential properties including commercial and office buildings, serviced apartments, public and other properties (such as office buildings of PRC governmental bodies, industrial parks, hospitals, schools and prison). We also provide security and cleaning services as a subcontractor with respect to certain industrial parks managed by another property management company.
Value-added Services Mainly to Property Developers	We provide a range of value-added services mainly to property developers covering different stages of property development projects, which primarily comprise (i) sales office management services mainly including provision of management services at property sales venues and display units of property developers, (ii) preliminary planning and design consultancy services to property developers and (iii) pre-delivery inspection services.
Community Value-added Services	We provide community value-added services principally to property owners and residents of our managed properties, which primarily comprise (i) common area management services where we assist property owners to lease out common areas for advertisement placements and operation or promotion of businesses which help facilitate the living convenience of the community, (ii) renovation waste disposal services where we assist the property owners to dispose of the waste generated as a result of the renovation work carried out in their units and (iii) car parking space sales agency services where we assist the Remaining Group to sell and purchasers to purchase car parking spaces in certain property projects we managed or under our management.

Prior to the Reorganization, the property management business of residential and non-residential properties (including public and other properties (such as office buildings of PRC governmental bodies, industrial parks, hospitals and schools but excluding pure commercial properties such as commercial and office buildings and serviced apartments)) of our Group was carried out by the Zhong An Group and property management business of pure commercial properties including serviced apartments was carried out by the CNC Group. The property management businesses of the Zhong An Group and the CNC Group were established in 1998 and 2005, respectively. Upon completion of the acquisitions of the commercial properties property management business from the CNC Group by the Zhong An Group in April 2021, the property management business of both residential and non-residential properties has since then been operated by the Zhong An Group and the CNC Group has ceased to operate any property management business except for the hotel and cinema operation and management. See "History, Reorganization and Corporate Structure—Reorganization—7. Amendments to the Existing Non-Compete Undertakings and Acquisition of Zhejiang Runzhou, Yuyao Zhongli and Hangzhou Zhonghong by WFOE" in this document for details of the abovementioned acquisitions.

The following table sets forth a breakdown of our revenue by business line and by paying customers for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	**183,231**	**79.5**	**205,190**	**69.4**	**223,593**	**69.9**
– Remaining Group	37,758	16.3	33,996	11.5	32,867	10.2
– Joint ventures and associates of the Remaining Group	–	–	–	–	–	–
– Independent third–party customers	145,473	63.2	171,194	57.9	190,726	59.7
Value-added services mainly to property developers	**33,286**	**14.4**	**59,193**	**20.0**	**60,729**	**19.0**
– Remaining Group	27,840	12.1	43,455	14.7	47,862	14.9
– Joint ventures and associates of the Remaining Group	4,190	1.8	9,241	3.1	5,957	1.9
– Independent third–party customers	1,256	0.5	6,497	2.2	6,910	2.2
By service type						
(i) Sales office management services	**25,334**	**10.9**	**54,369**	**18.4**	**55,046**	**17.2**
– Remaining Group	20,090	8.7	38,888	13.2	43,010	13.4
– Joint ventures and associates of the Remaining Group	3,988	1.7	8,984	3.0	5,126	1.6
– Independent third–party customers	1,256	0.5	6,497	2.2	6,910	2.2

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
(ii) Preliminary planning and design consultancy services	**6,162**	**2.7**	**3,536**	**1.2**	**4,546**	**1.4**
– Remaining Group	5,960	2.6	3,279	1.1	3,970	1.2
– Joint ventures and associates of the Remaining Group	202	0.1	257	0.1	576	0.2
– Independent third–party customers	–	–	–	–	–	–
(iii) Pre–delivery inspection services	**1,790**	**0.8**	**1,288**	**0.4**	**1,137**	**0.4**
– Remaining Group	1,790	0.8	1,288	0.4	882	0.3
– Joint ventures and associates of the Remaining Group	–	–	–	–	255	0.1
– Independent third–party customers	–	–	–	–	–	–
Community value–added services	**14,178**	**6.1**	**31,311**	**10.6**	**35,413**	**11.1**
– Remaining Group	3,208	1.4	17,212	5.8	23,132	7.2
– Joint ventures and associates of the Remaining Group	–	–	–	–	–	–
– Independent third–party customers	10,970	4.7	14,099	4.8	12,281	3.9
By service type						
(i) Common area management services	**9,489**	**4.1**	**10,632**	**3.6**	**11,095**	**3.5**
– Remaining Group	–	–	–	–	–	–
– Joint ventures and associates of the Remaining Group	–	–	–	–	–	–
– Independent third–party customers	9,489	4.1	10,632	3.6	11,095	3.5
(ii) Renovation waste disposal services	**1,481**	**0.6**	**3,467**	**1.2**	**1,186**	**0.4**
– Remaining Group	–	–	–	–	–	–
– Joint ventures and associates of the Remaining Group	–	–	–	–	–	–
– Independent third–party customers	1,481	0.6	3,467	1.2	1,186	0.4
(iii) Car parking space sales agency services	**3,208**	**1.4**	**17,212**	**5.8**	**23,132**	**7.2**
– Remaining Group	3,208	1.4	17,212	5.8	23,132	7.2
– Joint ventures and associates of the Remaining Group	–	–	–	–	–	–
– Independent third–party customers	–	–	–	–	–	–
Total	**230,695**	**100.0**	**295,694**	**100.0**	**319,735**	**100.0**

During the Track Record Period, we generated a significant portion of our revenue from our property management services, representing approximately 79.5%, 69.4% and 69.9% of our total revenue in 2020, 2021 and 2022, respectively. Our value-added services mainly to property developers recorded a significant growth since 2020, the proportion of revenue contributed from which increased from approximately 14.4% in 2020 to approximately 20.0% in 2021, and slightly decreased to 19.0% in 2022, as a result of our continuous effort to promote our value-added services mainly to property developers, particularly our sales office management services. We believe that provision of value-added services mainly to property developers, which are mainly property developers, will allow our Group to develop and maintain our relationships with property developers, which in turn would increase our bidding success rate and our chance to secure opportunities for property management service engagements at an early stage. We also believe that provision of community value-added services to the property owners and residents of the properties we managed will facilitate the marketing of our brand and services and further enhance our brand recognition and reputation. We plan to devote more resources to grow our value-added services mainly to property developers and community value-added services as we believe that such services will drive our future growth as a whole, allow us to secure more engagements for property management services and help us to become one of the leading integrated property management service providers in the Yangtze River Delta Region. Furthermore, we intend to invest more in our intelligent property management system and intelligent technologies and facilities such that we can improve our service quality and operational efficiency and effectiveness. See "—Business Strategies—Increase our Investment in Intelligent Technologies and Facilities to Bolster the Development of Communities across the Projects we Manage and Optimize our Business Model" in this section for further information.

The following table sets forth a breakdown of our revenue by business line and by type of property developer for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	**183,231**	**79.5**	**205,190**	**69.4**	**223,593**	**69.9**
– Remaining Group[1]	139,529	60.5	148,775	50.3	159,917	50.0
– Joint ventures and associates of the Remaining Group[2]	–	–	–	–	–	–
– Independent third-party property developers[3]	43,702	19.0	56,415	19.1	63,676	19.9
Value-added services mainly to property developers	**33,286**	**14.4**	**59,193**	**20.0**	**60,729**	**19.0**
– Remaining Group[1]	28,811	12.5	44,811	15.1	48,996	15.3
– Joint ventures and associates of the Remaining Group[2]	4,190	1.8	9,241	3.1	4,823	1.5
– Independent third-party property developers[3]	285	0.1	5,141	1.8	6,910	2.2

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
By service type						
(i) Sales office management services	**25,334**	**10.9**	**54,369**	**18.4**	**55,046**	**17.2**
– Remaining Group(1)	21,061	9.1	40,244	13.6	44,144	13.8
– Joint ventures and associates of the Remaining Group(2)	3,988	1.7	8,984	3.0	3,992	1.2
– Independent third-party property developers(3)	285	0.1	5,141	1.8	6,910	2.2
(ii) Preliminary planning and design consultancy services	**6,162**	**2.7**	**3,536**	**1.2**	**4,546**	**1.4**
– Remaining Group(1)	5,960	2.6	3,279	1.1	3,970	1.2
– Joint ventures and associates of the Remaining Group(2)	202	0.1	257	0.1	576	0.2
– Independent third-party property developers(3)	–	–	–	–	–	–
(iii) Pre-delivery inspection services	**1,790**	**0.8**	**1,288**	**0.4**	**1,137**	**0.4**
– Remaining Group(1)	1,790	0.8	1,288	0.4	882	0.3
– Joint ventures and associates of the Remaining Group(2)	–	–	–	–	255	0.1
– Independent third-party property developers(3)	–	–	–	–	–	–
Community value-added services	**14,178**	**6.1**	**31,311**	**10.6**	**35,413**	**11.1**
– Remaining Group(1)	9,856	4.2	26,824	9.0	33,055	10.3
– Joint ventures and associates of the Remaining Group(2)	–	–	–	–	147	0.1
– Independent third-party property developers(3)	4,322	1.9	4,487	1.6	2,211	0.7
By service type						
(i) Common area management services	**9,489**	**4.1**	**10,632**	**3.6**	**11,095**	**3.5**
– Remaining Group(1)	5,634	2.4	7,182	2.4	9,315	2.9
– Joint ventures and associates of the Remaining Group(2)	–	–	–	–	147	0.1
– Independent third-party property developers(3)	3,855	1.7	3,450	1.2	1,633	0.5
(ii) Renovation waste disposal services	**1,481**	**0.6**	**3,467**	**1.2**	**1,186**	**0.4**
– Remaining Group(1)	1,014	0.4	2,430	0.8	608	0.2
– Joint ventures and associates of the Remaining Group(2)	–	–	–	–	–	–
– Independent third-party property developers(3)	467	0.2	1,037	0.4	578	0.2

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
(iii) Car parking space sales agency services	**3,208**	**1.4**	**17,212**	**5.8**	**23,132**	**7.2**
– Remaining Group[1]	3,208	1.4	17,212	5.8	23,132	7.2
– Joint ventures and associates of the Remaining Group[2]	–	–	–	–	–	–
– Independent third-party property developers[3]	–	–	–	–	–	–
Total	**230,695**	**100.0**	**295,694**	**100.0**	**319,735**	**100.0**

Notes:

(1) Refer to properties solely developed by the Remaining Group or jointly developed by the Remaining Group and independent third-party property developers where the Remaining Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Remaining Group and independent third-party property developers where the Remaining Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

PROPERTY MANAGEMENT SERVICES

Overview

We commenced our business since our establishment in 1998 by providing property management services to a residential property developed by the Remaining Zhong An Group in Hangzhou, Zhejiang province. We started to manage properties developed by independent third-party property developers in 2015. As of December 31, 2020, 2021 and 2022, our total GFA under management was approximately 10.8 million sq.m., 11.8 million sq.m., and 12.8 million sq.m., respectively. In 2020, 2021 and 2022, our revenue from property management services amounted to approximately RMB183.2 million, RMB205.2 million and RMB223.6 million, respectively, accounting for approximately 79.5%, 69.4% and 69.9% of our total revenue for the respective years.

Scope of Services

We provide the following major categories of general property management services:

- *Security services.* We seek to ensure that the properties we manage are safe and in good order. The security services we provide include, among others, traffic management, patrolling, video surveillance, car park security, emergency assistance, entry control, visitor management and fire safety. During the Track Record Period, we deployed our own staff to provide security services. We seek to enhance the quality of our security services through the implementation and upgrades of our intelligent facilities.

- *Cleaning services.* We provide cleaning and hygiene maintenance services such as general cleaning and garbage disposal to common areas of our managed properties. The common areas mainly include lobbies, hallways, stairways, elevators and lifts, and gardens. During the Track Record Period, we used a combination of our own staff and external subcontractors to provide cleaning services.

- *Gardening and landscaping services.* We seek to maintain the growth and beauty of greenery in our managed properties. Our gardening and landscaping services include pruning, plant watering, fertilization and pest control for the common area of our managed properties. During the Track Record Period, we used a combination of our own staff and external subcontractors to provide gardening and landscaping services.

- *Repair and maintenance services.* We are generally responsible for ensuring that elevator systems, intelligent property management facilities, power supply and distribution systems, water supply and drainage systems, fire extinguishing systems and other property facilities and equipment located in common areas are in good working order. During the Track Record Period, we used a combination of our own staff and external subcontractors to provide repair and maintenance services.

- *Car park management services.* Depending on the scope and terms of the relevant property management service agreements, we also provide car park management services to certain properties we manage. During the Track Record Period, we deployed our own staff to provide car park management services.

We strive to achieve high-quality and efficient customer-focused service standard in our managed properties in order to provide integrated and customized on-site services, dedicated and comprehensive care to property developers, property owners, residents and tenants. It is our standard practice to keep and update records of the property owners of the properties we managed and to respond to and record complaints and feedback on our services. See "—Quality Control—Feedback and Complaint Management" in this section for more information about our management relating to feedbacks and complaints received.

As of December 31, 2022, we employed 2,270 on-site personnel to provide the property management services abovementioned at the projects we manage. We from time to time subcontract certain services apart from the key management responsibilities such as cleaning services, gardening services, repair and maintenance services and garbage disposal services to third-party subcontractors. See "—Employees" and "—Subcontracting" in this section for further details.

Since December 2019, we started to provide security and cleaning services as a subcontractor to another property management company (the "**Relevant Property Management Company**" or "**Customer E**") for certain industrial parks it managed (the "**Relevant Industrial Parks**") (the "**Subcontracting Arrangements**"). The Relevant Industrial Parks are located in Huzhou and Ningbo, Zhejiang province, and Hefei, Anhui province, with a total contracted GFA of approximately 0.4 million sq.m.. As of December 31, 2020 and 2021, among our total number of projects under management, we provided services as a subcontractor for three and one project(s), respectively. Our revenue from such services was approximately RMB1.2 million and RMB1.2 million in 2020 and 2021, respectively, accounting for approximately 0.5% and 0.4% of our total revenue during the respective years(1). Such revenue formed part of our revenue from property management services from independent third-party customers during the Track Record Period. As of the Latest Practicable Date, we had ceased to manage all the Relevant Industrial Parks upon the expiry of their respective property management service agreements, and we decided not to renew such agreements as our Directors consider this would be an opportunity for our Group to strategize our expansion plan through negotiating a full property management service agreement with the property developer of the Relevant Industrial Parks.

As confirmed by our Directors, our Group became acquainted with the Relevant Property Management Company through participating in public tenders in respect of the first Subcontracting Arrangement. To the best knowledge of our Directors, our Group was engaged by the Relevant Property Management Company with respect to the Subcontracting Arrangements as part of the Relevant Property Management Company's commercial decision to leverage on our property management experience at a competitive price. In addition, to the best knowledge of our Directors, we were not aware of any circumstance which may prohibit the Relevant Property Management Company from carrying out the Subcontracting Arrangements, and lower cost was the main reason as to why the Relevant Property Management Company engaged us for the Subcontracting Arrangements. Save for the Subcontracting Arrangements, to the best knowledge of our Directors, there had not been any other past or present relationships (including family, employment, business, financing or otherwise) between the Relevant Property Management Company and our Company or any of our subsidiaries, Shareholders, Directors, senior management, or any of their respective associates.

Note:

(1) For the year 2022, we did not provide any services as a subcontractor.

We believe that the Relevant Property Management Company engaged us to provide security and cleaning services primarily due to our established reputation in service quality and efficiency in providing such services, as well as potential cost savings they could achieve by outsourcing these services to us. We believe that our role as a subcontractor helps us develop potential business opportunities to provide full property management services and value-added services to the Relevant Industrial Parks. In particular, the Subcontracting Arrangements have expanded our Group's property management portfolio to include industrial parks. Leveraging our experience in managing such type of property, we believe we could familiarize ourselves with the preferences and service requirements of industrial parks, which in turn may assist us in securing full scope property management engagements for other industrial parks in the future. We generally price our subcontracting services at a fixed amount on a per project basis based on the scope of services required and estimated costs to be incurred in providing such services without reference to any GFA, we would suffer loss if the actual costs incurred is higher than the estimated costs. See "—Property Management Services—Property Management Service Agreements—Key Terms of Dealing with Property Management Companies as Subcontractor" in this section for further details.

GFA under Management

During the Track Record Period, a vast majority of the properties under our management were developed by the Remaining Group. The following table sets forth a breakdown of our total GFA under management and the number of projects that were in operation as of the dates indicated and revenue from property management services for the years indicated by type of property developer:

	As of or for the year ended December 31,														
	2020					2021					2022				
	GFA under management		Revenue		Number of projects	GFA under management		Revenue		Number of projects	GFA under management		Revenue		Number of projects
	(sq.m.'000)	*(%)*	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*	
Remaining Group[(1)]	**5,987**	**55.3**	**139,529**	**76.1**	**34**	**6,579**	**55.7**	**148,775**	**72.5**	**38**	**6,835**	**53.3**	**159,917**	**71.5**	**41**
Residential properties	5,279	48.8	91,911	50.1	27	5,851	49.5	103,877	50.6	29	6,107	47.6	110,849	49.6	32
Non-residential properties	708	6.5	47,618	26.0	7	728	6.2	44,898	21.9	9	728	5.7	49,068	21.9	9
Joint ventures and associates of the Remaining Group[(2)]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**90**	**0.7**	**–[(2)]**	**–[(2)]**	**1**
Residential properties	–	–	–	–	–	–	–	–	–	–	90	0.7	–[(2)]	–[(2)]	1
Independent third-party property developers[(3)]	**4,830**	**44.7**	**43,702**	**23.9**	**39**	**5,239**	**44.3**	**56,415**	**27.5**	**36**	**5,907**	**46.0**	**63,676**	**28.5**	**53**
Residential properties	4,299	39.7	37,355	20.4	28	4,864	41.1	50,697	24.7	31	5,086	39.6	52,619	23.6	37
Non-residential properties	531	5.0	6,347	3.5	11	375	3.2	5,718	2.8	5	821	6.4	11,057	4.9	16
Total	**10,817**	**100.0**	**183,231**	**100.0**	**73**	**11,818**	**100.0**	**205,190**	**100.0**	**74**	**12,832**	**100.0**	**223,593**	**100.0**	**95**

Notes:

(1) Refer to properties solely developed by the Remaining Group or jointly developed by the Remaining Group and independent third-party property developers where the Remaining Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Remaining Group and independent third-party property developers where the Remaining Group did not hold a controlling interest in such properties. In late December 2022, we commenced to provide property management services to one property developed by joint ventures or associates of the Remaining Group, given we have only generated property management income since January 2023 according to the relevant property management agreement, no revenue was record for the year ended December 31, 2022.

(3) Refer to properties solely developed by independent third-party property developers.

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 approximately 44.3% as of December 31, 2021, and further increased to approximately 46.0% as of December 31, 2022. The revenue generated from managing properties developed by independent third-party property developers increased from approximately RMB43.7 million in 2020 to RMB63.7 million in 2022, representing a CAGR of approximately 20.7%. The growth in revenue was primarily attributable to our continuous efforts to expand our property management services to cover more properties developed by independent third-party property developers. The projects developed by independent third-party property developers were primarily secured by our Group through submission of tender bids to the independent property developers or property owners' associations, direct engagement after negotiations and acquisition of a property management company, namely Zhejiang Chengcheng, in 2018. We have established an investment development center at our headquarters which is primarily responsible for the management and supervision of our business expansion including acquisitions of or investments in other companies or projects, collection of information relating to potential business opportunities, and supervision of the business development activities of our subsidiaries and branch offices. For further details on our investment development center, see "—Sales and Marketing" in this section.

As of December 31, 2020, 2021 and 2022, our GFA under management (i) from properties developed by the Remaining Group and its associates and joint ventures amounted to approximately 55.3%, 55.7% and 54.0%, respectively, of our total GFA under management as of the same dates, and (ii) from properties developed by independent third-party property developers amounted to approximately 44.7%, 44.3% and 46.0%, respectively, of our total GFA under management as of the same dates. For the year ended December 31, 2020, 2021 and 2022, our overall revenue generated (i) from properties developed by the Remaining Group and its joint ventures and associates amounted to approximately 79.0%, 77.5% and 77.2% of our total revenue, respectively and (ii) from properties developed by independent third-party property developers amounted to approximately 21.0%, 22.5% and 22.8% of our total revenue, respectively.

With the best estimate and belief of our Directors and based on the latest information available to our Directors as of the Latest Practicable Date, taking into account all the measures to be implemented by our Group to reduce our reliance on the Remaining Group upon **[REDACTED]**, including the diversification measures to be taken by our Group as disclosed in "Relationship with Controlling Shareholders—Independence from our Controlling Shareholders and their close associates" in this document, and based on (i) the expected GFA of the property projects to be developed and delivered by the Remaining Group and its joint ventures and associates in the year ending December 31, 2023 after taking into account the land bank and future property development plan of the Remaining Group and its joint ventures and associates, the historical growth trend as well as the existing property management service agreements our Group entered into with the Remaining Group and its joint ventures and associates; (ii) the expected increase in demand for property management services from independent third-party customers, after taking into account (a) our efforts and plan to expand our portfolio of projects developed by independent third-party property developers through the procurement of new property management projects developed by them, and (b) 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, it is estimated that by December 31, 2023, our overall revenue to be generated from properties developed by (i) the Remaining Group and its joint ventures and associates and (ii) independent third-party property developers will be approximately 70.0% and 30.0% respectively, while our GFA under management attributable to properties developed by (i) the Remaining Group and joint ventures and associates and (ii) independent third-party property developers for our property management service segment will be approximately 56.2% and 43.8%, respectively. Accordingly, our Directors expect that the proportion of our overall revenue from all our three business segments to be generated from properties developed by independent third-party property developers and the GFA under management for our property management services attributable to properties developed by independent third-party property developers will slightly increase for the year ending December 31, 2023 as compared with the year ended December 31, 2022.

Our strategic acquisitions or investment in other property management companies with our **[REDACTED]** from the **[REDACTED]** has been taken into account as a diversification measure in arriving at the estimation above. See "Future Plans and **[REDACTED]**—**[REDACTED]**" in this document for details.

Our Geographic Presence

Since our inception in Zhejiang province, we have expanded our geographic presence to provinces outside of the Yangtze River Delta Region and were contracted to manage projects across 19 cities in seven provinces in China as of December 31, 2022. Through our acquisition of Zhejiang Chengcheng in January 2018, we obtained an additional of 11 projects with a total GFA under management of approximately 1.2 million sq.m. as of December 31, 2018. As of December 31, 2022, we managed a total of 95 projects and were contracted to manage 44 projects that had not been delivered for our management. As of the Latest Practicable Date, out of these 44 contracted projects, it is expected that all of which (comprising 39 residential property projects and five non-residential property projects) will be delivered to us for management within the next one to three years based on the relevant agreements.

The following table sets forth number of projects that we were contracted to manage and the corresponding GFA as of December 31, 2022 by geographic location:

	Projects under management		Contracted but undelivered projects[(1)]		Contracted projects	
Regions and provinces	**GFA**	**Number of projects**	**GFA**	**Number of projects**	**Total GFA**	**Total number of projects**
	(sq.m '000)		*(sq.m '000)*		*(sq.m '000)*	
Yangtze River Delta Region						
– Zhejiang province	8,997	63	4,813	32	13,810	95
– Anhui province	3,782	31	763	6	4,545	37
– Jiangsu province	–	–	278	2	278	2
Western region						
– Yunnan province	–	–	283	1	283	1
Northern region						
– Shandong province	53	1	216	1	269	2
Central region						
– Jiangxi province	–	–	137	1	137	1
Pearl River Delta region						
– Guangdong province.	–	–	125	1	125	1
Total	**12,832**	**95**	**6,615**	**44**	**19,447**	**139**

Note:

(1) Refers to contracted projects that have not been delivered to us for management under our preliminary property management service agreements or property management service agreements, for which we had not started to collect property management fees.

The following map sets forth the number of properties that are under our management as of December 31, 2022 by cities located in the Yangtze River Delta Region:

The following table sets forth a breakdown of our total GFA under management as of the dates indicated and the total revenue generated from property management services for the years indicated by geographic region:

	As of or for the year ended December 31,											
	2020				2021				2022			
	GFA under management		Revenue		GFA under management		Revenue		GFA under management		Revenue	
	(sq.m.'000)	*(%)*	*(RMB'000)*	*(%)*	*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*	*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*
Hangzhou	5,925	54.8	109,678	59.9	6,112	51.7	117,577	57.3	6,240	48.6	126,870	56.7
Ningbo	1,782	16.5	40,334	22.0	1,696	14.4	37,263	18.2	1,696	13.2	39,209	17.5
Huaibei	2,592	24.0	25,624	14.0	3,067	26.0	34,105	16.6	3,273	25.5	33,044	14.8
Hefei	340	3.1	7,215	3.9	370	3.1	7,275	3.5	374	2.9	7,373	3.3
Lishui	–	–	–	–	287	2.4	4,961	2.4	377	2.9	4,808	2.2
Jinhua	–	–	–	–	286	2.4	3,805	1.9	286	2.2	6,205	2.8
Chuzhou	–	–	–	–	–	–	–	–	135	1.1	2,959	1.3
Qingdao	–	–	–	–	–	–	–	–	53	0.4	1,190	0.5
Wenzhou	–	–	–	–	–	–	–	–	299	2.3	1,737	0.8
Taizhou	–	–	–	–	–	–	–	–	37	0.3	198	0.1
Zhoushan[(1)]	–	–	–	–	–	–	–	–	62	0.5	–[(1)]	–[(1)]
Huzhou[(2)]	178	1.6	380	0.2	–	–	204	0.1	–	–	–	–
Total	**10,817**	**100.0**	**183,231**	**100.0**	**11,818**	**100.0**	**205,190**	**100.0**	**12,832**	**100.0**	**223,593**	**100.0**

Notes:

(1) In late December 2022, we commenced to manage one project located in Zhoushan, given we have only generated property management income since January 2023 according to the relevant property management agreement, no revenue was record for the year ended December 31, 2022.

(2) We managed one project in Huzhou during the Track Record Period and we ceased to manage such project upon the expiry of the relevant property management service agreement in March 2021.

Our Property Management Service Agreements Expiration Schedule

As of December 31, 2022, our contracted but undelivered GFA was approximately 6.6 million sq.m.. The following table sets forth the expiration schedule of our property management service agreements for our contracted projects as of December 31, 2022:

	Projects under management		Contracted but undelivered projects	
	GFA	**Number of agreements**	**GFA**	**Number of agreements**
	(sq.m.'000)		*(sq.m.'000)*	
Property management service agreements without fixed terms[(1)]	5,922	34	4,618	28
Property management service agreements with fixed terms expiring in	6,910	61	1,998	16
Year ending December 31, 2023[(2)]	2,219	29	386	3
Year ending December 31, 2024	2,540	13	216	3
Year ending December 31, 2025 and beyond	2,151	19	1,396	10
Total	**12,832**	**95**	**6,616**	**44**

Notes:

(1) Property management service agreements without fixed terms are typically (i) agreements entered into with property developers before a property owners' association is set up, and (ii) agreements entered into with certain property owners' associations or property developers with whom we had property management service agreements that had fixed terms, but such terms expired and we continue to provide services until a new property management service agreement becomes effective. We face certain risks if such property management service agreements are terminated or not renewed. See "Risk Factors—Risks Relating to our Business and Industry—We may fail to secure new or renew our existing property management service agreements on favorable terms, or at all" in this document for further discussion.

(2) As of the Latest Practicable Date, 26 of these agreements were still effective, and the remaining agreements were in the renewal process.

In 2020, 2021 and 2022, our overall retention rates were approximately 98.6%, 90.2% and 92.2%, respectively. With respect to properties developed by the Remaining Group, our retention rates for property management service agreements, including (i) preliminary property management service agreements we entered into with property developers; and (ii) property management service agreements we entered into with property owners' associations or property owners in 2020, 2021 and 2022 were approximately 100%, 100% and 100%, respectively. While the relevant retention rates with respect to properties developed by independent third-party property developers in 2020, 2021 and 2022 were approximately 97.5%, 81.8% and 86.9%, respectively, primarily because we decided not to renew one non-residential project upon the expiry of the respective property management service agreements in 2020. In 2021, the property management service agreements for one residential project and seven non-residential projects had either expired and we chose not to renew or had been terminated as we took into consideration, among other things, the profitability and/or scope of services of these projects, and considered there were better business opportunities to reallocate our resources. Further, in 2022, the property management service agreements for four residential projects and four non-residential projects had either expired and we chose not to renew or had been terminated due to various commercial reasons, such as the low profitability of certain projects.

To the best knowledge of our Directors after consulting the Remaining Group, as of December 31, 2022, the Remaining Group had about 52 property projects under development or held for development in the PRC, with a total GFA of approximately 8.6 million sq.m.. Among the projects mentioned above, we have obtained service agreements in respect of 35 property projects with a total GFA of approximately 5.6 million sq.m. as of December 31, 2022. It is expected that the earliest tender and bidding process of the remaining 17 projects will commence in 2023. We expect to obtain a majority of the property management service agreements from the Remaining Group with respect to their respective property projects under development or held for development as of December 31, 2022, subject to the results of tender and bidding processes and the following assumptions, including, among other things, (i) the delivery schedule of the properties developed by the Remaining Group will have no material change; (ii) there will be no material adverse change to the historical time gap between entering into the property management service agreements and the delivery of properties developed by the Remaining Group during the Track Record Period; and (iii) we can maintain the historical bidding success rate for such properties, which is subject to uncertainties and changes. See "—Property Management Services—Tender Process" in this section for more information on our tender process and bidding success rate.

Portfolio of Properties under Management

We manage both residential and non-residential properties. While residential properties have generated, and is expected to continue to generate, a substantial portion of our revenue, we have also been diversifying our services to other types of non-residential properties such as commercial and office buildings, serviced apartments, public and other properties such as office buildings of PRC governmental bodies, industrial parks, hospitals, schools and prison. With regard to non-residential properties (such as hospitals and schools), the property management services we offer are generally in line with the scope of services provided to residential properties, including security services, cleaning services, gardening and landscaping services, repair and maintenance services, and car park management services.

The following table sets forth a breakdown of our total GFA under management as of the dates indicated and the total revenue generated from property management services for the years indicated, by type of property:

	As of or for the year ended December 31,								
	2020			2021			2022		
	GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue	
	(sq.m.'000)	*(RMB'000)*	*(%)*	*(sq.m.'000)*	*(RMB'000)*	*(%)*	*(sq.m.'000)*	*(RMB'000)*	*(%)*
Residential properties	9,578	129,266	70.5	10,715	154.574	75.3	11,283	163,468	73.1
Non-residential properties	1,239	53,965	29.5	1,103	50,616	24.7	1,549	60,125	26.9
Total	**10,817**	**183,231**	**100.0**	**11,818**	**205,190**	**100.0**	**12,832**	**223,593**	**100.0**

Our GFA under 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 increased to 12.8 million sq.m. as of December 31, 2022.

During the Track Record Period, a substantial portion of our revenue was generated from the management of residential properties, while our revenue generated from managing non-residential properties increased from approximately RMB54.0 million in 2020, and decreased to approximately RMB50.6 million in 2021, and increased to RMB60.1 million in 2022, respectively. With our business strategy to diversify our portfolio of properties, we have been contracted to manage different types of non-residential properties such as commercial and office buildings, serviced apartments, office buildings of PRC governmental bodies, industrial parks, hospitals, schools and prison. In order to meet the various needs of our customers, we also provide property owners a range of value-added services in addition to our traditional property management services. Leveraging our quality services and diverse service offering, we successfully acquired and continued to maintain business from property owners of non-residential properties. We typically explore potential business opportunities for non-residential properties via channels such as obtaining tendering and bidding information through public sources and referrals from the CNC Group, but we generally obtain non-residential projects through commercial negotiation because tender process to select a property management company is not required for purely non-residential property under the relevant PRC laws and regulations. A property management service agreement setting out all the key terms of the agreement will be signed between us and the property owner after we understand the type and nature of the properties and the estimated costs. We believe that we will be able to expand our portfolio of properties under management and further diversify our customer base with our continuous growing brand recognition and service quality.

Growth of Our Project Portfolio

As of December 31, 2020, 2021 and 2022, we were contracted to manage 89, 108 and 139 projects, respectively, out of which 73, 74 and 95 projects were under management as of the same dates, respectively, contributing an increase in our GFA under management 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 increased to 12.8 million sq.m. as of December 31, 2022. As of December 31, 2020, 2021 and 2022, we were contracted to manage 41, 42 and 62 projects developed by independent third-party property developers, respectively. As of December 31, 2022, we were contracted to manage a total of 77 projects developed by the Remaining Group or its joint ventures and associates with a total contracted GFA of approximately 12.6 million sq.m., out of which 42 projects were under our management with a total GFA under our management of approximately 6.9 million sq.m.. In the future, we intend to increase our business scale and market share by pursuing strategic acquisition and investment opportunities. See "—Business Strategies—Expand External Projects Portfolio through Strategic Acquisitions and Investments, as well as Tender and Bidding" in this section for details.

The following table sets forth the movement of our contracted GFA, GFA under management and number of projects under management as of the dates or for the years indicated:

	As of or for the year ended December 31,								
	2020			2021			2022		
	Contracted GFA	GFA under management	Number of projects under management	Contracted GFA	GFA under management	Number of projects under management	Contracted GFA	GFA under management	Number of projects under management
	(sq.m.'000)	*(sq.m.'000)*		*(sq.m.'000)*	*(sq.m.'000)*		*(sq.m.'000)*	*(sq.m.'000)*	
As of the beginning of the year	10,543	9,468	59	13,824	10,817	73	17,139	11,818	74
New engagements[1]	3,302	1,370	15	3,659	1,345	9	2,983	1,689	29
(i) Remaining Group	1,637	115	1	1,842	592	4	835	256	3
(ii) Joint ventures and associates of the Remaining Group	514	–	–	665	–	–	522	90	1
(iii) Independent third-party property developers	1,151	1,255	14	1,152	753	5	1,626	1,343	25
Terminations[2]	21	21	1	344	344	8	675	675	8
As of the end of the year	**13,824**	**10,817**	**73**	**17,139**	**11,818**	**74**	**19,447**	**12,832**	**95**

Notes:

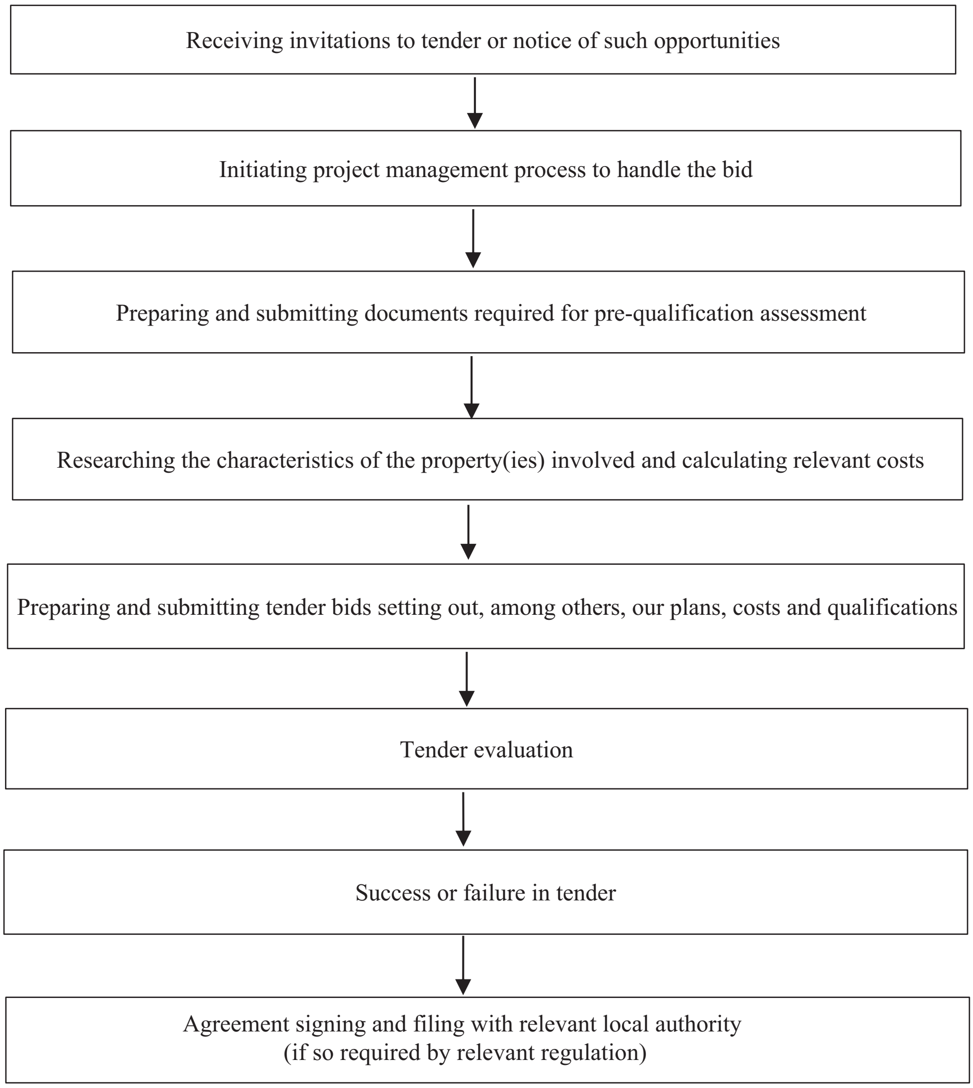
(1) Primarily include (i) preliminary property management service agreements for new projects developed by property developers; and (ii) property management service agreements for residential or non-residential projects to replace their previous property management service providers. The renewed agreements are not regarded as the new engagements that we entered into during such year. The newly engaged GFA under management includes the newly delivered GFA we contracted in previous years.

(2) Primarily include non-renewal of certain property management service agreements as we considered that there were better business opportunities to reallocate our resources to. For details of the projects terminated during the Track Record Period, see "—Property Management Services—Our Property Management Service Agreements Expiration Schedule" in this section.

Tender Process

Property management service agreements are generally obtained by us through business negotiation or participation in tender, a process whereby property developers or property owners' associations evaluate and select from multiple property management service companies. Invitations to tender are usually issued by property developers for properties under development, or from property owners' associations for residential communities who wish to replace their existing property management service company. Under the applicable PRC laws and regulations, property management companies are generally required to obtain preliminary property management service agreements for residential properties through participation in the tender process. If there are fewer than three bidders or the scale of the property is relatively small, the property developer can select and engage a property management company without going through the tender process by directly entering into an agreement with the prior approval of the real estate administrative department of the relevant district or county government where the property is located. See "Regulatory Overview—Laws and Regulations Relating to Property Management Services and Other Related Services—Appointment of Property Management Enterprises" in this document for more information on tender process.

The following flow chart illustrates each stage of our typical tender process for obtaining property management service agreements:



During the Track Record Period, we generally participated in the tender process before being awarded preliminary property management service agreements for residential properties developed by the Remaining Zhong An Group or its joint ventures and associates, which is a standard tender process required by applicable PRC laws and regulations. We also generally undergo the same process with respect to properties developed by independent third-party property developers. We take into account a number of factors before we submit tender bids for property management services projects for properties developed by the Remaining Group, joint ventures and associates of the Remaining Group and independent third-party property developers, the factors we generally take into account include (i) the GFA of the relevant property; (ii) profitability of such engagement; (iii) the scope of services required; and (iv) our business relationship with the property developer. The factors we consider are generally the same for properties developed by the Remaining Group, joint ventures and associates of the Remaining Group and independent third-party property developers. We do not enjoy any preferential treatments nor are we given extra weight in the selection process for properties developed by the Remaining Group or its joint ventures and associates by reason of the relationship between us. To the best of our Directors' knowledge, the Remaining Group's or its joint ventures' and associates' tendering criteria in relation to choosing property management service providers for its properties generally include, among others, (i) strong presence and reputation in the regions in which the relevant properties are located; (ii) an established track record of cooperation; and (iii) understanding of their business strategies and needs and the characteristics and features of the properties they developed.

In 2020, 2021 and 2022, we submitted nine, 12 and ten tenders for projects developed by the Remaining Zhong An Group or its joint ventures and associates, respectively, and our relevant bidding success rate for the same years was 100%, 100% and 100%, respectively. The high bidding success rates with respect to projects developed by the Remaining Zhong An Group or its joint ventures and associates during the Track Record Period was mainly due to, among others, (i) our abilities to meet the needs and expectation of the Remaining Zhong An Group as a result of our long-standing relationship and established track record of provision of property management services to the Remaining Zhong An Group; and (ii) the fact that we share similar service philosophies and principles. These together allow us to provide services which we believe can satisfy the service standard required by the Remaining Zhong An Group.

In 2020, 2021 and 2022, we submitted a total of 20, 18 and 25 tender bids for projects developed by independent third-party property developers, respectively, and our relevant bidding success rate for the same years was approximately 55.0%, 44.4% and 40.0%, respectively. Our Directors believe that the decrease in the bidding success rate for projects developed by independent third-party property developers in 2021 was primarily due to our refined tender strategy to tender for higher quality communities, and that all these tenderees were new customers whom we only have brief understanding of their preferences and needs. The slight decrease in the bidding success rate in 2022 was mainly because we submitted more tender bids for public property projects which had more stringent requirements on the experience of managing public property projects. We will continue to submit tenders for projects developed by independent third-party property developers so as to diversify our revenue source and reduce our reliance on the Remaining Group.

According to the Regulation on Property Management (2018 revision) (《物業管理條例》) (2018年修訂), (i) a property developer of any residential properties shall select a property management company through participation in the tender process; where there are fewer than three bidders or the scale of residential property is relatively small, the property developer may select a property management company by directly entering into an agreement with the prior approval of the real estate administrative department of the district or county government where the property is located; and (ii) a property management company is not required to be selected through the tender process to enter into the property management service agreement with the residential property owners' association. In addition, pursuant to the Regulation on Property Management (2018 revision) (《物業管理條例》) (2018年修訂), purely non-residential property is not required to select a property management company through tender process. For 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, a public tender process may also be required under the PRC laws and regulations.

For non-residential properties, we generally enter into property management service agreements with the property developers, property owners or tenants directly.

For residential properties, during the Track Record Period, we generally obtained (i) the preliminary property management service agreements from property developers through tender and bidding process, as and when required by the requirements under the relevant PRC laws or the relevant local authorities; and (ii) the property management service agreements from property owners' associations through tender and bidding process. For property management services of purely non-residential properties, we generally obtained those property management service agreements through commercial negotiation.

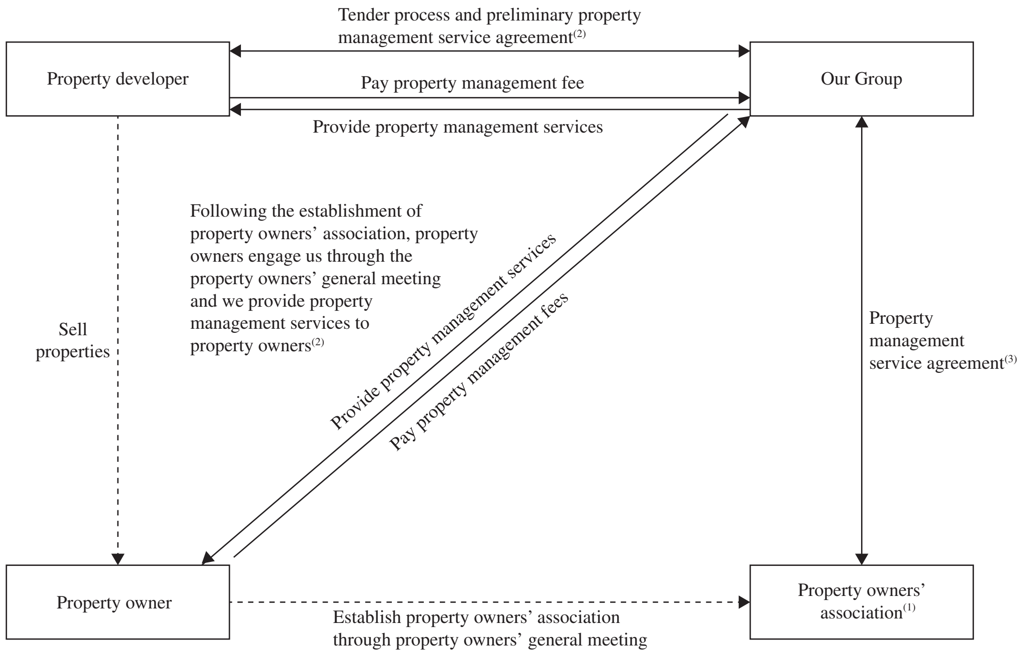
During the Track Record Period, eight of our preliminary property management service agreements entered into with property developers with a total contracted GFA of approximately 1.0 million sq.m., were obtained without conducting the required tender and bidding processes under the PRC laws and regulations or the requirements of relevant local authorities (the "**Relevant Property Management Projects**"). Revenue generated from our management of the Relevant Property Management Projects was approximately RMB18.1 million, RMB17.1 million and RMB16.4 million for 2020, 2021 and 2022, respectively, accounted for approximately 7.9%, 5.8% and 7.3% of our overall revenue for the respective years. Among these eight Relevant Property Management Projects, three of which with a total contracted GFA of approximately 0.3 million sq.m. were obtained by Zhejiang Chengcheng prior to our acquisition of its 80% equity interest in January 2018. As confirmed by our Directors, the lack of a tender and bidding processes for the selection of property management service providers for the Relevant Property Management Projects was caused by the relevant property developers but not us. As advised by our PRC Legal Advisor, there are no specific laws or regulations in the PRC which set forth administrative penalties upon property management companies for failing to undergo the tender and bidding process prior to the entering into of the preliminary property management service agreements. 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 process may be determined to be invalid by the relevant local judicial authority subject to the circumstances of the case. As further advised by the PRC Legal Advisor, the lack of tender and bidding processes for the eight agreements of the Relevant Property Management Projects shall not affect the validity of such agreements and in the event that any such agreement is determined to be invalid, we shall be entitled to retain or charge a reasonable fee which is in compliance with the guidance fee as stipulated under the relevant pricing control issued by the relevant local government based on the services we have provided under the relevant agreement. Our Directors confirm that, based on the opinions given by our PRC Legal Advisor and the limited contracted GFA contribution of the projects under the Relevant Property Management Projects, the fact that these projects did not go through the required tender process will not have any material adverse impact on our business, financial position or results of operations. See "Risk Factors—Risks relating to our Business and Industry—Our property management service agreements may have been obtained without going through the required tender and bidding process" in this document for further discussion of the related risk. As of the Latest Practicable Date, we were not aware of any administrative penalties or any notice of potential administrative penalties from the relevant competent authorities on the relevant property developers in relation to any required tender and bidding processes for the preliminary property management service agreements.

When we directly negotiate the renewal of our existing agreements with customers, we will procure engagements through the tender and bidding processes as and when required by the relevant PRC laws or local authorities, if any.

Property Management Service Agreements

Prior to the delivery of the properties, we generally enter into preliminary property management service agreements with property developers which will generally take effect until a new property management service agreement is signed between a property management company and the property owners' association and/or property owners and takes effect. A preliminary property management service agreement is a type of property management service agreement that we typically enter into before sales of the properties. In relation to residential properties that have already been delivered to property owners, we typically enter into property management service agreements with property owners' associations on behalf of property owners if such property owners' associations have already been properly established. If the property owners' associations have not been established, we generally provide property management services to property owners and residents pursuant to the preliminary property management service agreements that we entered into with the property developers. During the Track Record Period, a large portion of our revenue from property management services was generated from preliminary property management service agreements entered into with property developers.

The following diagram illustrates our relationships with various parties when we provide property management services for residential properties:



Notes:

(1) A property owners' association is authorized under PRC laws to act on behalf of the property owners.

(2) A preliminary property management service agreement is a type of property management service agreement that we typically enter into with a property developer before the property is sold to property owner, and is legally binding on all future property owners in accordance with the relevant PRC laws and regulations. In the event that no property owners' association is established, we may terminate the preliminary property management service agreement with property developer if the property developer materially breaches the agreement according to the relevant preliminary property management service agreement or PRC laws and regulations, or vice versa. If this happens, the property developer generally has to select a new property management company by a tender and bidding process.

(3) A property management service agreement entered into between a property owners' association and us is legally binding on all property owners in accordance with the relevant PRC laws and regulations.

The following table sets forth a breakdown of our total contracted GFA, GFA under management and revenue generated from property management services at different stages of our property management projects for the years indicated:

	As of or for the year ended December 31,																	
	2020						2021						2022					
	Contracted GFA		GFA under Management		Revenue		Contracted GFA		GFA under Management		Revenue		Contracted GFA		GFA under Management		Revenue	
	(sq.m.'000)	*(%)*	*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*	*(sq.m.'000)*	*(%)*	*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*	*(sq.m.'000)*	*(%)*	*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*
Residential properties																		
– Preliminary stage[1]	7,829	56.7	5,481	50.6	73,530	40.1	10,597	61.8	6,195	52.4	90,774	44.2	11,454	58.9	6,039	47.1	88,415	39.5
– Property owners' association stage[2]	4,097	29.6	4,097	37.9	55,736	30.4	4,520	26.4	4,520	38.2	63,800	31.1	5,495	28.3	5,245	40.9	77,322	34.6
Non-residential properties	1,898	13.7	1,239	11.5	53,965	29.5	2,022	11.8	1,103	9.4	50,616	24.7	2,498	12.8	1,548	12.0	57,856	25.9
Total	**13,824**	**100.0**	**10,817**	**100.0**	**183,231**	**100.0**	**17,139**	**100.0**	**11,818**	**100.0**	**205,190**	**100.0**	**19,447**	**100.0**	**12,832**	**100.0**	**223,593**	**100.0**

Notes:

(1) Include stages at which a project has been delivered, but the property owners' association has not been established.

(2) Include property management projects where we rendered services after property owners' associations have been established. As of December 31, 2020, 2021, and 2022, 25, 28 and 37 of the property management service agreements for the residential property projects under our management were entered into with property owners' associations, respectively.

Key Terms of Dealing with Property Developers or Property Owners' Associations of Residential Properties

For residential properties, most of our customers enter into standardized property management service agreements provided by us, while the exact terms of each property management service agreement may vary subject to parties' negotiation.

The key terms of our preliminary property management service agreements with property developers and property management service agreements with property owners' associations are substantially similar and typically include the following terms:

- *Scope of services.* Typically, we agree to provide property management services to common areas and facilities, including cleaning, security, gardening and landscaping, and repair and maintenance. We may also agree to provide services in relation to the management of car parks. We may outsource certain services to qualified subcontractors.

- *Performance scope and standards.* The agreement sets forth the specific standards for our main property management services. The agreement also sets forth the areas to which our services relate, as well as the frequency of performance of services such as cleaning common areas and inspecting facilities such as fire extinguishing systems, waste water drainage systems, lighting systems, lifts and elevators and other electromechanical systems and security.

- *Property management fees.* The agreement sets forth the amount of property management fees payable, on a lump-sum or commission basis. For agreement with property developer, property developer is responsible for paying the property management fees for units that are remain unsold or sold but undelivered to property owners and property owners are responsible for paying the property management fee for units that are sold and delivered to them. For agreement with property owners' association, property owners are responsible for paying the property management fees for units that are sold and delivered to them and the property developer is responsible for paying the property management fees for units that are remain unsold or sold but undelivered to property owners. For overdue property management fees, property developers or property owners may be required to pay a penalty equal to a daily-accumulating surcharge at a certain percentage of the overdue amount or as specified in the agreement, we have right to initiate legal proceedings against the property developers or property owners to collect the fees. If we have agreed to manage the car parks, the agreement will also specify the fees payable for such services.

- *Obligations of property developer or property owners' association.* The property developer is primarily responsible for, among others, ensuring that its buyers understand and commit to their obligations in relation to the payment of property management fees, providing us with office facilities and other support necessary for carrying out our contractual obligations, including providing us with blueprints and other construction design documents and completion inspection documents. The property owners' association is primarily responsible for, among others, ensuring that property owners and residents understand and commit to their obligations in relation to the payment of property management fees, providing us with office facilities and other support necessary for carrying out our contractual obligations and reviewing plans and budgets that we may draw up in relation to our services.

- *Term of service.* Our preliminary property management service agreement generally specifies that it automatically terminates when a property owners' association is established and a new property management service agreement is entered into with the property owners' association. Such preliminary property management service agreement will also specify that if it expires and in the event that no new property management company is appointed to render property management services and we are not notified as to whether we shall or shall not continue to manage, then such agreement will be automatically renewed. Generally, preliminary property management service agreement with fixed term of one to three years and will expire prior to the end of the term once a property owners' association is established and a new property management service agreement is entered into. Preliminary property management service agreement without fixed term will generally expire once a property owners' association is established and a new property management service agreement is entered into. For agreements with property owners' associations, such agreements typically have a term of one to three years. During the Track Record Period and up to the Latest Practicable Date, neither we nor any property owners' association have unilaterally terminated any property management service agreement before the end of their terms.

- *Dispute resolution.* Both parties are typically required to resolve any contractual disputes through commercial negotiations first before resorting to litigation or arbitration.

After delivery of the properties by property developers to the property owners, property owners may form and operate property owners' associations to manage the properties. The Civil Code of the PRC (《中華人民共和國民法典》) stipulates that property owners' associations may be established at property owners' general meeting by voting with a quorum consisting of property owners whose exclusive areas account for more than two-thirds of the total GFA and the number of which accounts for more than two-thirds of the total number of property owners, and by affirmative votes of owners who own more than half of the total GFA of the community and account for more than half of the total number of the property owners. A preliminary property management service agreement entered into between a property developer and a property management service company in accordance with the PRC laws and regulations is legally binding on the relevant property owners. According to the Regulation on Property Management (2018 revision) (《物業管理條例》)(2018年修訂), a property sale and purchase agreement concluded by a property developer and a property buyer shall include the contents stipulated in the relevant preliminary property management service agreement. Therefore, as advised by our PRC Legal Advisor, the preliminary property management service agreements entered into with property developers in compliance with the aforementioned regulations are legally binding on the relevant future property owners as the property sale and purchase agreements that property owners enter into with property developers shall include the content of the preliminary property management service agreements.

Renewal of Property Management Service Agreements

Upon the expiration of our preliminary property management service agreements, we may negotiate with the property owners' associations for the terms of renewal of our property management service agreements if the property owners' associations have been established. During the negotiation period, property owners were legally obligated to pay us property management fees, since we continued to render services to those property management projects. If, upon the expiration of the initial term of the preliminary property management service agreements, the property owners' association has not been formed or a new property management service agreement has not been entered into between the property owners' association and us, the preliminary property management service agreements typically will be renewed, (i) if a property owners' association has been formed, automatically until a new property management service agreement is entered into with such property owners' association or, (ii) if a property owners' association has not been formed, by entering into new management agreements with the property developers and/or property owners. In cases where we have signed preliminary property management service agreements without fixed terms and no property owners' association is formed after delivery of the properties, or after the expiration of the preliminary property management service agreements with fixed terms, where property owners did not hire new service provider and we continued to provide property management services, property owners are also legally obligated to pay property management fees directly to us for the services we continue to render.

For the agreements entered into with property owners' associations during the Track Record Period, the level of fees charged and scope of services provided did not materially differ from those of the preliminary property management service agreements. The property owners' associations are independent from us. In order to secure and continue to secure property management service agreements, we must consistently provide quality services at competitive prices. According to the Civil Code of the PRC (《中華人民共和國民法典》), property owners may hire or dismiss property management service providers at property owners' general meeting with a quorum consisting of property owners whose exclusive areas account for more than two-thirds of the total GFA and the number of which accounts for more than two-thirds of the total number of property owners, and by affirmative votes of owners who own more than half of the total GFA of the community and who account for more than half of the total number of the property owners, provided that such decision do not constitute a violation of applicable law or a breach of the respective contract. Property owners may either hire a new property management service provider through the tender process or select through commercial negotiation having considered the specific standards on the terms and conditions of service, service quality, service price and credentials which are typically their major parameters for selecting a property management service provider when evaluating tenders or bids. Some of them would also conduct on-site inspection to comprehensively evaluate property management service providers. See "Regulatory Overview—Laws and Regulations Relating to Property Management Services and Other Related Services—Appointment of Property Management Enterprises" in this document for details on the relevant PRC regulations.

According to the Regulation on Property Management (2018 revision) (《物業管理條例》) (2018年修訂), property owners' general meetings represent the interests of property owners in matters concerning property management. The property owners' general meetings or the property owners' association's decisions are binding on all property owners. Agreements signed between property owners' associations and property management service providers with the approval of the property owners' general meeting are valid and legally binding on all property owners concerned, irrespective of whether or not the property owners are individual parties to such contracts. Thus, we have legal claim rights against property owners for outstanding property management fees. Property owners are required under PRC law to settle all outstanding property management fees to us before selling their properties. Property owners are liable for the payment of property management fees even if it is agreed that the property management fees shall be paid by the residents. In addition, according to the Regulation on Property Management (2018 revision) (《物業管理條例》) (2018年修訂), where there is only one owner, or the number of property owners is relatively small and they unanimously agree not to form the property owners' general meeting, the owner(s) shall (jointly) perform the duties of the property owners' general meeting and the property owners' association.

PRC law requires that each residential community shall establish a public fund to pay the renewal, repair and maintenance costs of common areas and facilities, property owners' associations or property owners have the right to be informed of and to supervise the use of public funds, review our annual budget and any plans we prepare in relation to topping-up the public funds or our property management services in general.

Renewal Rate

In 2020, 2021 and 2022, our overall renewal rates were approximately 100%, 100% and 100%, respectively. During the Track Record Period, we had five property management service agreements with the Remaining Group expired because of the formation of property owners' associations during the relevant years, respectively, among these, we renewed five property management service agreements by entering into property management service agreements with the respective property owners' associations. Therefore, in 2020, 2021 and 2022, the renewal rate with respect to the property management service agreements with property owners' associations upon expiration of the preliminary property management service agreements with the Remaining Group was 100%, 100% and 100%, respectively. The renewal rate was calculated by dividing the number of property management service agreements we entered into with the respective property owners' associations upon expiration of the preliminary property management service agreements with the Remaining Group or independent third-party property developers by the total number of expired preliminary property management service agreements with the Remaining Group or independent third-party property developers, respectively, during the period. We believe that we will be able to renew our existing preliminary property management service agreements with newly formed property owners' associations going forward based on our historical record and quality services.

Key Terms of Dealing with Property Developers, Property Owners or Tenants of Non-Residential Properties

The property management service agreements we enter into with customers such as property developers, property owners or tenants for the management of non-residential properties typically include key terms such as scope of services, performance scope and standards, property management fees, rights and obligations of the parties, terms of service and dispute resolutions.

Under the Civil Code of the PRC (《中華人民共和國民法典》) and relevant PRC laws and regulations, as advised by our PRC Legal Advisor, non-residential property owners are allowed to establish property owners' associations although it is not a mandatory requirement to set up a property owners' association for non-residential properties. As for non-residential properties which have no property owners' associations, we directly negotiate and enter into contract with, and perform our property management services to, customers such as property developers, property owners or tenants.

In terms of payment terms, as of December 31, 2022, the numbers of non-residential projects under our management where payments shall be payable on a monthly, quarterly, semi-annual and annual basis were 5, 7, nil and 4, respectively.

Key Terms of Dealing with Property Management Companies as Subcontractor

Since December 2019, we started to provide security and cleaning services as a subcontractor to the Relevant Property Management Company. See "—Property Management Services—Scope of Services" in this section for details.

A typical subcontracting agreement entered into between a property management company and us as a subcontractor generally includes the following key terms:

- *Term.* A subcontracting agreement typically has a term of approximately one year and is generally not automatically renewable. The agreement typically has a probation period of three months and the agreement will terminate immediately if our performance does not meet the agreed standards during such period.

- *Responsibilities of the property management company.* The property management company is typically responsible for providing the on-site personnel despatched by us with necessary working and storage space.

- *Our obligations as subcontractor.* We are typically responsible for providing services in accordance with the scope, frequency and standards prescribed in the relevant subcontracting agreement and in compliance with all applicable laws and regulations with our own tools, equipment and materials. In the event where we fail to perform our obligations under the relevant agreement, we may be required to take necessary rectification measures within the period required by the property management company, failing which the property management company has the right to claim damages, impose penalties or terminate the contract. We are required to manage our personnel providing the contracted services and there is no employment relationship between the property management company and our personnel.

- *Risk allocation.* We are responsible for any damages to property or personal injuries caused by our fault in the course of providing the contracted services. The property management company typically requires us to indemnify it for any damage cause to its reputation or properties. We are also required to pay all social insurance and housing provident funds contributions for our personnel in accordance with PRC laws and regulations and bear the liabilities and responsibilities in the event of any non-compliance.

- *Procurement of raw materials.* Raw materials shall be procured by us. The procurement costs are usually included in the subcontracting fee.

- *Subcontracting fee.* Subcontracting fee is typically payable monthly, including costs incurred in connection with labor costs, equipment maintenance costs, insurance for employees, tax expenses and other miscellaneous costs incurred by us. We generally price our subcontracting services at a fixed amount on a per project basis based on the scope of services required and estimated costs to be incurred in providing such services without reference to any GFA.

- *Termination.* A subcontracting agreement can be typically terminated in certain events in accordance with its terms such as repeated sub-standard performance or serious breach of such agreement.

Property Management Fees

In the PRC, property management companies typically charge fees on a lump-sum basis or commission basis. During the Track Record Period, we derived all of our revenue from property management service agreements on a lump-sum basis. See "Risk Factors—Risks Relating to our Business and Industry—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" in this document for discussion of the related risks.

We take into account a number of factors in determining whether to charge fees on a lump-sum or commission basis, including local regulations, requirements specified by property developers or property owners' associations, local market conditions and the nature and characteristics of individual properties, on a case by case basis. We assess our prospective customers by evaluating key factors such as estimated costs for the management of such property, historical fee collection rates and projected profitability.

Property Management Fees Charged on a Lump-sum Basis

During the Track Record Period, we derived all of our revenue from property management service agreements on a lump-sum basis. Under the lump-sum fee model, we charge a fixed and all-inclusive fee for our property management services, which are generally billed on semi-annual or annual basis, depending on the terms of our property management service agreements. We are entitled to retain the full amount of property management fees collected from property developers, property owners and tenants as revenue and bear the costs incurred in providing our property management services. We believe the lump-sum fee model is the dominant method of collecting property management fees in China, especially in relation to residential properties. See "Industry Overview—The PRC Property Management Industry—Overview" in this document for further discussion. We expect property management fees charged on a lump-sum basis will continue to account for a substantial portion of our revenue from property management services in the foreseeable future.

On a lump-sum basis, we bear the costs of managing properties, and recognise such costs as our cost of sales. Prior to negotiating and entering into our property management service agreements, we seek to form, as accurately as possible, an estimate as to our cost of sales. Our cost of sales primarily include expenses associated with, among others, labor and subcontracting costs, purchasing supplies and equipment, repair and maintenance of common areas, management and operation of our office facilities, cleaning and garbage disposal and security. As we bear such expenses ourselves, our profit margins are affected by our ability to manage our cost of sales. In the event that our cost of sales is higher than anticipated, we would not be able to collect additional amounts from our customers to sustain our profit margins.

We have implemented various technological initiatives, internal control policies and standardized procedures with the aim to reduce costs and prevent or reduce such shortfall. As of December 31, 2020, we had seven property management projects managed on a lump-sum basis, respectively, which had incurred losses in respect of our property management services, and such projects had an aggregate contracted GFA of approximately 1.1 million sq.m. based on the respective property management service agreements. Based on our unaudited management accounts, the loss-making projects had incurred losses amounting to approximately RMB0.4 million for 2020, and property management services revenue from such projects accounted for approximately 2.3% of our total revenue for the respective year.(1)

Such losses were incurred primarily because the relevant projects required us to incur additional expenses, including expenses for repair and maintenance works and facilities upgrades to ensure service quality. As of the Latest Practicable Date, two of such loss-making projects as of December 31, 2020 were still under our management, and based on our unaudited management accounts, these projects had been profitable during the six months ended December 31, 2022. We expect that these projects will continue to be profitable in the future through improving operating efficiency and reducing operating costs. See "Risk Factors—Risks Relating to our Business and Industry—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" in this document for further discussion of the related risk. To improve and maintain the profitability of our managed properties, we have taken certain cost-saving measures during the Track Record Period including the application of intelligent technologies and facilities and standardization of operations to facilitate a better management of our operations and reduce labor cost. See "—Standardized Operation and Digitalization" in this section for details. In the event that we experience unexpected increases in our cost of sales, we may propose raising our property management fees with property owners' associations during the process of renewal negotiation of our property management service agreements. Going forward, we plan to continue to maintain and improve our service quality and enhance communications with property owners in order to increase the likelihood of our chance to increase the property management fee. We will closely monitor the profitability of our projects and will not renew the property

Note:

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

management service agreement of any loss-making project upon its expiration if we expect that such project will remain loss-making in the foreseeable future. In addition, in the event that we expect a project will suffer loss, we may consider to apply to the property owners or, if the property owners' association has been incorporated, the property owners' association for approval to reallocate the money from the public fund for repair and maintenance costs of common areas to cover our management costs. We believe such arrangement is common in the PRC property management market.

We have established various enhanced internal control measures to avoid long-term loss-making projects in the future, such as we will (i) analyze the risks and costs of the potential project and the property management fee before we enter into a property management service agreement; (ii) not enter into a property management service agreement if our relevant personnel anticipate that the projected net profit margin of such project will not meet our minimum requirement of 3.0% of the total revenue of such project; (iii) review the revenue and costs of each project regularly; (iv) review the preferences and needs of our customers regularly in order to optimize our internal resources; and (v) continue to implement cost saving measures such as application of intelligent technologies and facilities which can help reduce labor costs. For more details of our cost-control measures, see "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Gross Profit and Gross Profit Margin" in this document.

Our Directors consider that the above internal control measures to avoid long-term loss-making projects are adequate and effective. Taking into account (i) our Directors' view above; (ii) the discussions with our Company's relevant personnel in relation to our Group's relevant measures; and (iii) the loss-making projects remained under our management as of December 31, 2022 had been profitable in 2022, the Joint Sponsors concur with our Directors' view that these measures are generally adequate and effective.

Our Pricing Policy

We generally price our property management services with reference to their GFA under management by taking into account factors such as (i) the size and location of the properties; (ii) budgeted operational expenses including labor and administrative expenses; (iii) scope of the services proposed; (iv) targeted profit margins; (v) local government's pricing guidance/regulations on property management fees (if applicable); and (vi) prevailing market price for similar services in the market. In determining our service price, we uniformly apply the above factors for the evaluation of services to projects developed by the Remaining Group, its joint ventures and associates and independent third-party property developers. During renewal negotiations for our property management service agreements, we may raise our property management fee rates as a condition precedent for continuing our services. For certain of the non-residential properties we managed such as industrial parks, hospitals, schools, office buildings of PRC governmental bodies and prison, we charge a package price of property management fees on a per project basis without reference to any GFA. Such package price is determined with reference to factors such as the nature and scope of services to be provided by us, the expected costs to be incurred and prevailing market price for similar services in the market. The property management fees charged under such agreements did not directly correspond to the actual GFA under our management. In 2020, 2021 and 2022, approximately RMB5.2 million, RMB6.5 million and RMB11.7 million, representing approximately 2.8%, 3.1% and 5.2% of our revenue from property management services, respectively, were generated from package price projects; while approximately RMB178.0 million, RMB198.7 million and RMB211.9 million, representing approximately 97.2%, 96.9% and 94.8% of our revenue from property management services, respectively, were generated from our property management projects other than package price projects.

When the properties have reached the delivery stage, we receive property management fees from property owners which are generally calculated based on the size of the unit and the nature of the area of communities, such as residential areas, retail areas and car parks. For properties that have been delivered to the first group of property owners in such properties, property developers are obliged to pay property management fees for unsold units until such units are sold. Once the property units are sold and delivered to the property owners, the property owners are obliged to pay property management fees regardless of whether the property units are being occupied.

The price administration and construction administration departments of the State Council are jointly responsible for supervision over and administration of fees charged for property management and related services, and we are also subject to pricing controls issued by the PRC Government. 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) (the "**Circular**"), which required provincial-level price administration authorities to liberalize certain price control or guidance policies on certain types of properties that can meet the specified conditions. According to PRC laws and regulations, property management fees charged shall be determined with references to the government guidance price or the market price, which is based on the nature and features of the relevant properties to which the property management services are provided. The specific pricing principles and implementation rules shall be determined by the competent price administration departments and property administration departments of the local governments of each province, autonomous region and municipality. 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 more information on the relevant PRC regulations. As of December 31, 2020, 2021 and 2022, the number of projects that were subject to government guidance price was 17, 19 and 20, respectively, with an aggregate GFA under management of approximately 3.5 million sq.m., 4.3 million sq.m. and 4.4 million sq.m., respectively, contributing to an aggregate property management services revenue of approximately RMB39.3 million, RMB53.3 million and RMB52.2 million in 2020, 2021 and 2022, respectively, which accounted for approximately 21.5%, 26.0% and 23.3% of our total revenue from property management services during the same years, respectively. All of these projects are residential properties located in second-tier cities including Hangzhou and Qingdao, and other cities including Huaibei and Lishui. During the Track Record Period, the property management fees charged by us complied with the relevant PRC laws and regulations in relation to such pricing control. We expect that pricing controls on residential properties will relax over time as relevant local authorities pass regulations to implement the Circular. See "Risk Factors—Risks Relating to our Business and Industry—We are susceptible to changes in the regulatory landscape of the PRC property management industry" in this document for further discussion on the related risk.

The following table sets forth a comparison of the gross profit margin of our residential property management service projects that are subject to government guidance price and not subject to government guidance price for the years indicated:

	For the year ended December 31,		
	2020	**2021**	**2022**
Overall	**35.2%**	**33.6%**	**36.4%**
Projects that are subject to government guidance price	38.8%	34.9%	32.4%
Projects that are not subject to government guidance price	33.7%	33.0%	33.4%

The following table sets forth a breakdown of our overall monthly average property management fee per sq.m. of properties under our management (excluding package price projects) by type of property developer for the years indicated:

	For the year ended December 31,		
	2020	**2021**	**2022**
	(RMB per sq.m. per month)		
Overall	**1.43**	**1.44**	**1.44**
– Remaining Group(1)	1.92	1.85	1.90
– Independent third-party property developers(2)	0.76	0.90	0.87

Notes:

(1) Refer to properties solely developed by the Remaining Group or jointly developed by the Remaining Group and independent third-party property developers where the Remaining Group held a controlling interest in such properties.

(2) Refer to properties solely developed by independent third-party property developers.

In 2020, 2021 and 2022, the overall monthly average property management fee charged on properties developed by the Remaining Group which were under our management was approximately RMB1.92 per sq.m., RMB1.85 per sq.m., and RMB1.90 per sq.m., respectively, and the overall monthly average property management fee charged on properties developed by independent third-party property developers which were under our management was approximately RMB0.76 per sq.m., RMB0.90 per sq.m. and RMB0.87 per sq.m., respectively.

During the Track Record Period, our monthly average property management fees per sq.m. for property management services provided to properties developed by the Remaining Group were generally higher than those developed by independent third-party property developers, primarily because of the following reasons:

(i) a larger portion of properties developed by the Remaining Group of the total GFA under management were primarily located in more economically developed areas in the Yangtze River Delta Region, including second-tier cities such as Hangzhou and Hefei, as compared to those developed by independent third-party property developers, which covered less economically developed area such as a county-level city in Hangzhou. In particular, as of December 31, 2020, 2021 and 2022, approximately 22.8%, 21.9% and 17.4%, respectively, of the GFA under management of properties developed by independent third-party property developers were located in the aforementioned county-level city in Hangzhou. The average property management fee for property management services provided to properties located in Hangzhou is generally higher than those located in its county-level regions given the differences in their economic foundation and level of development;

(ii) the properties developed by the Remaining Group covered (a) commercial properties located in Hangzhou, which we charged a relatively higher property management fee compared to residential properties; (b) as well as higher class residential properties including villas, which we usually charge a higher property management fee given the higher service standards and requirements required from the customers. In addition, we also managed certain government-supported houses, public rental and low-rent properties, which generally had less demanding service standards and requirements, and were all developed by independent third-party property developers and primarily located in cities below second-tier cities. Generally, property management companies shall be able to charge a higher property management fee depending on the quality of service to be provided; and

(iii) a larger portion of residential properties developed by independent third-party property developers were generally older properties, and we normally charge a lower property management fee for such properties. Generally, property management fees charged for newly developed residential properties are generally higher than those older residential properties.

Based on the above, we charged a comparatively lower monthly average property management fee for properties developed by independent third-party property developers due to the location, type and characteristics of the relevant properties. In terms of the gross profit margin for our property management services (for properties developed by the Remaining Group or independent third-party property developers) during the Track Record Period, as advised by CIA, our gross profit margin is similar to other comparable property management companies, which are similar to the Company in terms of business scale, quality and provide services to properties of similar characteristics and in the same regions. For further discussion of the gross profit margins of properties developed by the Remaining Group and independent third-party property developers during the Track Record Period, see "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Gross Profit and Gross Profit Margin" in this document.

The following table sets forth a breakdown of our monthly average property management fee per sq.m. of properties under our management (excluding package price projects) by type of property and by type of property developer for the years indicated:

	For the year ended December 31,		
	2020	2021	2022
	(RMB per sq.m. per month)		
Residential properties			
– Remaining Group(1)	1.45	1.48	1.51
– Joint ventures and associates of the Remaining Group(4)	–	–	–
– Independent third-party property developers(2)	0.72	0.87	0.86
Overall average property management fee for residential properties	**1.12**	**1.20**	**1.21**
Non-residential properties(3)			
– Remaining Group(1)	5.45	4.90	5.27
– Independent third-party property developers(2)	3.01	3.33	1.04
Overall average property management fee for non-residential properties	**5.22**	**4.76**	**4.00**
Overall average property management fee	**1.43**	**1.44**	**1.44**

Notes:

(1) Refer to properties solely developed by the Remaining Group or jointly developed by the Remaining Group and independent third-party property developers where the Remaining Group held a controlling interest in such properties.

(2) Refer to properties solely developed by independent third-party property developers.

(3) Excluding non-residential property projects charged on a package price of property management fees on a per project basis without reference to any GFA. The major type of non-residential property we managed during the Track Record Period was integrated commercial complexes. In 2020, 2021 and 2022, our monthly average property management fee for integrated commercial complexes was approximately RMB6.92 per sq.m., RMB5.78 per sq.m. and RMB4.31 per sq.m., respectively. Most of the integrated commercial complexes under our management were developed by the Remaining Group. Apart from integrated commercial complexes, we also managed one commercial property which mainly comprises serviced apartments developed by the Remaining Group, and one office building and one industrial park developed by independent third-party property developers during the Track Record Period, which we charged our property management services with reference to GFA.

(4) In late December 2022, we commenced to provide property management services to one residential property developed by joint ventures or associates of the Remaining Group, given we have only generated property management income since January 2023 according to the relevant property management agreement, no revenue was record for the year ended December 31, 2022.

(5) The decrease in the overall monthly average property management fee per sq.m. for the non-residential properties developed by independent third-party property developers for 2022 as compared to 2021 was mainly because (i) in 2021, we only managed one non-residential property developed by independent third-party property developers and we charged a relatively higher monthly average property management fee per sq.m. than other existing non-residential properties developed by independent third-party developers; and (ii) we commenced to manage a commercial property developed by an independent third-party property developer at the end of December 2022, and a commercial property developed by an independent third party property developer was delivered to us in 2022 and we charge a relatively lower monthly average property management fee on this property than other existing properties developed by independent third-party property developers.

The following table sets forth a breakdown of our monthly average property management fee per sq.m. of our properties under our management (excluding package price projects) by city tier, by type of property and by type of property developer for the years indicated:

	For the year ended December 31,		
	2020	2021	2022
	(RMB per sq.m. per month)		
Second-tier cities[1]	**1.64**	**1.66**	**1.69**
Residential properties	**1.24**	**1.32**	**1.34**
– Remaining Group[2]	1.59	1.63	1.66
– Independent third-party property developers[3]	0.82	0.95	0.98
Non-residential properties[4]	**5.22**	**4.76**	**5.37[5]**
– Remaining Group[2]	5.45	4.90	5.27
– Independent third-party property developers[3]	3.01	3.33	–[6]
Third-tier cities[1]	**–**	**1.11**	**1.81**
Residential properties	**–**	**1.11**	**1.81**
– Remaining Group[2]	–	1.11	1.81
– Independent third-party property developers[3]	–	–	–
Non-residential properties[4]	**–**	**–**	**–**
Other cities[1]	**0.80**	**0.96**	**0.87**
Residential properties	**0.80**	**0.96**	**0.87**
– Remaining Group[2]	1.08	1.20	1.14
– Independent third-party property developers[3]	0.44	0.69	0.62
Non-residential properties[4]	**–**	**–**	**0.81**
– Remaining Group[2]	–	–	–
– Independent third-party property developers[3]	–	–	0.81
Overall	**1.43**	**1.44**	**1.44**

Notes:

(1) For the purpose of this table, "second-tier cities" include Hangzhou, Ningbo, Hefei and Qingdao; "third-tier cities" include Jinhua; and "other cities" include Chuzhou, Lishui, Huaibei, Taizhou and Zhoushan.

(2) Refer to properties solely developed by the Remaining Group or jointly developed by the Remaining Group and independent third-party property developers where the Remaining Group held a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

(4) Excluding non-residential property projects charged on a package price of property management fees on a per project basis without reference to any GFA. The major type of non-residential property we managed during the Track Record Period was integrated commercial complexes. In 2020, 2021 and 2022, our monthly average property management fee for integrated commercial complexes was approximately RMB6.92 per sq.m., RMB5.78 per sq.m., and RMB4.31 per sq.m., respectively. Most of the integrated commercial complexes under our management were developed by the Remaining Group. Apart from integrated commercial complexes, we also managed one commercial property which mainly comprises serviced apartments developed by the Remaining Group, and one office building and one industrial park developed by independent third-party property developers during the Track Record Period, which we charged our property management services with reference to GFA.

(5) In mid-2022, we ceased to provide property management services for a non-residential property developed by independent third-party developers located in Hangzhou. This decision was made upon the expiry of the relevant property management agreement, which had generated approximately RMB0.8 million in property management fees during 2022. As we ceased to provide services before December 31, 2022, we did not record any GFA under management for this project as of December 31, 2022.

(6) In mid-2022, we ceased to provide property management services for a non-residential property developed by independent third-party developers located in Hangzhou. This decision was made upon the expiry of the relevant property management agreement, which had generated approximately RMB0.8 million in property management fees during 2022. As we ceased to provide services before December 31, 2022, we did not record any GFA under management for this project as of December 31, 2022. Therefore, the monthly average property management fee for non-residential properties in second-tier cities developed by independent third-party property developers is not applicable.

The following table sets forth a breakdown of our monthly average property management fee per sq.m. of our properties under our management (excluding package price projects) by geographic location and by type of property developer for the years indicated:

	For the year ended December 31,		
	2020	2021	2022
	(RMB per sq.m. per month)		
Hangzhou	**1.51**	**1.59**	**1.62**
Residential properties	1.12	1.27	1.28
– Remaining Group(1)	1.59	1.78	1.72
– Independent third-party property developers(2)	0.81	0.94	0.98
Non-residential properties(3)	4.61	4.13	4.79
– Remaining Group(1)	4.81	4.22	4.67
– Independent third-party property developers(2)	3.01	3.33	–(5)
Huaibei	**0.80**	**0.92**	**0.83**
Residential properties	0.80	0.92	0.87
– Remaining Group(1)	1.08	1.16	1.14
– Independent third-party property developers(2)	0.44	0.69	0.63
Ningbo	**1.97**	**1.81**	**1.93**
Residential properties	1.49	1.34	1.46
– Remaining Group(1)	1.49	1.34	1.46
– Independent third-party property developers(2)	–	–	–
Non-residential properties(3)	8.86	8.48	8.47
– Remaining Group(1)	8.86	8.48	8.47
– Independent third-party property developers(2)	–	–	–
Hefei	**2.51**	**2.27**	**1.64**
Residential properties	2.51	2.27	1.64

	For the year ended December 31,		
	2020	2021	2022
	(RMB per sq.m. per month)		
– Remaining Group(1)	2.57	2.57	2.57
– Independent third-party property developers(2)	2.27	1.59	0.90
Lishui	**–**	**1.44**	**1.06**
Residential properties	–	1.44	1.06
– Remaining Group(1)	–	1.44	1.40
– Joint Ventures and associates of the Remaining Group(6)	–	–	–
– Independent third-party property developers(2)	–	–	–
Jinhua	**–**	**1.11**	**1.81**
Residential properties	–	1.11	1.81
– Remaining Group(1)	–	1.11	1.81
– Independent third-party property developers(2)	–	–	–
Qingdao	**–**	**–**	**1.86**
Residential properties	–	–	1.86
– Remaining Group(1)	–	–	1.86
– Independent third-party property developers(2)	–	–	–
Chuzhou	**–**	**–**	**1.83**
Non-residential	–	–	1.83
– Remaining Group(1)	–	–	–
– Independent third-party property developers(2)	–	–	1.83
Taizhou	**–**	**–**	**0.45**
Residential properties	–	–	0.45
– Remaining Group(1)	–	–	–
– Independent third-party property developers(2)	–	–	0.45
Overall(4)	**1.43**	**1.44**	**1.44**

Notes:

(1) Refer to properties solely developed by the Remaining Group or jointly developed by the Remaining Group and independent third-party property developers where the Remaining Group held a controlling interest in such properties.

(2) Refer to properties solely developed by independent third-party property developers.

(3) Excluding non-residential property projects charged on a package price of property management fees on a per project basis without reference to any GFA. The major type of non-residential property we managed during the Track Record Period was integrated commercial complexes. In 2020, 2021 and 2022, our monthly average property management fee for integrated commercial complexes was approximately RMB6.92 per sq.m., RMB5.78 per sq.m., and RMB4.31 per sq.m., respectively. Most of the integrated commercial complexes under our management were developed by the Remaining Group. Apart from integrated commercial complexes, we also managed one commercial property which mainly comprises serviced apartments developed by the Remaining Group, and one office building and one industrial park developed by independent third-party property developers during the Track Record Period, which we charged our property management services with reference to GFA.

(4) For the purpose of this table, Huzhou is not included as the only project we managed in this city during the Track Record Period was a package price project.

(5) We ceased to provide property management services to one non-residential property developed by independent third-party property developers in 2022 upon expiry of the relevant property management agreement, while we generated property management fees in 2022 without any GFA under management as of December 31, 2022. Therefore, the monthly average property management fee for non-residential properties in second-tier cities developed by independent third-party property developers is not applicable.

(6) Refer to properties jointly developed by the Remaining Group and independent third-party property developers where the Remaining Group did not hold a controlling interest in such properties. In late December 2022, we commenced to provide property management services to one property located in Lishui developed by joint ventures and associates of the Remaining Group, given we have only generated propertymanagement income since January 2023 according to the relevant property management agreement, no revenue was record for the year ended December 31, 2022.

For further discussion of our monthly average property management fee during the Track Record Period, see "Financial Information—Description of Certain Consolidated Statementsof Profit or Loss and Other Comprehensive Income Items—Revenue—Revenue from Property Management Services" in this document.

According to CIA, based on the latest available information as of the Latest Practicable Date, in 2020 and 2021, in terms of residential properties, (i) the monthly average property management fee in Hangzhou charged by the Top 100 Property Management Companies was approximately RMB2.68 per sq.m. and RMB2.78 per sq.m., respectively; (ii) based on the market research conducted by CIA, the range of monthly property management fee in Huaibei was approximately RMB0.45 per sq.m. to RMB3.00 per sq.m.; (iii) the monthly average property management fee in Ningbo charged by the Top 100 Property Management Companies was approximately RMB2.52 per sq.m. and RMB2.47 per sq.m., respectively; (iv) the monthly average property management fee in Hefei charged by the Top 100 Property Management Companies was approximately RMB1.60 per sq.m. and RMB1.67 per sq.m., respectively; (v) the monthly average property management fee in Lishui charged by the Top 100 Property Management Companies was approximately RMB1.58 per sq.m. and RMB1.58 per sq.m., respectively; and (vi) the monthly average property management fee in Jinhua charged by the Top 100 Property Management Companies was approximately RMB2.35 per sq.m. and RMB2.32 per sq.m., respectively. According to CIA, in 2020 and 2021, in terms of non-residential properties, (i) the monthly average property management fee in Hangzhou charged by the Top 100 Property Management Companies was approximately RMB7.03 per sq.m. and RMB7.14 per sq.m., respectively; and (ii) based on the market research conducted by CIA, the range of monthly property management fee in Ningbo was approximately RMB1.50 per sq.m. to RMB19.0 per sq.m..

In terms of residential properties, as advised by CIA, our monthly average property management fee in Hangzhou in 2020 and 2021 was generally lower than the market average, primarily due to (i) the age of the residential properties we managed in this city, among which, approximately 76.6% of such properties were aged over five years, and approximately 57.5% of such properties were aged over 10 years; and (ii) the location of certain residential properties we managed are located in a county-level city in Hangzhou, where the average property management fee in this area is generally lower than the averages of city area in Hangzhou. As advised by CIA, in terms of residential properties, the average property management fee in Hangzhou charged by the Top 100 Property Management Companies does not cover the aforesaid county-level city. For residential properties located in Huaibei, our monthly average property management fee in 2020 and 2021 was within the market range. For residential properties located in Ningbo, our monthly average property management fee in 2020 and 2021 was generally lower than the market average, primarily due to the location of the residential properties we managed are located in county-level cities in Ningbo, where the average property management fee in these areas are generally lower than the averages of city area in Ningbo. As advised by CIA, in terms of residential properties, the average property management fee in Ningbo charged by the Top 100 Property Management Companies does not cover the aforesaid county-level cities. For residential properties located in Hefei, our monthly average property management fee in 2020 and 2021 was generally higher than the market average, primarily due to the residential properties we managed in this city covered higher class property types such as villas, which require higher standard of services. Generally, property management companies shall be able to charge a higher property management fee depending on the quality of service provided. For residential properties located in Lishui, our monthly average property management fee in 2021 was slightly lower than the market average in 2021. For residential properties located in Jinhua, our monthly average property management fee in 2021 was lower than the market average in 2021, primarily due to the location of the residential properties we managed are located in a county-level city in Jinhua, where the average property management fee in this area is generally lower than the averages of city areas in Jinhua.

In terms of non-residential properties, our monthly average property management fee charged for such type of properties in Hangzhou in 2020 and 2021 was generally lower than the market average, primarily due to the reason that we managed a commercial property which mainly comprises serviced apartments and contributed a larger proportion of our GFA under management of the non-residential properties we managed in Hangzhou, and the property management fee of serviced apartments we could charge was lower than integrated commercial complexes. For non-residential properties located in Ningbo, our monthly average property management fee in 2020 and 2021 was within the market range.

Accordingly, CIA is of the view that despite our average property management fees in 2020 and 2021 were lower than the market average, they are generally within the market range of the same area with reference to the location, age and quality of the properties.

Payment and Credit Terms

We generally bill property management fees on a semi-annual or annual basis, depending on the terms of our property management service agreements. The fees for property management services are typically due for payment by property owners upon our issuance of demand notes. We typically demand payment for our property management services after issuance of demand notes to property owners which, and it is consistent with the property management industry norm in the PRC. To the extent permitted under the applicable PRC law, we collect utility fees on behalf of property owners and residents in relation to electricity and water free of charge.

We primarily accept payments for property management fees through cash payment, bank transfer, credit cards or third-party platforms such as WeChat Pay and Alipay. To facilitate the timely collection of property management fees and other payments, we may send reminders and notifications through various channels such as via phone calls, text messages and WeChat one-to-one communications, by sending payment demand notices or posting such notices outside the relevant property units to remind property owners or tenants of their outstanding property management fees. For customers whose property management fees are outstanding for over six months to one year from their original due date, we may increase the frequency of our reminders and issue demand letters to property owners, residents or tenants whose property management fees are overdue. If such outstanding payment has not been settled after several rounds of communications, we may issue a demand letter through attorneys, and may file lawsuit to claim the outstanding amounts. We will issue demand letter to ensure that we fulfill requirements under PRC statutes of limitations, which, according to the Civil Code of the PRC (《中華人民共和國民法典》), impose a three-year time frame within which we may sue for outstanding property management fees. See "Financial Information—Selected Items of the Consolidated Statements of Financial Position—Trade Receivables" and "Risk Factors—Risks Relating to Our Business and Industry—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" in this document for more information on our trade receivables and related risks thereof.

VALUE-ADDED SERVICES MAINLY TO PROPERTY DEVELOPERS

We offer value-added services mainly to property developers to address their various needs arising from different stages of property development projects. Some of our value-added services mainly to property developers are provided to construction companies.

We commenced to provide value-added services mainly to property developers in 2010. In 2020, 2021 and 2022, our revenue from value-added services mainly to property developers amounted to approximately RMB33.3 million, RMB59.2 million and RMB60.7 million, respectively, accounting for approximately 14.4%, 20.0% and 19.0% of our total revenue for the respective years. During the Track Record Period, we recorded a significant increase in the revenue generated from value-added services mainly to property developers and a majority of the revenue from value-added services mainly to property developers was from sales office management services. We have also provided other value-added services mainly to property developers including preliminary planning and design consultancy services and pre-delivery inspection services.

The following table sets forth a breakdown of our revenue from value-added services mainly to property developers by service type for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Sales office management services	25,334	76.1	54,369	91.9	55,046	90.6
Preliminary planning and design consultancy services	6,162	18.5	3,536	5.9	4,546	7.5
Pre-delivery inspection services	1,790	5.4	1,288	2.2	1,137	1.9
Total	**33,286**	**100.0**	**59,193**	**100.0**	**60,729**	**100.0**

During the Track Record Period, we generated the majority of our revenue of value-added services mainly to property developers from the Remaining Group, demonstrating the synergy between our business and the property development business of the Remaining Group. In 2020, 2021 and 2022, our revenue from the Remaining Group and its joint ventures and associates for value-added services mainly to property developers amounted to approximately RMB32.0 million, RMB52.7 million and RMB54.1 million, respectively, accounting for approximately 96.1%, 89.0% and 91.3% of our revenue from value-added services mainly to property developers for the respective years. The increase in our revenue from sales office management services during the Track Record Period was primarily attributable to the increase in the number of sales office management engagements we obtained from the Remaining Group and its joint ventures and associates for their property development projects during the relevant years. We believe the provision of such services to other property developers would cultivate our relationships with these customers at an early stage of property development, which may increase our chance to obtain subsequent property management engagements from them.

We typically explore potential business opportunities for value-added services mainly to property developers through referrals from the Remaining Group or other independent third-party property developers which have established business relationship with us. All of our contracts for value-added services mainly to property developers were obtained through commercial negotiation, which is permitted by PRC laws and regulations as advised by our PRC Legal Advisor. Our Directors believe that our contracts with respect to value-added services mainly to property developers during the Track Record Period were comparable to other third-party property management companies which also provided similar services to the Remaining Group and its joint ventures and associates. As advised by CIA, our fee charged for value-added services mainly to property developers during the Track Record Period were in line with the industry range. In view of the above, our Directors consider that our service fees charged for value-added services mainly to property developers during the Track Record Period were reasonable and in line with the prevailing market rates for similar services at the material times.

Sales Office Management Services

We primarily provide management services to property sales venue and display units of property developers, such as security services, cleaning and visitor reception and management. We do not participate in the sales transactions of our customers. We typically charge property developers a fixed service fee representing a mark-up on top of our estimated costs. The mark-up rate (tax inclusive) during the Track Record Period generally ranged from 14.6% to 21.7%. The average monthly service fee charged was approximately RMB106,000, RMB151,000 and RMB149,000 in 2020, 2021 and 2022, respectively. The increase in our average monthly service fee from the year ended December 31, 2020 to the year ended December 31, 2021 is primarily due to the reason that the costs of certain new sales office management projects we managed in 2021 were generally higher than our other previous projects as the properties involved include relatively higher-end properties with intelligent facilities expected to be installed, the property sales venue and display units are more sizeable and we had to deployed more employees, and the increase in labor costs in the PRC property management industry. Under our sales management service agreements, we are obligated to follow the service standards as agreed between us and our customers, while our customers are obligated to provide us with the facilities and equipment necessary to provide our services. We generally provide our sales management services through our employees. As of December 31, 2020, 2021 and 2022, we managed a total of 20, 30 and 33 sales office management projects, respectively, among which, 19, 26 and 29 sales office management projects were obtained from the Remaining Group or its joint ventures and associates for their property development projects, respectively, and one, four and four sales office management projects were obtained from independent third-party property developers, respectively.

In 2020, 2021 and 2022, our revenue from sales office management services represented approximately 76.1%, 91.9% and 90.6% of our revenue from value-added services mainly to property developers, respectively.

Preliminary Planning and Design Consultancy Services

We started to provide preliminary planning and design consultancy services to property developers in 2020, who leverage our experience and expertise in property management services to provide assessment and suggestions during the planning, design and construction phases of their property development projects with an aim to facilitate the property management of such property. We will participate in the review of blueprints and other construction planning documents and conduct on-site inspection during the construction phase from time to time. The scope of our assessment and suggestions covers various aspects such as traffic planning, engineering systems such as water supply and drainage systems, electricity and lighting systems, overall positioning and tier of the property, public facilities, gardening and landscape. We may also provide property management trainings to the employees of the property developer and attend the marketing events of such project so as to assist with the sale as per the request of the property developer. We primarily charge a fixed fee of RMB4.0 per sq.m. for our preliminary planning and design consultancy services project. The average service fee per project we received was approximately RMB0.5 million, RMB0.3 million and RMB0.2 million in 2020, 2021 and 2022, respectively. We generally provide our preliminary planning and design consultancy services through our employees. As of December 31, 2020, 2021 and 2022, we provided such services to 12, 14 and 22 projects, respectively.

We expanded into preliminary planning and design consultancy services in 2020 primarily because we began to expand our value-added services mainly to property developers as a strategy to grow our overall business scale. We believe that through offering preliminary planning and design consultancy services, we will be able to establish and cultivate relationships with property developers at the early stage of property development projects, which may increase our chance to obtain subsequent property management engagements from them. Prior to 2020, neither the Remaining Group nor our Group provided the preliminary planning and design consultancy services, however the Remaining Group had been strategizing its expansion plan to include preliminary planning and design consultancy services for its property development projects so as to improve the overall quality of its property projects, as such, the Remaining Group started to engage our Group to provide such services to certain properties it developed in 2020. To the best of our Directors' knowledge after consulting the Remaining Group, the Remaining Group decided to engage us for the provision of preliminary planning and design consultancy services to the properties it developed instead of providing such services itself primarily because (i) the Remaining Group wanted to focus on and maintain its resources to its property development business and sale of properties prior to completion and did not want to allocate extra resources on the preliminary planning and design consultancy services; (ii) we, as a property management services provider, can provide planning and design advice from the property users' perspective which can better meet the needs of the property users and facilitate the property management of such properties upon completion; and (iii) the GFA completed and delivered by the Remaining Group to property purchasers in 2020 was higher than 2019 and the Remaining Group expected that the GFA to be completed and delivered to property purchasers will continue to increase in the near future. Accordingly, our Group was officially engaged by the Remaining Group in 2020 to provide such services and the Remaining Group does not provide such services. After the Track Record Period, our Group has been negotiating for new preliminary planning and design consultancy service engagements with other independent third-party property developers to further diversify our project sources for this service line.

In 2020, 2021 and 2022, our revenue from preliminary planning and design consultancy services represented approximately 5.9%, 7.1% and 7.5% of our revenue from value-added services mainly to property developers, respectively. All our revenue from preliminary planning and design consultancy services was generated from the Remaining Group and its joint ventures and associates during the Track Record Period.

Pre-delivery Inspection Services

We started to provide pre-delivery inspection services to property developers in 2020 to ensure their completed properties are suitable for delivery to the property purchasers so as to improve their customers' satisfaction rate. Our inspection focuses on areas including functionality and quality. We typically conduct two to three rounds of on-site examination to detect potential defects, provide feedback to property developers in relation to units that require rectifications and assist with such rectifications until the units can meet our delivery standards. We are responsible for the procurement of the materials we need to carry out the pre-delivery inspection services. We typically charge a fee on per sq.m. basis, ranging from approximately RMB3.0 per sq.m. to RMB5.0 per sq.m. of the projects to be delivered for our pre-delivery inspection services. The average service fee per project we received was approximately RMB0.6 million, RMB0.3 million and RMB0.4 million in 2020, 2021 and 2022, respectively. We generally provide pre-delivery inspection services through our own employees. As of December 31, 2020, 2021 and 2022, we provided such services to three, four and three projects, respectively.

Prior to 2020, the Remaining Group provided the pre-delivery inspection services itself through its internal construction department. To the best of our Directors' knowledge after consulting the Remaining Group, the Remaining Group started to engage us for the provision of pre-delivery inspection services to the properties it developed primarily because (i) the Remaining Group could reallocate resources of its construction department to focus on its property development business and sale of properties prior to completion; (ii) we can provide inspection services from the property users' perspective which can better meet the needs of the property users and ensure the properties are ready to be delivered according to our own set of delivery standards; and (iii) the GFA completed and delivered by the Remaining Group to property purchasers in 2020 was higher than 2019 and the Remaining Group expected that the GFA to be completed and delivered to property purchasers will continue to increase in the near future. Accordingly, our Group was officially engaged by the Remaining Group in 2020 to provide such services and the Remaining Group does not provide such services thereafter.

In 2020, 2021 and 2022, our revenue from pre-delivery inspection services represented approximately 2.2%, 3.2% and 1.9% of our revenue from value-added services mainly to property developers, respectively. All our revenue from pre-delivery inspection services was generated from the Remaining Group and its joint ventures and associates during the Track Record Period.

COMMUNITY VALUE-ADDED SERVICES

We offer certain community value-added services principally to property owners and residents of the projects we manage with an aim to foster a sense of community and belonging. We commenced to provide community value-added services in 2010. In 2020, 2021 and 2022, revenue generated from our community value-added services amounted to approximately RMB14.2 million, RMB31.3 million and RMB35.4 million, respectively, accounting for approximately 6.1%, 10.6% and 11.1% of our total revenue for the respective years. During the Track Record Period, the community value-added services we primarily provided to property owners and residents of our managed properties include (i) common area management services where we assist property owners to lease out common areas for advertisement placements and operation or promotion of their businesses which help facilitate the living convenience of the community, (ii) renovation waste disposal services where we assist the property owners to dispose of the waste generated as a result of the renovation work carried out in their units and (iii) car parking space sales agency services.

The following table sets forth a breakdown of our revenue from community value-added services by service type for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Common area management services	9,489	66.9	10,632	33.9	11,095	31.3
Renovation waste disposal services	1,481	10.5	3,467	11.1	1,186	3.3
Car parking space sales agency services	3,208	22.6	17,212	55.0	23,132	65.4
Total	**14,178**	**100.0**	**31,311**	**100.0**	**35,413**	**100.0**

We typically obtain contracts for community value-added services through commercial negotiation or service requests from property owners or residents of our managed properties from time to time.

Common Area Management Services

We assist property owners in leasing out common areas of projects we manage such as lifts, fences and entrance and exit gates to advertising companies seeking places for advertisement placements. We also assist property owners in leasing out empty spaces of common areas to third-party vendors for operation or promotion of their businesses such as automatic vending machines, intelligent self pick-up stations and pop-up stores which help facilitate the living convenience of the community. Income from leasing out the common areas will be shared between the property owners' association or property owners and us pursuant to the terms of the property management service agreement and applicable laws and regulations in the PRC. We profit from our common area management services by collecting a portion of the rental fees of the common area as our services fee which is payable by the advertising companies or third-party vendors. We generally charge a pre-negotiated fixed percentage of the rental fee on a per-transaction basis and such percentage is determined by taking into account factors such as the location and the duration of the services. We generally provide our common area management services through our employees.

In 2020, 2021 and 2022, our revenue from common area management services represented approximately 66.9%, 33.9% and 31.3% of our revenue from community value-added services, respectively.

Renovation Waste Disposal Services

Depending on the property owners' specific requirements or the terms of the service agreements, we provide disposal services to property owners of the properties we manage to dispose of the waste generated as a result of the renovation work carried out in their units. We typically charge for our renovation waste disposal services on per sq.m. basis of the unit involved and determine fees with reference to the prevailing market price. We generally provide our renovation waste disposal services through our employees and subcontractors.

In 2020, 2021 and 2022, our revenue from renovation waste disposal services represented approximately 10.5%, 11.1% and 3.3% of our revenue from community value-added services, respectively.

Car Parking Space Sales Agency Services

We started to provide sales assistance services to the Remaining Zhong An Group in May 2020 to sell and purchasers to purchase car parking spaces in a residential property project we manage. During the Track Record Period, we typically entered into car parking space sales cooperation agreements with the Remaining Group, pursuant to which we were authorized to assist with and facilitate the sales of car parking spaces of property projects to purchasers. The Remaining Group bears the cost of maintaining the parking spaces. We also provide marketing and advertising services to assist sales of car parking spaces. Going forward, we plan to assist owners of car parking spaces located in the projects we manage to sell their car parking spaces in the secondary market. For our car parking space sales agency services, we typically charge a pre-negotiated fixed service fee for each transaction. The amount of such service fee is specified in the service agreement and shall be payable by the Remaining Group. We generally provide our car parking space sales agency services through our employees.

Prior to May 2020, the Remaining Group operated the car parking space sales by its own car park sales team. To the best of our Directors' knowledge after consulting the Remaining Group, the Remaining Group started to authorize us to provide car parking space sales agency services in May 2020 primarily because (i) we have on-site employees at the relevant properties to conduct marketing and sales of the car parking space through our business network and the Remaining Group could reallocate resources of its marketing teams to focus on its property development business and sale of properties prior to completion; (ii) the unsold car parking spaces were situated in the properties managed by us and the purchasers were accustomed to approaching us for purchase of car parking spaces; and (iii) the relevant properties were managed by us and thus we have better and thorough understanding of the conditions of the relevant properties and requirements of the services needed. We consider it is common for a PRC property developer to authorize its property management subsidiaries to act as agents to assist with and facilitate the sales of car parking spaces of the property projects the PRC property developer developed.

In 2020, 2021 and 2022, our revenue from car parking space sales agency services amounted to approximately RMB3.2 million, RMB17.2 million and RMB23.1 million, represented approximately 22.6%, 55.0% and 65.4% of our revenue from community value-added services, respectively. All our revenue from car parking space sales agency services was generated from the Remaining Group during the Track Record Period.

SALES AND MARKETING

Our investment development center at the headquarters is primarily responsible for developing our overall marketing and business expansion strategies, formulating marketing and expansion management policies which include the selection criteria of potential property management projects or companies for business expansion purposes, managing our efforts in relation to tender bids and negotiating property management service agreements as a group, managing and maintaining client relationships and conducting business development. It will review and approve or reject new property management service agreements and budget proposals submitted by our subsidiaries and branch offices. The investment development center also has a supervisory and supporting role over our subsidiaries and branch offices in relation to business development.

We have devised a marketing and expansion management policy to be followed by our investment development center, our subsidiaries and branch offices. Our investment development center typically explores new business expansion opportunities principally through frequent communications with property owners' associations, property owners, relevant governmental departments and property developers.

As of December 31, 2022, we had a team of six personnel in our investment development center. Our subsidiaries and branch offices are also responsible for implementing the marketing and expansion management policy in their respective regions. They are also expected to explore and establish information channels within their respective regions for business development and market research purposes. Such information channels may include, among other things, platforms on which property developers or property owners' associations announce tender and bidding opportunities. They may also identify business opportunities by way of recommendation or frequent communication with customers, governmental departments and other industry players.

In addition to maintaining long-term and stable cooperation with the Remaining Group, we also endeavor to expand our cooperation with independent third-party property developers through regular communication and provision of professional and quality services. Therefore, we have implemented an incentive scheme to motivate our employees to provide information on business development opportunities and reward will be awarded to the employee who successfully refers business opportunities to us, the amount of the reward varies depending on the potential value of the business opportunities.

We also routinely organize community activities at properties we manage in order to create a greater sense of belonging and community, collect property owner feedback on our services, and improve their satisfactions with our services. We believe that these efforts will help improve customer loyalty and increase the retention rate of property management service agreements in relation to the properties we manage.

STANDARDIZED OPERATION AND DIGITALIZATION

To reduce our labor cost and reliance on labor and to strengthen our competitiveness, we have been focusing on implementing standardization and digitalization of our services so as to ensure consistent and high-quality services, maximize operation efficiency and alleviate the pressure of increasing labor costs.

Standardized Operation

We have standardized and optimized our service standards and procedures by setting out detailed guidance on key standards and procedures for property management and related services so as to ensure consistent and quality services covering different property types and customers. We have prepared operating manuals to facilitate the implementation of these service standards. Certain commercial or technical documents have also been standardized by our headquarters so as to facilitate our operation. We have also established related policies for the evaluation of the properties we manage with the aim to identify problems and improve service quality. Furthermore, we provide periodic trainings to our employees to ensure that they understand and follow our services standards and procedures. See "—Employees" in this section for further details.

Centralized management at our headquarters can be achieved by our standardized standards and procedures. We believe that standardization allows us to strengthen our service quality, reputation and management efficiency by ensuring the consistency of our service standards and quality.

Digitalization

We plan to increase our investment in intelligent technologies, and gradually transform from a labor-intensive property management service provider to a technology-incentivized enterprise better equipped with digitalized operational systems so as to offer more efficient, effective and higher quality property management services. In order to realize an efficient and transparent transmission of information of the projects under our management, we adopted an intelligent property management system during the Track Record Period. Our intelligent property management system helps digitalize the management and monitoring of our services, including the collection of management fees and feedback from our customers, which gives us timely access to centralized and unified status data of the projects under our management, which will in turn assist us in understanding the environment or situation of the projects under our management and making management decisions accordingly. In addition, our intelligent property management system records requests for repair and maintenance services required in common area of our managed properties, which allow us to arrange for follow-up actions promptly.

We also relied on integrated cloud computing and storage system to support the operation of our intelligent property management system. It collects and stores information from our different business ends, consolidates such information into the integrated database, which in turn provides data reference for our internal use and analysis efficiently.

Our intelligent property management system and integrated cloud computing and storage system were generally applied in our daily operations and management, assisting us to effectively communicate internally and externally such as with property owners and residents, optimizing our document filing and retrieval process, and allowing our employees to utilize information technologies with ease and in an organized and efficient manner.

Intelligent Management

We strive to create a better and safer community for property owners and residents in projects under our management through the application of intelligent technologies and facilities. Such intelligent management allows us to achieve centralized management, optimize operation efficiency, reduce reliance on manual labor and lower operating costs. The intelligent technologies and facilities we applied or installed at properties under our management during the Track Record Period mainly include the following modules:

- *Intelligent entrance management*. Our intelligent entrance management provides a convenient security check experience for property owners and residents by offering contact-free entrance access through our facial recognition access control system.

- *Intelligent surveillance system.* We have various intelligent surveillance cameras installed at some of the communities under our management such as closed-circuit television cameras, intelligent surveillance cameras with motion recognition function recording any potential high-rise littering, and intelligent anti-theft system along the boundary of our communities with automatic alarm function.

- *Intelligent car park management system.* Our intelligent car park management system stores car park visitors' information and controls visitor management through car plate recognition. It also expedites our collection of car park management fees through restricting access of car park users who have overdue car park management fees on our records.

- *Community facility equipment monitors.* Our community facility equipment monitors provide real-time monitoring of water pumps and electric power facilities through various monitor sensors installed at some of the properties under our management. Such monitors enable us to remotely monitor usage of water and electricity and save unnecessary costs by timely identifying abnormal usage in our business operations. We analyze and process data collected through our community facility equipment monitors, thereby improving our service quality and management efficiency.

In addition to the above, we also engaged regional fire control surveillance system maintained by external service providers for several projects we manage, which provides centralized surveillance services and intelligent fire control services and notifies us of abnormalities identified in time, to which we can promptly respond. All information collected through our intelligent technologies and facilities will be consolidated into our intelligent property management system for centralized information management. As of the Latest Practicable Date, 31 of our property projects, accounting for approximately 32.0% of our total property projects under management as of the same date, were equipped with at least one of the above intelligent technologies and facilities.

Online Platform Services

In addition, with a view to provide more convenient and efficient integrated services to our customers, we also plan to launch a mobile App by the end of the fourth quarter of 2023 which will serve as a one-stop service platform for the property owners, residents and tenants of certain projects we manage. The primary functions of our mobile App will include repair and maintenance reporting, feedback and complaints collection, property management fees payment and property management fee statements tracking. For further information on the function of the mobile App, see "—Business Strategies—Increase our Investment in Intelligent Technologies and Facilities to Bolster the Development of Communities across the Projects we Manage and Optimize our Business Model" in this section.

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), which was issued by the State Council with effect from September 25, 2000 and revised on January 8, 2011, internet information services refer to the provision of information to web users through the internet, which can be divided into commercial internet information services and non-commercial internet services. Commercial internet information services refer to paid services of providing information to or creating web pages for web users through the internet. Non-commercial internet services refer to free services of providing public, commonly shared information to web users through the internet. Entities engaging in providing commercial internet information services shall apply for a license for value-added telecommunication services of internet information services. As for the operations of non-commercial internet information services, only filings with the relevant authority of the PRC Government are required.

The business we plan to conduct via the mobile App does not constitute the value-added telecommunication services as defined in the relevant PRC laws and regulations because we expect to use our mobile App as a tool to facilitate the provision of our offline or physical services, and we have no plans to sell products or services of third-party suppliers or generate any revenue directly from the mobile App in the form of paid internet information services. Based on the foregoing, our PRC Legal Advisor is of the view that (i) the business we plan to conduct is regarded as "non-commercial internet information services"; (ii) the non-commercial internet information services we plan to provide do not require the license for value-added telecommunication services; and (iii) the filings of non-commercial internet information services are not subject to foreign investment restrictions. Our Directors expect that the filings of non-commercial internet information services for the mobile App will be completed prior to its launching.

Data Management

To the extent necessary and so as to provide our services, we collect customer data such as customers' name, home address and contact information when we are engaged for provision of our services. For example, we collect customer data from property owners upon delivery of property units and consolidate them into our intelligent property management system for centralized information management. We collect customer data from our daily operation with relevant consents from our customers. Our customers are also required to enter into agreements which permit us to collect and use their personal information in accordance with our privacy policy and the relevant PRC laws and regulations.

We strictly control the access to, and usage of, those data by any third party without prior consent of the customer. We have a centralized system to manage our operation systems. Account identifications and passwords are required for our employees to sign into the data system and such account identifications and passwords are required to be updated periodically. We have internal policies and guidance on the information technology and cyber security management which, among other things, aim to enhance the safety of our confidential customer and business data and to ensure cyber security of our systems, so as to prevent information leakage and to comply with the relevant PRC laws and regulations, such as the Cyber Security Law, Data Security Law of the PRC and the Personal Information Protection Law of the PRC. These key internal policies and guidance include, but are not limited to, (i) all employees who can have access to any personal information through our systems or networks are required to observe and follow our policies and guidelines in handling such personal information, including non-disclosure of the information to any other person other than for necessary work purposes and through proper and designated work communication channels; (ii) any personal information collected by us is organized and stored in accordance with our policies and guidelines that prevent unintended leakage, damage or theft; and (iii) we have designated personnel to handle any data-related concern or complaints and monitor and address data security protection issues internally to ensure that we comply with the relevant PRC laws and regulations relating to data privacy. Such internal policies and guidance protect the safety of, among other things, data stored in our computers, shared folders, software and network systems.

Based on the above, our PRC Legal Advisor is of the view that we are compliant with the applicable data privacy and cyber security laws and regulations, including those governing the collection and use of personal information, in all material aspects in the PRC during the Track Record Period and up to the Latest Practicable Date. For further details regarding the relevant laws and regulations in relation to cyber security and data protection, see "Risk Factors—Risks Relating to Our Business and Industry—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" and "Regulatory Overview—Laws and Regulations on Data Security and Privacy" in this document. During the Track Record Period and up to the Latest Practicable Date, so far as our Directors are aware of, we had not been involved in any material litigation, arbitration or administrative proceedings in relation to the infringement of personal information protection which could materially and adversely affect our business operations and financial condition, and no material litigation, arbitration or claim relating to personal information protection is pending or threatened against us which is expected to materially and adversely affect our business operations and financial condition.

CUSTOMERS

Overview

Our customer base primarily consists of property developers, property owners, residents and tenants, property owners' associations, advertising companies and third-party vendors. The following table sets forth the main types of our major customers for each of our three business lines:

Business Line	Major Customers
Property management services	Property developers, property owners, tenants, property owners' associations and other property management companies

Business Line	Major Customers
Value-added services mainly to property developers	Property developers and construction companies
Community value-added services	Advertising companies, third-party vendors, property owners and residents, and property developers

In 2020, 2021 and 2022, revenue generated from sales to our five largest customers amounted to approximately RMB80.4 million, RMB114.3 million and RMB120.5 million, respectively, accounting for approximately 34.8%, 38.7% and 37.6%, respectively, of our total revenue. During the same period, revenue derived from sales to our single largest customer, the Remaining Group and its joint ventures and associates amounted to approximately RMB73.0 million, RMB103.9 million and RMB109.8 million, respectively, accounting for approximately 31.6%, 35.1% and 34.3% of our total revenue, respectively. During the Track Record Period, the Remaining Group and its joint venture and associates engaged us primarily for our property management services, value-added services mainly to property developers and community value-added services.

The Remaining Group operates a property development and property investment business in the PRC. The Remaining Group has achieved geographical coverage and a strong presence in the Yangtze River Delta Region. As of December 31, 2020, 2021 and 2022, we managed 34, 38 and 42 projects developed by the Remaining Group or its joint ventures and associates, respectively. We have established an ongoing business relationship with our largest customer during the Track Record Period for more than 20 years. The credit terms granted to our five largest customers in 2020, 2021 and 2022 range from seven to 90 days generally.

The Remaining Group and its associates are connected persons of the Group. Except for the Remaining Group and its associates, all of our five largest customers for the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, save as disclosed above, none of our Directors, their respective close associate or any Shareholders, to the best of our Directors' knowledge, owned more than 5% of our issued share capital held any interest in any of our five largest customers.

See "Connected Transactions" and "Risk Factors—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" in this document for further details.

Notwithstanding the contribution by the Remaining Group and its joint ventures and associates to our revenue during the Track Record Period, taking into consideration (i) 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; (ii) the proportion of our GFA under management for properties developed by independent third-party property developers during the Track Record Period maintained relatively stable from approximately 44.7% as of December 31, 2020 to approximately 44.3% as of December 31, 2021 and increased to 46.0% as of December 31, 2022; (iii) our ability to retain our existing independent third-party customers, for example, we successfully renewed two property management service agreements with the relevant property owners' association subsequent to the Track Record Period and as of the Latest Practicable Date; and (iv) our continuous effort in diversifying our project sources through exploring potential acquisitions or investment opportunities for third-party property management companies or property management projects developed by independent third-party property developers, our Directors believe that, going forward, we will be able to reduce reliance on the Remaining Group and its joint ventures and associates. See "Relationship with Controlling Shareholders—Our Business Relationship with the Remaining Group" and "Future Plans and **[REDACTED]**—**[REDACTED]**" in this document for details.

Relationship with the Remaining Group

Our Group maintains a well-established and ongoing business relationship with the Remaining Group and expects the management of properties developed by it will continue to be our stable source of revenue in the foreseeable future.

Property management services are important to the daily operations of the Remaining Group as a property developer in the PRC. We have been providing various services to the Remaining Group including residential and non-residential property management services since 1998 and 2005, respectively. We also provided value-added services mainly to property developers including sales office management services, preliminary planning and design consultancy services and pre-delivery inspection services, and community value-added services including car parking space sales agency services to the Remaining Group and its joint ventures and associates during the Track Record Period. As confirmed by CIA, the business relationship between the Remaining Group and us is common among PRC property management companies and their parent group companies and has been mutually beneficial and complementary. Benefiting from such a long-standing relationship, we consider that we are familiar with the strategies, standards and requirements of the Remaining Group and are therefore able to provide tailored services to them in order to meet their specific needs.

The following table sets forth a breakdown of our revenue by business line and by paying customer for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	RMB('000)	*(%)*	*RMB('000)*	*(%)*	*RMB('000)*	*(%)*
Property management services	**183,231**	**79.5**	**205,190**	**69.4**	**223,593**	**69.9**
– Remaining Group	37,758	16.3	33,996	11.5	32,867	10.2
– Joint ventures and associates of the Remaining Group	–	–	–	–	–	–
– Independent third-party customers	145,473	63.2	171,194	57.9	190,726	59.7
Value-added services mainly to property developers	**33,286**	**14.4**	**59,193**	**20.0**	**60,729**	**19.0**
– Remaining Group	27,840	12.1	43,455	14.7	47,862	14.9
– Joint ventures and associates of the Remaining Group	4,190	1.8	9,241	3.1	5,957	1.9
– Independent third-party customers	1,256	0.5	6,497	2.2	6,910	2.2
Community value-added services	**14,178**	**6.1**	**31,311**	**10.6**	**35,413**	**11.1**
– Remaining Group	3,208	1.4	17,212	5.8	23,132	7.2
– Joint ventures and associates of the Remaining Group	–	–	–	–	–	–
– Independent third-party customers	10,970	4.7	14,099	4.8	12,281	3.9
Total	**230,695**	**100.0**	**295,694**	**100.0**	**319,735**	**100.0**

The general increase in revenue from the Remaining Group and its joint ventures and associates, in terms of paying customer, as a percentage of our total revenue increased from approximately 31.6% in 2020 to 34.2% in 2022 was primarily due to (i) the increase in revenue derived from value-added services mainly to property developers provided to the Remaining Group and its joint ventures and associates, mainly due to the increase in revenue from sales office management services as a result of the increase in the number of sales office management projects that we obtained from them; and (ii) the increase in revenue from community value-added services provided to the Remaining Group as we started to provide car parking space sales agency services to the Remaining Group in 2020.

During the Track Record Period, our value-added services mainly to property developers were primarily provided to the Remaining Group and its joint ventures and associates. Such services provided to the Remaining Group and its joint ventures and associates contributed to approximately 13.9%, 17.8%, and 16.8% of the total revenue of our Group in 2020, 2021 and 2022, respectively. We consider it is common for a property management company to provide such services primarily to its related property developer within the same group, and it is also common for a property developer to primarily engage its own subsidiaries to provide such services.

The following table sets forth a breakdown of our revenue by business line and by type of property developer for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	**183,231**	**79.5**	**205,190**	**69.4**	**223,593**	**69.9**
– Remaining Group[(1)]	139,529	60.5	148,775	50.3	159,917	50.0
– Joint ventures and associates of the Remaining Group[(2)]	–	–	–	–	–	–
– Independent third-party property developers[(3)]	43,702	19.0	56,415	19.1	63,676	19.9
Value-added services mainly to property developers	**33,286**	**14.4**	**59,193**	**20.0**	**60,729**	**19.0**
– Remaining Group[(1)]	28,811	12.5	44,811	15.1	48,996	15.3
– Joint ventures and associates of the Remaining Group[(2)]	4,190	1.8	9,241	3.1	4,823	1.5
– Independent third-party property developers[(3)]	285	0.1	5,141	1.8	6,910	2.2
Community value-added services	**14,178**	**6.1**	**31,311**	**10.6**	**35,413**	**11.1**
– Remaining Group[(1)]	9,856	4.2	26,824	9.0	33,055	10.3
– Joint ventures and associates of the Remaining Group[(2)]	–	–	–	–	147	0.1
– Independent third-party property developers[(3)]	4,322	1.9	4,487	1.6	2,211	0.7
Total	**230,695**	**100.0**	**295,694**	**100.0**	**319,735**	**100.0**

Notes:

(1) Refer to properties solely developed by the Remaining Group or jointly developed by the Remaining Group and independent third-party property developers where the Remaining Group held a controlling interest in such properties.

(2) Refer to properties jointly developed by the Remaining Group and independent third-party property developers where the Remaining Group did not hold a controlling interest in such properties.

(3) Refer to properties solely developed by independent third-party property developers.

During the Track Record Period, a vast majority of the properties under our management were developed by the Remaining Group. As of December 31, 2020, 2021 and and 2022, our GFA under management from properties developed by the Remaining Group and its joint ventures or associate constituted approximately 55.3%, 55.7% and 54.0%, respectively, of our total GFA under management as of the same dates. For the year ended December 31, 2020, 2021 and 2022, our overall revenue generated from properties developed by the Remaining Group and its joint ventures or associates amounted to approximately 79.0%, 77.5% and 77.2% of our total revenue, respectively. The general decreasing trend in our percentage of overall revenue from properties developed by the Remaining Group and its joint ventures or associates from 2020 to 2022 reflected our continuous efforts to expand our customer base and to manage more projects developed by independent third-party property developers.

Notwithstanding the vast choices of service providers that provide similar services in the market, we believe that it would not be in the best interest of the Remaining Group to select and engage other service providers, considering the amount of time and relevant experience required for such other service providers to provide equally satisfying services that are comparable to that of our Group. Meanwhile, during the Track Record Period, our ability to maintain a success rate of 100% of the tender bids submitted by our Group for the residential properties developed by the Remaining Group or its joint ventures or associates, and a retention rate of 100% with respect to properties developed by the Remaining Group also demonstrated the level of client satisfaction for our quality services, which indicates the Remaining Group's preference on our support to promote their brand image by continuously delivering quality property management services to property owners and residents of its developed properties. Among the five, two and five projects developed and completed by the Remaining Group and its joint ventures and associates for the years ended December 31, 2020, 2021 and 2022, respectively, we managed three, one and three of such projects as of December 31, 2022, representing 60%, 50% and 60% of the projects developed and completed by the Remaining Group and its joint ventures and associates. As of December 31, 2022, we did not obtain two property management service agreements for the above projects developed and completed by the Remaining Group or its joint venture and associates during the Track Record Period because such projects were jointly developed by the Remaining Group and its joint venture partners, the Remaining Group and such joint venture partners agreed not to invite our Group to participate in the tender procedure for property management service agreement or engage us for property management of the relevant projects because the joint venture partners prefer to engage property management companies which have a more reputable brand name or charge a lower property management fee, while we had secured the property management service agreements for the remaining two projects as of the Latest Practicable Date. Over years of cooperation, our Group on one hand, and the Remaining Group on the other hand, have gained thorough understanding of the business operations of each other and hence our Directors are of the view that our relationships have become mutually beneficial and complementary and is unlikely to change materially and adversely or be terminated. We believe our close and long-term cooperative relationship with the Remaining Group is instrumental to their respective success in establishing a well-recognized brand image, while enabling us to reinforce our existing market position and enhance our competitiveness in the PRC property management industry. It is therefore commercially beneficial for the Remaining Group and our Group to maintain a stable business relationship.

In order to further develop our property management portfolio and to further reduce our reliance on the Remaining Group, we established an investment development center to explore and identify new business expansion opportunities with independent third-party property developers and customers. For further details of our measures implemented and to be implemented by our Group to reduce our reliance on the Remaining Group in the future, see "—Property Management Services—GFA under Management" in this section and "Relationship with Controlling Shareholder—Independence from our Controlling Shareholders and their close associates" in this document.

Recent Regulatory Development

The Regulatory Notice and Administration Notice

In order to promote a steady and healthy development of the real estate market and improve the service standards of the property management industry, the PRC Government has issued several new regulations on property management services recently such as the Regulatory Notice, which was promulgated to rectify and standardize the real estate market order in the fields of real estate development, property sale and purchase, housing leasing and property management services, and the Notice on Strengthening and Improving the Administration of Residential Property Management (《關於加強和改進住宅物業管理工作的通知》) (the "**Administration Notice**"), which was proposed to strengthen the administration of residential property management. For details of the Regulatory Notice and the Administration Notice, see "Regulatory Overview—Laws and Regulations on Data Security and Privacy" in this document.

With respect to the Regulatory Notice, our PRC Legal Advisor advised that it primarily refines or reiterates certain general requirements, but does not impose new compliance requirements on the property management service industries. Our Directors confirm that (i) we have been in compliance with the requirements of the Regulatory Notice in relation to property management services in all material respects since its implementation; and (ii) as of the Latest Practicable Date, we had not been subject to any material legal proceedings or arbitrations against us in relation to the services that we provide in our ordinary course of business. Based on the foregoing, our PRC Legal Advisor is of the view that we have been in compliance with the relevant requirements of the Regulatory Notice in relation to property management services in all material respects since its implementation. We have also enhanced our internal control measures to ensure our ongoing compliance with the Regulatory Notice, which primarily include (i) providing on-the-job trainings and lectures to our employees regarding the requirements of the Regulatory Notice to ensure compliance of our daily operation; and (ii) designating legal staff to formulate internal guidelines and documentation. In addition, our Directors are of the view that the Regulatory Notice will unlikely result in any material adverse effect on either the Remaining Group or us, on the basis that (i) to the best of our Director's knowledge after consultation with the Remaining Group, since the promulgation of these policies and regulations and up to the Latest Practicable Date, (a) the Remaining Group had not experienced any delay in property development; and (b) no project developed by the Remaining Group experienced delays in completion and delivery during the period between January 1, 2021 and the Latest Practicable Date; (ii) to the best of our Director's knowledge after consultation with the Remaining Group, the Remaining Group had not experienced any material financial difficulties and does not expect a material delay of its property development plans in 2021 and 2022; (iii) even if there were a material delay in the delivery of properties from the Remaining Group to us, our Directors expect that we would still be able to generate stable revenues and cash flows from our existing GFA under management; and (iv) we have been seeking to expand our cooperation with independent third-party property developers to reduce reliance on the Remaining Group, thereby reducing risks from the potential delay in delivery of properties from the Remaining Group to us.

The Regulatory Notice represents the PRC Government's continuous effort to regulate the PRC property management industry. CIA is of the view that (i) the regulations stipulated in the Regulatory Notice are not new to the property management service providers but rather a reiteration of the existing laws and regulations, and (ii) the Regulatory Notice benefits property management service providers such as our Group, which provides high-quality services with standardized operations in compliance with the relevant laws and regulations, and formulates standardized internal control policies to ensure ongoing compliance. Accordingly, CIA is of the view that the Regulatory Notice will not have a material adverse impact on our business and financial performance. For further details, see "Industry Overview—Market Drivers—Favorable Government Policies" in this document.

With respect to the Administration Notice, taking into account that (i) among the cities where our projects are located, the property management committee system introduced under the Administration Notice has officially been promulgated in certain cities only; and (ii) the property management committee would merely fulfill a property owners' association's and/or a general meeting of property owners' responsibilities primarily by overseeing the quality of property management service provision, renewing property management service agreements with existing service providers or selecting new ones according to the decisions of the property owners, and representing property owners and residents to communicate with property management service providers prior to the establishment of property owners' associations, based on our experience in managing projects with established property owners' associations, our Directors are of the view that we have complied with the regulatory requirements in the Administration Notice, and it is unlikely that we would incur any material extra operational burden or costs to comply with the property management committee system requirement. Therefore, we expect that the Administration Notice will not have a material adverse effect on us.

The Administration Notice accelerates the development of the property management industry and promotes high-quality property management services. It emphasizes on enhancing different aspects of property management in the PRC which include, among other things, marketization of property management fees, promotion of the integration of online and offline services, and encouragement of property management service providers to adopt a business model that combines property services and community living services. Accordingly, CIA is of the view that the implementation of the Administrative Notice will be beneficial to the PRC property management industry as a whole by standardizing its development objectives covering property management scale and operations, service quality, development of intelligent property management and community value-added services, marketization of property management fees, and improvement in professional personnel management.

Based on the above and having made due and reasonable inquiries with the PRC Legal Advisor, our Directors are of the view, and the Joint Sponsors concur, that our property management service agreements, business operation, financial performance and prospects will not be materially and adversely affected by the Regulatory Notice or the Administration Notice. Nevertheless, we will remain susceptible to regulatory changes relating to the property development and property management industries in the PRC going forward. For more information, see "Risk Factors—Risks Relating to Our Business and Industry—We are susceptible to changes in the regulatory landscape of the PRC property management industry" and "Risk Factors—Risks Relating to Our Business and Industry—We are affected by the PRC Government regulations on the PRC real estate industry" in this document.

The Individual Housing Loan Notice

On December 28, 2020, the PBOC and the China Banking and Insurance Regulatory Commission (the "**CBIRC**") jointly issued the Notice of Establishing the Management System for Concentration of Real Estate Loans of Banking Financial Institutions (《中國人民銀行、中國銀行保險監督管理委員會關於建立銀行業金融機構房地產貸款集中度管理制度的通知》) (the "**Individual Housing Loan Notice**") to strengthen financial institutions' stability against fluctuations in the real estate market and promote the healthy and steady development of the real estate market. Based on certain factors, including the asset size and institution type of banking entities, the PBOC and the CBIRC formulated differentiated individual housing loan concentration management requirements (the "**Concentration Requirements**"), which set a cap on the proportion of the individual housing loan that a bank could lend as a percentage of the bank's total lending amount.

The Concentration Requirements are laid out with a comprehensive consideration of the bank type and the status quo and future space of outstanding individual housing loan businesses. To reflect regional differences, appropriate flexibility is allowed in setting forth the Concentration Requirements for locally incorporated banking institutions. A transition period of two to four years is arranged in the management system to ensure a smooth implementation of relevant policies and promote a steady and sound development of the real estate and financial markets. Banking institutions which exceed the caps specified under the Concentration Requirements should develop a scheme for business adjustments according to their actual conditions during the transition period. Banking institutions which satisfy the Concentration Requirements should carry out individual housing loan-related businesses in a prudent manner.

The Individual Housing Loan Notice primarily affects the PRC real estate industry, which the sale of properties by property developers may be adversely affected. As such, the Individual Housing Loan Notice is most likely to affect the transaction volume of the real estate industry in the short term. However, since the aim of the Individual Housing Loan Notice is to control real estate credit flow in order to promote simultaneous development in economy and real estate industry in the PRC, the relevant authorities indicated that adjustments would be made in order to support reasonable demand in individual housing. Accordingly, CIA is of the view that the Individual Housing Loan Notice will not affect the development plans of PRC property developers in the long term.

CIA is of the view that, the Individual Housing Loan Notice will not have a material adverse impact on the PRC property management industry as property management service providers typically (i) derive a considerable portion of revenue from their existing property projects under management, and (ii) procure new property management projects from various sources, such as property owners and property owners' associations, instead of relying solely on new property projects procured from property developers.

The Individual Housing Loan Notice does not raise the interest rates of individual housing loans, but merely limits the concentration of individual housing loans for various commercial banks, which is, according to our PRC Legal Advisor, a control measure adopted by the PRC Government to strengthen financial institutions' stability against fluctuations in the real estate market and promote the healthy and steady development of the real estate market. The Individual Housing Loan Notice is enacted and implemented nationwide, therefore it is expected to have a nationwide effect across the PRC. Based on (i) the Directors' past observations of individual housing loan policy's impact on the operation of the Remaining Group and its joint venture and associates; and (ii) the consideration that even if delivery of contracted but undelivered projects is halted due to the individual housing loans, the property developers are still bound by the preliminary property management service agreements to pay us property management service fees, as confirmed by our Directors, and the Joint Sponsors and the PRC Legal Advisor concur that, it is likely that the Individual Housing Loan Notice would affect the transaction volume of residential properties developed by the Remaining Group or its joint venture and associates only in the short term, and would not have material adverse effect on the development plans or construction activities of the Remaining Group and its joint venture and associates in the long term, and in turn, the property management projects from the Remaining Group and its joint venture and associates. In addition to residential properties on which the Individual Housing Loan Notice mainly impact, our property management portfolio include non-residential properties such as commercial and office buildings, industrial parks, hospitals, schools and prison. We also offer a wide scope of value-added services mainly to property developers and property owners. As such, our Directors are of the view, and the Joint Sponsors and the PRC Legal Advisor concur, that the Individual Housing Loan Notice has no direct or indirect material adverse effect on the Remaining Group, its joint venture and associates or us. In any event, we will actively maintain sustainable growth through the expansion of existing property projects to mitigate the negative consequence, if any, caused by the Individual Housing Loan Notice.

The "Three Red-Line" Standards

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, namely, the "Three Red-Line" standards. Pursuant to the "Three Red-Line" standards, (i) for property developers which comply with all the three limits, their size of interest-bearing liabilities shall increase by no more than 15% annually; (ii) for property developers which only comply with two of the three limits, their size of interest bearing liabilities shall increase by no more than 10% annually; (iii) for property developers which only comply with one of the three limits, their size of interest-bearing liabilities shall increase by no more than 5% annually; and (iv) for property developers which fail to comply with any of the three limits, their size of interest-bearing liabilities shall not increase at all. As of the Latest Practicable Date, apart from the policy relaxation 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. These rules 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.

The "Three Red-Line" standards primarily affects the PRC real estate industry, in particular for the property developers which have a relatively higher level of debts. The implementation of "Three Red-Line" standards makes it difficult for some property developers to achieve a quick and massive expansion through financial leverage, which in turn poses challenges to property management service providers which rely on the said property developers for source of projects.

In early 2022, financial institutions in the PRC informed certain large-scale property developers that the "Three Red-Line" standards have been relaxed by excluding short-term loans obtained by property developers for the purpose of merger and acquisitions from the calculation of pro forma ratios. CIA is of the view that, if such policy relaxation becomes official, it would be beneficial to the upstream companies within the real estate industry in the short term and long term, including property developers and property construction companies in the PRC as a whole, in particular property developers which have good financial performance. In the short term, these property developers would be able to expand their business by acquiring projects from property developers that have financial difficulties. In the long term, as these property developers have healthy financial performance, they would be able to comply with the requirements under such policy relaxation while sustaining their market share or expanding by merger and acquisition. On the other hand, as property management service providers typically (i) derive a considerable portion of revenue from their existing property projects under management, and (ii) procure new property management projects from various sources, such as property owners and property owners' associations, instead of relying solely on new property projects procured from property developers, CIA is of the view that the "Three Red-Line" standards and the possible relaxation on such policy are not expected to create a significantly adverse impact on property management service providers in general.

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.

Given that (i) most of the Remaining Group's (including both the Remaining Zhong An Group and the CNC Group)[(1)] 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 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.

According to recent news, certain property developers in the PRC experienced financial difficulties. To the best knowledge of our Directors, the property developers with which our Group had direct dealings during the Track Record Period had no material financial difficulties. In addition, to the best knowledge of our Directors after consulting the Remaining Group, the property developers with which the Remaining Group had relationships with during the Track Record Period, including but not limited to, investments, cooperation or financing arrangements, had no material financial difficulties. Based on the above, our Directors are of the view and the Joint Sponsors concur that it is unlikely that the recent financial difficulties experienced by certain PRC property developers will have a material adverse effect on our business operations or financial position.

The PRC Real Estate Tax Reform

On October 23, 2021, the 31st Session of the Standing Committee of the 13th National People's Congress adopted the Decision of the SCNPC on Authorizing the State Council to Carry out a Pilot Program of Real Estate Tax Reform in Certain Areas (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

Note:

(1) 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.

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.

According to information from public media, it is speculated that the pilot program may be launched in certain first- and second-tier cities with relatively vibrant real estate markets, such as Beijing, Shanghai, Shenzhen, Chongqing, Hangzhou, Ningbo, Nanjing, Suzhou, and Hainan. We expect that, among the regions where the Remaining Group and/or we have business presence, Hangzhou, Ningbo and Nanjing may fall into the ambit of the regions where the pilot program would be launched. As of December 31, 2022, to the best knowledge of our Directors after consulting the Remaining Group, the Remaining Group had approximately 3.3 million sq.m. of land bank and developed 24 projects in the three cities mentioned above, accounting for approximately 38.2% of its total land bank and 46.2% of its total number of projects, respectively, as of the same date. As of December 31, 2022, we managed 56 projects in two out of the three cities mentioned above with a GFA under management of approximately 8.0 million sq.m., accounting for approximately 61.8% of our total GFA under management as of the same date. In 2021 and 2022, the revenue that we derived from property management services provided to such projects amounted to approximately RMB154.8 million and RMB166.1 million, accounting for approximately 75.4% and 74.3% of our total revenue from property management services.

Only Shanghai and Chongqing had implemented the real estate tax on residential properties which meet certain criteria as of the Latest Practicable Date. The potential effect of the real estate tax in other cities, if implemented, remained uncertain. According to the National Bureau of Statistics of the PRC, the contracted sales volume and contracted GFA sold in Shanghai and Chongqing have been in alignment with the national trend since the implementation of real estate tax in the two cities mentioned above in 2011. CIA is of the view that, the effect of real estate tax on the property development markets of two cities mentioned above is limited, and that the consequential effect on the property management industries is relatively small. Based on our observations of the countries that have enacted real estate tax such as Germany and Singapore, imposition of real estate tax generally lowers the reliance on property development and affects the volume of real estate transactions in the pilot cities in the short run only. In the long run, taking into consideration the property market development in Shanghai and Chongqing since the implementation of real estate tax as mentioned above, real estate tax shall not affect the supply and demand pattern of real estate, instead, it will facilitate a healthy and stable development of the real estate market and development of a healthy, orderly and high quality property management services market. Generally, the supply and demand pattern of real estate of a region should generally be affected by factors such as macro-economy, currency and credit policies, real estate policies, land supply and urbanization process of such region. As such, from a property management service provider's perspective, the future implementation and enactment of real estate tax might have a temporary impact on the sale of properties developed by the Remaining Group, but would not have a material adverse effect on projects that (i) have been contracted to be managed by us; or (ii) have been delivered to us for our management as property owners or tenants are obligated to pay property management fees regardless of the real estate tax. As of December 31, 2022, the total number of our contracted but undelivered projects was 44, with a total contracted but undelivered GFA of approximately 6.6 million sq.m., and the number of contracted but undelivered projects in Hangzhou, Ningbo and Nanjing mentioned above was 20, with a contracted but undelivered GFA of approximately 2.7 million sq.m., accounting for approximately 45.5% of our total number of contracted but undelivered projects and approximately 40.6% of our total contracted but undelivered GFA as of the same date. As of the Latest Practicable Date, the total number of our contracted but undelivered projects was 42, with a total contracted but undelivered GFA of approximately 6.4 million sq.m., and the number of our contracted but undelivered projects in the three cities mentioned above was 19, with a contracted but undelivered GFA of approximately 2.6 million sq.m., accounting for approximately 45.2% of our total number of contracted but undelivered projects and approximately 40.5% of our total contracted but undelivered GFA, respectively, as of the same date. As such, we do not expect the number of projects contracted for our management to experience any significant change before the end of 2023. Based on the property management service agreements that we had entered into, our Directors are of the view that our contracted GFA, GFA under management or revenue in the three cities mentioned above would remain relatively stable in the near future. In addition, we will continue to evaluate business outreach and market development opportunities in these three cities mentioned above, making it impracticable to predict our contracted GFA, GFA under management or revenue therein. Even if our business operation further expands into these three cities, as we do not expect real estate tax to have a material adverse effect on property management service providers, our Directors are of the view that the implementation of real estate tax will not have a material adverse effect on our business operation or financial performance.

According to the Decision, the real estate tax pilot program shall last for five years from the date on which the measures for the pilot program are officially issued by the State Council. As of the Latest Practicable Date, it was unclear when the detailed measures for the real estate tax pilot program and the list of the real estate tax pilot cities would be formally introduced. Our Directors also confirm that we will (i) continue to communicate with relevant authorities to monitor the latest changes; and (ii) comply with the relevant real estate tax regulations and requirements when they are implemented. As such, our Directors are of the view, and the Joint Sponsors and the PRC Legal Advisor concur, that the real estate tax will have no material adverse effect on the Remaining Group's or our business operations or financial performance.

In addition to the above, another PRC regulation which is relevant to real estate tax is the Provisional Regulations of the PRC on Real Estate Tax (《中華人民共和國房產稅暫行條例》) (the "**Provisional Regulations on Real Estate Tax**") promulgated by the State Council on September 15, 1986, came into effect on October 1, 1986, and amended on January 8, 2011, which is still in effect and implemented at the national level and has nationwide effect across the PRC as of the Latest Practicable Date. As advised by the PRC Legal Advisor, pursuant to the Provisional Regulations on Real Estate Tax, some types of property are exempt from such real estate tax, including non-commercial properties owned by individuals, and the relevant real estate tax shall be paid by the property owners. According to the Decision, non-residential real estate shall remain subject to the Provisional Regulations on Real Estate Tax and the Provisional Regulations of the PRC Governing Land Use Tax in Urban Areas (《中華人民共和國城鎮土地使用稅暫行條例》) (promulgated by the State Council on September 27, 1988 and came into effect on November 1, 1988, and then amended respectively on December 31, 2006, January 8, 2011, December 7, 2013 and March 2, 2019). As of the Latest Practicable Date, detailed measures for the real estate tax on residential real estate with nationwide effect had not yet been introduced. To the best knowledge of our Directors and having made all reasonable enquiries, during the Track Record Period and up to the Latest Practicable Date, the Remaining Group and the Group had complied with the Provisional Regulations on Real Estate Tax and were not subject to any governmental investigation or litigation with respect to claims or allegations in relation to the Provisional Regulations on Real Estate Tax.

There are several reasons for levying the real estate tax. As the main tax income of a local government, it is conducive to raise local fiscal revenue for better provision of basic social public services to local residents. As a property tax, real estate tax can adjust the fair distribution of wealth and promote common prosperity. Under the background of overheated domestic real estate market and rising housing prices, it is also conducive to stabilize and foster the healthy development of the real estate market through proper taxation. The pilot program of the real estate tax is expected to be carried out in various cities according to the new rules to be implemented. Based on the experience from the pilot program, the final laws and regulations relating to real estate tax will be enacted and implemented nationwide.

Regulations Relating to Overseas Listing

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 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 filling 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]**.

Biometric Regulatory Requirements

The relevant requirements encourage the use of artificial intelligence during the provision of services.

As of December 31, 2022, as part of our smart management, two of the residential properties under our management adopted facial recognition access control system to grant access for the residents. Facial features of the residents are only registered on our facial recognition access control system upon the receipt of their written consents. With the encouragement of use of artificial intelligence, in the event that we install and use facial recognition access control system in all residential properties under our management, our Directors are of the view that property owners and residents in residential properties under our management would benefit from having greater convenience and higher security, which may lead to an increase in their loyalty to our services. There has been increasing biometric regulatory requirements ("**Biometric Regulatory Requirements**") imposed by local governments in different areas across the PRC, such as Hangzhou, to enhance the protection thereof. For further details, see "Regulatory Overview—Laws and Regulations on Data Security and Privacy" and "Industry Overview—Future Trends of the PRC Property Management Industry—Increasing Standardization and Adoption of Information Technology" in this document. According to the Biometric Regulatory Requirements, which was implemented in early 2022, property management service providers are prohibited to require property owners and/or residents at the property projects that they manage to use biometric authentication compulsorily.

As of December 31, 2022, one property project that we managed in Hangzhou adopted the facial recognition access control system as part of our smart management. The GFA under management of such property project and revenue derived therefrom represented approximately 1.1% of our total GFA under management as of December 31, 2022, and 1.5% of our total revenue derived from provision of property management services in 2022. As advised by our PRC Legal Advisor, any biometric information can only be obtained from property owners and/or residents at the property projects that property management service providers manage for use of biometric authentication if (i) there is a specific purpose and a sufficient necessity to do so, (ii) the property management service providers adhere to all national and regional laws and regulations regarding protection of personal information, privacy, data and cyber security, and (iii) separate consents have been obtained from biometric information providers, i.e. property owners and/or residents at the property projects that property management service providers manage. As we have fulfilled the abovementioned requirements, in particular, facial features or other biometric information of the residents in the said property projects are only registered on our biometric recognition system upon the receipt of their separate written consents according to our Group's policy, we have never required and will not require the residents to use biometric authentication compulsorily. Accordingly, our PRC Legal Advisor is of the view that our Group had complied with the requirements under the Biometric Regulatory Requirements in all material aspects during the Track Record Period and up to the Latest Practicable Date. Accordingly, our Directors are of the view that, and the Joint Sponsors concur, the Biometric Regulatory Requirements will unlikely to result in any material adverse impact on our business operations and financial performance both in the short term and long term.

Our Top Five Customers

The following table sets forth details of our top five customers in 2020:

Rank	Customer	Background	Major services provided	Year of commencement of business relationship	Payment method	Revenue contribution	Percentage of total revenue for the year
						(RMB' 000)	*(%)*
1.	Remaining Group and its joint ventures and associates	Property developer	Property management services, value-added services mainly to property developers and community value-added services	1998	Bank transfer	72,996	31.6
2.	Customer A	Property developer	Property management services	2016	Bank transfer	2,802	1.2
3.	Customer B	Company engaged in technology development and consultancy	Property management services	2015	Bank transfer	2,557	1.1
4.	Customer C	Property management company	Property management services	2019	Bank transfer	1,227	0.5
5.	Customer D	School	Property management services	2016	Bank transfer	866	0.4

The following table sets forth details of our top five customers in 2021:

Rank	Customer	Background	Major services provided	Year of commencement of business relationship	Payment method	Revenue contribution	Percentage of total revenue for the year
						(RMB' 000)	*(%)*
1.	Remaining Group and its joint ventures and associates	Property developer	Property management services, value-added services mainly to property developers and community value-added services	1998	Bank transfer	103,904	35.1
2.	Customer E(1)	Property developer	Value-added services mainly to property developers	2020	Bank transfer	5,142	1.8
3.	Customer B	Company engaged in technology development and consultancy	Property management services	2015	Bank transfer	2,716	0.9
4.	Customer F	Construction company	Value-added services mainly to property developers	2019	Bank transfer	1,356	0.5
5.	Customer C	Property management company	Property management services	2019	Bank transfer	1,160	0.4

Note:

(1) To the best knowledge of our Directors and having made all reasonable enquiries, Customer E includes four entities which were indirectly controlled by Ms. Qi Xiaomin as at the Latest Practicable Date. Ms. Qi Xiaomin holds direct interests in certain entities which in turn directly hold 10% equity interests in Zhejiang Zhong An (being an indirect non-wholly owned subsidiary of Zhong An), and Zhong An Shenglong and Zhejiang Zhong An Property Development (each being an indirect non-wholly owned subsidiary of China New City), respectively. Ms. Qi Xiaomin is also an ex-employee and business partner of the Remaining Group. See "History, Reorganization and Corporate Structure—Reorganization" in this document for details.

The following table sets forth details of our top five customers in 2022:

Rank	Customer	Background	Major services provided	Year of commencement of business relationship	Payment method	Revenue contribution	Percentage of total revenue for the year
						(RMB' 000)	*(%)*
1.	Remaining Group and its joint ventures and associates	Property developer	Property management services, value-added services mainly to property developers and community value-added services	1998	Bank transfer	109,817	34.3
2.	Customer E(1)	Property developer	Value-added services mainly to property developer	2020	Bank transfer	5,786	1.8
3.	Customer G	Shopping center	Property management services	2022	Bank transfer	1,737	0.5
4.	Customer H	Company engaged in technology development and consultancy	Property management services	2022	Bank transfer	1,695	0.5
5.	Customer A	Property developer	Property management services	2016	Bank transfer	1,452	0.5

Note:

(1) To the best knowledge of our Directors and having made all reasonable enquiries, Customer E includes four entities which were indirectly controlled by Ms. Qi Xiaomin as at the Latest Practicable Date. Ms. Qi Xiaomin holds direct interests in certain entities which in turn directly hold 10% equity interests in Zhejiang Zhong An (being an indirect non-wholly owned subsidiary of Zhong An), and Zhong An Shenglong and Zhejiang Zhong An Property Development (each being an indirect non-wholly owned subsidiary of China New City), respectively. Ms. Qi Xiaomin is also an ex-employee and business partner of the Remaining Group. See "History, Reorganization and Corporate Structure—Reorganization" in this document for details.

SUPPLIERS

Overview

For all three of our business lines, our suppliers are primarily subcontractors located in the PRC providing cleaning services, gardening services, repair and maintenance services, and garbage disposal services. In 2020, 2021, and 2022 purchases from our five largest suppliers amounted to approximately RMB7.5 million, RMB8.9 million and RMB9.3 million, respectively, accounting for approximately 5.1%, 4.8% and 4.6%, respectively, of our total cost of sales for the same years. In each year during the Track Record Period, purchases from our largest supplier amounted to approximately RMB2.4 million, RMB2.5 million and RMB3.9 million, respectively, accounting for approximately 1.6%, 1.3% and 1.9%, respectively, of our total cost of sales.

Our five largest suppliers in 2020, 2021 and 2022 generally grant us a credit term ranging from 15 to 90 days. We do not have any long-term agreements with our five largest suppliers and generally entered into agreements with a term of one to three years with our five largest suppliers during the Track Record Period which is renewable upon negotiation.

In 2020 and 2021, purchases from our largest supplier, Zhejiang Anyuan Nongye, amounted to approximately RMB2.4 million and RMB2.5 million, respectively, accounting for approximately 1.6% and 1.3%, respectively of our total cost of sales of the same years. The transactions with Zhejiang Anyuan Nongye will constitute connected transactions of our Group upon **[REDACTED]**. However, as of the Latest Practicable Date, our business relationship with Zhejiang Anyuan Nongye in relation to gardening services had been terminated because, to the best of our Directors' knowledge, it ceased to provide such services. Except for Zhejiang Anyuan Nongye, all of our five largest suppliers during the Track Record Period were Independent Third Parties and we did not experience any material delay, supply shortages or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers. As of the Latest Practicable Date, save as disclosed above, none of our Directors, their respective close associate or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital held any interest in any of our five largest suppliers.

We engaged Zhejiang Anyuan Nongye to provide gardening services as our Directors considered Zhejiang Anyuan Nongye had a better understanding of our Group's preferences and service requirements, hence would be able to provide services that meet our quality standards. Purchases from Zhejiang Anyuan Nongye were conducted in our ordinary course of business and the price of such gardening services provided by it fell within the price charged by our other suppliers of similar services. The provisions of our agreement with Zhejiang Anyuan Nongye were on normal and commercial terms and the relevant pricing terms, payment schedule and services as provided in such agreement had no material difference as compared to those provided by our other suppliers of similar services. Based on the foregoing, our Directors confirm that our transactions with Zhejiang Anyuan Nongye were conducted on arm's length basis and normal commercial terms.

See "—Subcontracting" in this section for details in relation to our subcontractors.

Our Top Five Suppliers

The following table sets forth details of our top five suppliers in 2020:

Rank	Supplier	Background	Major services purchased	Year of commencement of business relationship	Payment method	Purchase amount	Percentage of our total cost of sales for the year
						(RMB' 000)	*(%)*
1.	Zhejiang Anyuan Nongye[(1)]	Company engaged in gardening and landscaping services, and production and sale of agricultural product	Gardening services	2019	Bank transfer	2,363	1.6
2.	Supplier A	Company engaged in cleaning services	Cleaning services	2017	Bank transfer	1,630	1.1
3.	Supplier B[(2)]	Provider of building materials	Sale of building materials	2020	Bank transfer	1,316	0.9
4.	Supplier C	Company engaged in cleaning services	Cleaning services	2018	Bank transfer	1,122	0.8
5.	Supplier D	Company engaged in cleaning services	Cleaning services	2018	Bank transfer	1,066	0.7

Notes:

(1) Zhejiang Anyuan Nongye is an indirect non-wholly owned subsidiary of Zhong An, one of our Controlling Shareholders, and thus a connected person of our Group. As of the Latest Practicable Date, our business relationship with Zhejiang Anyuan Nongye in relation to gardening services had been terminated because, to the best of our Directors' knowledge, it ceased to provide such services.

(2) Supplier B was deregistered on June 29, 2020 due to commercial reasons. As (i) the transaction with Supplier B in 2020 was non-recurring in nature and the procured materials were supplied to one of our managed properties only, (ii) we did not enter into any other procurement contract with Supplier B in 2020, and (iii) the purchases from Supplier B contributed to only approximately 0.9% of our Group's total cost of sales in 2020, our Directors are of the view that the deregistration of Supplier B will not materially affect our Group's business operations and financial position subsequent to the Track Record Period as we have already identified alternative suppliers which can provide similar services at comparable quality and price. The building materials we procured such as paving bricks, tubes and pumps were primarily used for small-scale repair and maintenance work we undertook at our managed properties in 2020.

The following table sets forth details of our top five suppliers in 2021:

Rank	Supplier	Background	Major services purchased	Year of commencement of business relationship	Payment method	Purchase amount	Percentage of our total cost of sales for the year
						(RMB' 000)	*(%)*
1.	Zhejiang Anyuan Nongye[(1)] .	Company engaged in gardening and landscaping services, and production and sale of agricultural product	Gardening services	2019	Bank transfer	2,490	1.3
2.	Supplier D	Company engaged in cleaning services	Cleaning services	2018	Bank transfer	2,302	1.2
3.	Supplier E	Company engaged in technology and artificial intelligence development	Sale of cleaning robots	2021	Bank transfer	1,619	0.9
4.	Supplier C	Company engaged in cleaning services	Cleaning services	2018	Bank transfer	1,401	0.8
5.	Supplier F	Company engaged in cleaning services	Cleaning services	2020	Bank transfer	1,122	0.6

Note:

(1) Zhejiang Anyuan Nongye is an indirect non-wholly owned subsidiary of Zhong An, one of our Controlling Shareholders, and thus a connected person of our Group. As of the Latest Practicable Date, our business relationship with Zhejiang Anyuan Nongye in relation to gardening services had been terminated because, to the best of our Directors' knowledge, it ceased to provide such services.

The following table sets forth details of our top five suppliers in 2022:

Rank	Supplier	Background	Major services purchased	Year of commencement of business relationship	Payment method	Purchase amount	Percentage of our total cost of sales for the year
						(RMB' 000)	*(%)*
1.	Supplier G	Company engaged in human resources services	Personnel outsourcing services	2021	Bank transfer	3,859	1.9
2.	Supplier D	Company engaged in cleaning service	Cleaning services	2018	Bank transfer	2,163	1.1
3.	Supplier H	Company engaged in engineering management services	Cleaning services	2021	Bank transfer	1,588	0.8
4.	Supplier F	Company engaged in cleaning services	Cleaning services	2020	Bank transfer	1,087	0.5
5.	Supplier J	Company engaged in cleaning services	Cleaning services	2021	Bank transfer	642	0.3

SUBCONTRACTING

We outsource certain labor-intensive services and specialized services, primarily including cleaning services, gardening services, repair and maintenance services and garbage disposal services to subcontractors, which enables us to reduce our operating and labor costs, improve service quality and dedicate more resources to management and other value-added services. We believe such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors and enhance the overall profitability of our business. In 2020, 2021 and 2022, subcontracting costs amounted to RMB14.2 million, RMB20.7 million and RMB20.1 million, respectively, which accounted for approximately 9.9%, 11.2% and 9.9%, respectively, of our total cost of sales.

The increasing trend of our subcontracting costs during the Track Record Period corresponds with the increase in the number of projects and the GFA under management during the same period. All of our subcontractors for the Track Record Period are located in the PRC.

Except for Zhejiang Anyuan Nongye, our Group's relationship with which was disclosed in "—Suppliers—Overview" in this section, all of our five largest subcontractors during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, save as disclosed above, none of our Directors, their respective close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital held any interest in any of our five largest subcontractors.

Selection and Management of Subcontractors

We aim to create and maintain an effective and comprehensive system for subcontractor management. We constantly monitor and evaluate the subcontractors on their ability to meet our requirements. To ensure the overall quality of our subcontractors, we maintain a list of subcontractors based on our series of assessment standards, including, among others, the amount of registered capital, qualifications, size of overall operations, track record performance, management style and operational procedures. After initial evaluation of subcontractors, we also regularly review the performance of subcontractors on an annual basis and assign grades to subcontractors.

Key Terms of Our Subcontracting Agreement

A typical subcontracting agreement entered into between subcontractors and us generally includes the following key terms:

- *Term*. A subcontracting agreement typically has a term of approximately one to three years and may be renewed upon mutual consent. If the subcontractor's performance meets the agreed standards, we may consider re-engaging such subcontractors.

- *Our responsibilities*. We are typically responsible for providing on-site personnel despatched by the subcontractor with necessary working space, tools and materials.

- *Obligations of the subcontractor*. The subcontractor is typically responsible for providing services in accordance with the scope, frequency and standards prescribed in the relevant subcontracting agreement and in compliance with all applicable laws and regulations. In the event of sub-standard performance, subcontractor is required to take necessary rectification measures within the period required by us, failing which we have the right to claim damages, hire alternative subcontractors to provide the contracted services and subtract any expenses incurred by us from the contract price agreed with the non-performing or underperforming subcontractor, or terminate the contract. The subcontractor is required to manage its personnel providing the contracted services and there is no employment relationship between us and the personnel of the subcontractor.

- *Risk allocation*. The subcontractor is responsible for any damages to property or personal injuries caused by the fault of the subcontractor in the course of providing the contracted services. We typically require the subcontractor to indemnify us for any damages that it causes to the properties of the residents and us. The subcontractor is also required to pay all social insurance and housing provident funds contributions for its personnel in accordance with PRC laws and regulations and bear the liabilities and responsibilities in the event of any non-compliance.

- *Procurement of raw materials*. Raw materials shall be procured by the subcontractor. The procurement costs are usually included in the subcontracting fee.

- *Subcontracting fee*. Subcontracting fee is typically payable monthly or quarterly, including costs incurred in connection with the procurement of raw materials, labor costs, equipment maintenance costs, tax expenses and other miscellaneous costs incurred by the subcontractor.

- *Termination*. We monitor and assess the performance of the subcontractor on a regular basis and can terminate the subcontracting agreement in the event of repeated sub-standard performance.

QUALITY CONTROL

We prioritize quality in our services and believe that quality control is crucial to the long-term success of our business. We have established a quality control system and devised relevant internal policies to standardize our quality control procedures. Our business activities and quality of service are subject to regular inspection and assessment. In addition, we have formulated inspection and assessment guidelines for our employees to follow so as to ensure satisfaction of our customers and standards of our services. Through close and regular monitoring and supervision, our quality control system assists us in the control and supervision of the quality of various aspects of our services at different levels.

Quality Control over Our Services

We conduct our operations in accordance with the standards represented by our ISO9001:2015 quality management certification which we first obtained in 2009. Our current certification is valid from January 2022 to January 2025. We have established a system for monitoring the quality of our services, which includes multiple sets of standardized internal policies and procedures. For example, we require our employees to record their daily observations and updates as to the property's conditions and customers' complaints received. Such observations will typically be handled by the responsible personnel within 24 hours from receipt. We also devised instructions on how to conduct our value-added services, as well as our property management services encompassing aspects such as customers and visitors management, supervision and management of outsourced repair and maintenance work, and common area and facilities cleaning and maintenance procedures.

Quality Control over Subcontractors

We typically include in the agreements with subcontractors detailed quality standards for the services to be provided. We regularly monitor and evaluate the performance of the subcontractors and may require the subcontractors to take necessary rectification measures when their services do not meet the agreed standards. We also conduct annual surveys among property owners and residents regarding the quality of services provided by our subcontractors. We have the contractual right to adjust the subcontracting fees and decide whether to continue our subcontracting contract depending on the outcomes of such surveys. See "—Subcontracting—Selection and Management of Subcontractors" in this section for details.

Feedback and Complaint Management

In order to maintain and improve our service quality and customers' satisfaction, we seek for and receive customer feedback and complaints about our performance during the ordinary course of our business. We have different complaint channels available for our customers to provide us with oral, written or online feedback such as telephone number, facsimile number, email or postal address of the relevant department and the designated personnel handling customer complaints, as well as feedback collection box. Customer feedback and complaints are generally relate to unsatisfactory services by our employees, improper parking by car park users or noise pollution from neighbourhood.

We have established internal policies and procedures for responding to and recording customer feedback and complaints, and following up with our customers for reviews on our responses. These internal policies and procedures are applicable across all of our property management projects. We require our relevant employees to respond to face-to-face, telephone or verbal complains within the working day on which the complaint is received and to respond to written or complaints by email within 24 hours from receipt. If a complaint is received online, a preliminary response should be sent within four hours of receipt and a substantive response should follow on the same working day. Where a complaint could not be resolved in 24 hours, the customer service specialist should confirm with the complainant the timing for the earliest response and refer the complaint to the department manager immediately, who would then follow up and assign a responsible person to the complaint. The customer service specialist should also relay the complaint to the head of customer service, who will keep track of the complaint. All records and relevant information related to the customer complaint should be filed together with the customer's file, or individually in case of material complaints. After a complaint has been dealt with and upon the verification of the head of customer service, a customer service specialist from the management department shall conduct a re-visit except for (i) on-site complaints that were immediately and satisfactorily dealt with, (ii) anonymous complaints or where contact details of the complainants cannot be confirmed, or (iii) complaints that are too sensitive for conducting re-visit. In designing such a feedback and complaint management system, we seek to maintain the trust and confidence of our customers.

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.

EFFECTS OF THE COVID-19 OUTBREAK

Effects of the COVID-19 Outbreak on Our Business Operations

An outbreak of respiratory illness caused by a novel coronavirus (COVID-19) was first reported in late 2019 and continues to spread across the PRC and globally. As of the Latest Practicable Date, COVID-19 had been effectively controlled in China as a result of the strict measures implemented to contain the COVID-19 pandemic spread and the regions where our managed properties are located are relatively less affected by the spread of COVID-19.

To the best of our Directors' knowledge, as of the Latest Practicable Date, there had been no cases of COVID-19 infection of our staff and none of our staff was subject to the mandatory quarantine requirements and thus failed to report to duties. Since the outbreak of COVID-19 and up to the Latest Practicable Date, we had not encountered any material disruption to the services provided by our subcontractors and utilities service providers and the supply of materials from our suppliers. Our Directors consider that while the supply chains in all industries will be disrupted to a certain extent by the outbreak of COVID-19, particularly due to the prolonged suspension of business operations in the PRC and the instability of workforce arising from the mandatory quarantine requirements, in view of the nature of our business, our Directors do not expect that our Group will encounter any material disruptions of our supply given that we do not heavily rely on any particular service subcontractors or material suppliers and we will be able to find other subcontractors and suppliers in the market as back-up. Based on the above, our Directors are confident that our Group can continue to provide our services and discharge our obligations under existing contracts.

Since late 2019 and up to the Latest Practicable Date, there had been no material delay in the delivery of completed properties to us for management as scheduled as a result of the COVID-19. Furthermore, up to the Latest Practicable Date, the COVID-19 had no material adverse effect on our participation in tender process for obtaining new property management service agreements. To the best knowledge of our Directors after consulting the Remaining Group, we do not anticipate there will be any material delay in the delivery of the properties developed by the Remaining Group or its joint ventures and associates for our management as scheduled. Given the nature of our business operations, our Directors are of the view that the risks of our Group having to suspend our operations or terminate our provision of property management services to customers, experience material interruption to the services provided by our subcontractors and utility service providers and supplies of materials, and reduce our property management fees as a result of the COVID-19 outbreak are remote. Since the outbreak of COVID-19 and up to the Latest Practicable Date, we had not experienced any labor shortage as a result of the COVID-19 nor had we experienced material difficulties in collecting property management fees. In addition, our Directors expect that the COVID-19 outbreak will bring in changes which are favorable to us in the long run. During the fight against the COVID-19 outbreak, property management companies in the PRC played a significant role and served as a bridge among the government, community workers and residents. We believe our efforts to control the outbreak and assistance provided to the residents have earned us trust and reliance from property owners and residents of the properties we managed, which we believe will lead to higher retention rate of property management service agreements going forward. Our Directors also expect that new government regulations on property management industry may be promulgated from time to time, which will offer us a higher degree of regulatory certainty in our long-term business operations, such as the Notice issued by the Office of MOHURD on Strengthening the Prevention and Control Measures of COVID-19 in an Orderly Manner to Promote Enterprises' Resumption of Work (《住房和城鄉建設部辦公廳關於加強新冠肺炎疫情防控有序推動企業開復工工作的通知》) and the Notice jointly issued by the Ministry of Human Resources and Social Security, the Ministry of Finance and the SAT on Extension of the Implementation Period of Phased Reduction and Exemption of Social Insurance Payments and Other Issues (《關於延長階段性減免企業社會保險費政策實施期限等問題的通知》). Based on the above, our Directors are of the view that no material adverse effect on our operations and financial performance is expected to result from the COVID-19 outbreak as of the Latest Practicable Date.

In the unlikely event that we are forced to reduce or suspend part of our business, whether due to government policy or any other reasons beyond our control as a result of the COVID-19 pandemic, we estimate our existing financial resources (including cash and bank balances and amounts due from related companies to be repaid before the **[REDACTED]**) as of December 31, 2022 could satisfy our necessary costs for at least the next 12 months from January 1, 2023. Key assumptions of the above estimates primarily include (i) no revenue would be generated due to suspension of our business; (ii) all of our staff, including operational and administrative employees, will be encouraged to take unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred; (iii) we may incur additional staff cost to dismiss front line staff assuming no mutual consent to take unpaid leave is obtained from them; (iv) overall operating and administrative expenses and estimated monthly fixed costs will be incurred to maintain our operations at a minimum level; (v) our expansion plan is suspended under such condition; (vi) we would only use the immediate cash and deposits available, including our cash and cash equivalents as of December 31, 2022, and there will be no additional internal or external financing from Shareholders or financial institutions; (vii) no dividend will be declared and paid under such situation; (viii) the non-trade related amounts due from or to related companies as set out in the consolidated financial information of our Group as of December 31, 2022 would be received or paid, respectively, by our Group before the **[REDACTED]**; (ix) our trade payables will be settled when due, while we will be able to collect trade receivables from our customers based on historical settlement pattern; and (x) there are no material changes in the near future that would significantly affect the aforementioned key assumptions.

We also expect that we may experience certain risks in relation to COVID-19 outbreak. For example, many pandemic control measures may become a regular of our property management services, such as visitor and vehicle restriction and routine common area disinfection, which could lead to a permanent increase in staff costs and medical material costs. In addition, we may be required by local government to provide property management services in a specified manner, which could potentially expose us to more liabilities and higher costs and expenses.

The risks and extreme situations mentioned above are for illustrative purpose only and they may or may not occur, our Directors are of the view that the likelihood of these situations will happen is remote. The actual impact from the outbreak of COVID-19 on our Group will depend on its subsequent development. Therefore, there is a possibility that such impact to our Group may be out of our Directors' control and beyond our estimation and assessment. See "Risk Factors—Risks Relating to our Business and Industry—Our business operations may be affected by the COVID-19 pandemic" in this document for further discussion.

Our Response Towards the COVID-19 Outbreak

In response to the COVID-19 outbreak, we have adopted enhanced hygiene and precautionary measures across the properties under our management since January 2020. These measures include, among others, (i) regularly cleaning and disinfecting the common areas, disinfecting cars entering into our managed properties and ensuring the ventilation systems are in order; (ii) restricting the number of visitors and cars entering into our managed properties and monitoring the medical symptoms of the visitors at our managed properties by measuring their body temperatures; (iii) requiring our staff to wear suitable protective gear such as gloves and face masks and to report their health conditions regularly; (iv) promoting personal hygiene among our employees as well as property owners and residents of the properties we manage; and (v) follow the policies and requirements implemented by the PRC Government from time to time. The additional costs for implementing these enhanced measures are expected to be mainly related with masks, ethanol hand wash, disinfectants and infrared thermometers. Our Directors believe that the additional costs incurred as a result of the enhanced measures, after taking into account the medical and cleaning supplies distributed by local governments, would have no significant adverse impact on our Group's financial position for the year ending December 31, 2022.

Effects of the COVID-19 Outbreak on Our Business Strategies

Currently, it is one of our business strategies to strengthen our leading position in Zhejiang province and expand into other key provinces in the Yangtze River Delta Region and other key cities in the PRC. While the property market in the PRC may experience certain extent of impact as a result of the COVID-19 outbreak, given the continuous rise in the urban population and urbanization rate in China, we believe that the demand for residential and non-residential properties in areas with high population density and spending power will remain high. The outbreak of COVID-19 is expected to cause certain short-term economic slowdown across China but it will unlikely affect the development of the property management industry in the PRC and talent attraction plan in the long run, and considering the outbreak is being effectively controlled within the PRC, the impact of which shall be contained and the outlook for the demand of residential and non-residential properties and related property management services in these cities will remain positive. We therefore believe that our expansion plan as discussed in "—Business Strategies" in this section is feasible, and it is unlikely that we would change the use of the **[REDACTED]** from the **[REDACTED]** as disclosed in "Future Plans and **[REDACTED]**" in this document as a result of the COVID-19 outbreak.

INTELLECTUAL PROPERTY

We believe that our intellectual property rights are critical to our continued success. We primarily rely on laws and regulations on trademarks and trade secrets and our employees' and third-parties' contractual commitments to confidentiality to protect our intellectual property rights. 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 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. For further details, see "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.

As of the Latest Practicable Date, we were not aware that we had materially infringed any intellectual property rights owned by third-parties, nor were we aware that any third-parties had materially infringed our intellectual property rights.

See "Appendix IV—Statutory and General Information—B. Further Information about our Business—2. Intellectual Property of our Group" to this document for more information about our registered intellectual properties and intellectual property applications.

AWARDS AND RECOGNITION

The following table sets forth a selection of the notable awards and accreditations we received during the Track Record Period and up to the Latest Practicable Date:

Date	Award or Recognition	Awarding Entity
April 2023	Ranked 40th in the 2023 Top 100 Property Management Companies in China (2023中國物業服務百強企業) in terms of overall strength	CIA
April 2022	Ranked 42nd in the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業) in terms of overall strength	CIA
November 2021	Ranked among the 2020-2021 China Property Management Enterprise Digital Power Top 30 (2020-2021中國物業企業數字力TOP 30) in the fourth session of the CIOC Real Estate Intelligent Technology Summit (第四屆CIOC不動產數字化峰會)	Jointly awarded by E-House CRIC (易居克而瑞) and China Real Estate Appraisal Center of Shanghai E-House Real Estate Research Institute (上海易居房地產研究院中國房地產測評中心)
September 2021	Appointed as a member of the fifth session of the director unit of Hangzhou Property Management Institute (杭州市物業管理協會第五屆理事單位)	Hangzhou Property Management Institute (杭州市物業管理協會)
April 2021	Ranked 50th in the 2021 Top 100 Property Management Companies in China (2021中國物業服務百強企業) in terms of overall strength	CIA
April 2021	Baima Villa (白馬山莊) was recognized as 2021 China Five-star Property Management Services Project (2021中國五星級物業服務項目)	CIA
May 2020	Ranked 59th in the 2020 Top 100 Property Management Companies in China (2020中國物業服務百強企業) in terms of overall strength	CIA
May 2020	Hidden Dragon Bay (隱龍灣), Zhongan Garden (眾安花園) and Oasis Mansion (綠洲嘉園) were recognized as 2019 Xiaoshan District Five-star Property Services Projects (2019年度蕭山區五星級物業服務項目)	Hangzhou Xiaoshan District Housing and Urban-Rural Development Bureau (杭州市蕭山區住房和城鄉建設局)

Date	Award or Recognition	Awarding Entity
May 2019	Ranked 63rd in the 2019 Top 100 Property Management Companies in China (2019中國物業服務百強企業) in terms of overall strength	CIA
May 2019	Baima Villa (白馬山莊) and Yuelong Bay (悦龍灣) were recognized as 2019 China Five-star Property Management Services Projects (2019中國五星級物業服務項目)	CIA

COMPETITION

The growth of the PRC property management industry is primarily attributable to key drivers such as favorable government policies and the continuous urbanization and increasing per capita disposable income in China which has led to rising supply of commodity properties (being properties developed for sale) and, demand for property management services. China's economic development in recent years has resulted in increasing urbanization and continuous growth in the per capita annual disposable income for the urban population. We expect that the aforementioned improvement in the per capita annual disposable income will stimulate customers' pursuit of quality services and increase their discretionary spending on goods and services beyond basic necessities. For example, there may be increasing demand for better living conditions and therefore corresponding desire for higher quality property management services. The continuous urbanization in China has increased the supply of commodity properties to which we may provide property management services and satisfy that demand. In keeping with these trends, the GFA under management of, and the number of properties managed by, the Top 100 Property Management Companies have increased. According to CIA, total revenue attributable to the Top 100 Property Management Companies has therefore increased to approximately RMB340.4 billion in 2021 from RMB125.6 billion in 2016, representing a CAGR of approximately 22.1%.

We primarily compete against the Top 100 Property Management Companies, particularly those affiliated with reputable property developers in China. The growth of the brand of the Remaining Group provides a strong foundation for our own advancement. In recent years, our percentage of GFA under management from the Remaining Group's property development projects has decreased, while our percentage of GFA under management from projects developed by independent third-party property developers has increased. This demonstrates that while we are able to enjoy the support of our affiliates, we are also capable of searching for and taking advantage of market opportunities independently. According to CIA, our ranking among the Top 100 Property Management Companies in China in terms of overall strength of property management increased from 82nd in 2016 to 40th in 2023, reflecting our growing property management capabilities. Our market share in the PRC in terms of GFA under our management as of December 31, 2022 was approximately 0.04%.

We believe that, based on our competitive strengths, we are able to continue competing with other industry players. Moreover, new market entrants are faced with entry barriers such as brand awareness and reputation, capital requirements, quality management and availability of industry expertise, which we believe we possess and will continue to uphold. See "Industry Overview" and "Risk Factors—Risks Relating to our Business and Industry—We operate a highly competitive business and may not compete successfully against existing and new competitors" in this document for more information on the industry and the markets that we operate in.

SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labor, safety and environmental protection matters. During the Track Record Period, we have conducted our operations in accordance with standards represented by our OHSAS18001:2007 occupational health and safety management certification, which we first obtained in 2016. Our current certification ISO45001:2018 is valid from January 2022 to January 2025. We are also committed to environmental protection and have adopted and implemented measures to ensure that we meet the standards represented by our ISO14001:2015 environmental management certification and our current certification is valid from January 2022 to January 2025. We first obtained our ISO14001:2004 environmental management certification in 2009.

We train our employees on how to react during selected emergencies. See "—Employees" in this section for more information on the trainings provided to our employees. During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable PRC laws and regulations in relation to health and workplace safety in all material respects. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents involving personal injury or property damage. Our Directors confirm that there were no material labor disputes or labor-related legal proceedings against us during the Track Record Period.

We take into consideration the impact of our business on climate and the environment, and are committed to operating our business in compliance with applicable laws and regulations in relation to climate and environment. We have implemented adequate measures in the operation of our business to comply with all applicable requirements.

Given the nature of our operations, we do not believe that we are subject to material risks or compliance costs in relation to environmental issues. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material fines or penalties for non-compliance of PRC environmental laws, nor were we subject to any material administrative penalties in relation to violations of PRC environmental laws. Nevertheless, if we are unable to comply with existing or future environmental laws and regulations or are unable to meet public expectations in relation to environmental issues, we may be required to pay fines and penalties, and our reputation may be damaged. See "Risk Factors—Risks Relating to our Business and Industry—Any inability to comply with our environmental responsibilities may subject us to liability" in this document for further discussion of the related risk.

Our Directors consider that establishing and implementing sound environmental, social governance ("**ESG**") principles and practices will help increase the investment value of our Company and provide long-term returns to our stakeholders. Our Directors are responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG-related risks to ensure the effectiveness of our ESG measures. We have devoted efforts in the following aspects to promote health, safety and environmental aspects of our operations such as (i) reducing operating energy consumption and shifting to renewable energy sources; (ii) promoting garbage sorting and devoting adequate manpower and resources to garbage sorting; (iii) providing entry physical examination and safety training for new joiners and regular physical examination for employees, and conducting safety training for all employees on a regular basis; (iv) following the internal policy on equal opportunities when we hire, evaluate and determine promotion; and (v) providing adequate training and supervision for new employees and training programs for our employees' career development.

We are dedicated to serving the communities where we operate, and have implemented the following measures to fulfill our social responsibilities.

- *Combat of the COVID-19 pandemic.* Since the outbreak of the COVID-19 pandemic, we have been standing at the frontline of the prevention and control of the COVID-19 pandemic with a high degree of vigilance. We strictly implemented various pandemic prevention measures and deployed emergency measures to protect the safety of our employees. We also implemented sanitation and disinfection system, carried out disinfection and pandemic prevention procedures in common areas such as office elevators, corridors and public areas, maintained good indoor ventilation and ensured the implementation of our pandemic prevention measures and regular inspections were in place. We have implemented the employee health verification system, which includes functions such as health-checking QR code and travel QR code, and measuring body temperature, so as to protect all employees against the virus.

- *Social welfare.* We have been actively involved in and advocated for social welfare, taking it as our social responsibility and making continuous efforts in the areas such as disaster relief, poverty alleviation, children's development and elderly care. For instance, in April 2021, on the occasion of World Autism Day, we participated in the "Paint the Stars" children's charity painting campaign to bring warmth and care to children and call for the world to pay attention to their inner world.

ESG and Climate-related Risks and Opportunities

The Group's Governance regarding Environmental, Social and Climate-related Risks and Opportunities

We have implemented an ESG policy, which provides guidelines to the management of the Group's environmental, social and climate-related issues. In particular, our policy on the management of severe weather conditions lists out the measures to be taken against the increasing rate of extreme weather conditions such as typhoons and flooding due to climate change. For instance, we set up various response teams in areas including emergency, logistics and rescue to ensure swift response is made, maintain smooth information communication with property owners and residents, reduce the impact of the incident on the lives of property owners and residents as well as business continuity of our Group, and build up a strong prevention and control barrier for property owners and residents.

We believe that it requires collective effort from our Board of Directors to evaluate and manage material ESG issues, therefore we have not established an ESG committee for ESG issues. We integrate ESG into the Company's strategy and daily operational management. In order to better manage the ESG-related affairs of the Company, our Board of Directors is responsible for evaluating ESG-related risks, coordinating the strategic direction of ESG and the direction of enterprise development, and overseeing the key performance indicators of ESG. The Board of Directors also appoints management and relevant functional departments of ESG to form an ESG working group and implement ESG-related decisions to ensure that our operations and business practices align with the relevant ESG strategies. Furthermore, our Board of Directors closely follows and monitors the latest requirements regarding ESG disclosure and regulatory compliance. For instance, we are highly aware of the Stock Exchange's ESG requirements, and in order to ensure compliance with such requirements, our Board of Directors will oversee the compilation of our ESG report, and shall review the content and quality of the ESG report after we are officially **[REDACTED]** on the Stock Exchange.

With respect to the management of environmental, social and climate-related issues, we take into account the concerns of internal and external stakeholders on ESG issues, as well as the business characteristics of our Group, and incorporate the opinions of third-party professionals.

Impact of Environmental, Social and Climate-related Issues and Opportunities

We acknowledge that climate-related issues pose a certain level of threat to us. Climate-related risks identified by us can be classified into two major categories: physical risk and transitional risk. We define physical risks as risks having a direct impact on our operations as a result of climate change and extreme weather. We have created and continuously optimized emergency response measures to extreme weather conditions in order to protect the health and safety of our employees and customers; We are also constantly exploring ways to reduce our carbon footprint in response to climate change by adopting cleaner energy, improving operational energy efficiency, quantifying and monitoring our greenhouse gas emissions, etc..

Transition to low-carbon economy brings about policy risk, technology risk, market access risk and goodwill risk. Under the background of China's target of "emission peak" and "carbon neutrality", stakeholders of our business, including customers, have put forward higher requirements on our green property services. We will continue to monitor the external environmental compliance and stakeholders' expectations to explore more sustainable operations and service patterns. With regard to increasing responsibilities on emission disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on emissions and resource consumption.

Identification, Assessment and Management of Environmental, Social and Climate-related Risks and Opportunities

Based on our management's judgment, analysis from materiality maps provided by well-known external institutions including the ESG Industry Materiality Map by MSCI and SASB Materiality Map by Sustainability Accounting Standards Board (SASB), as well as the professional opinion from third-party professionals, we have identified the material ESG issues highly related to our business.

On top of the risks regarding climate-related issues, we have identified the following material ESG issues and their potential impacts.

Material Topics	Potential Risks, Opportunities and Impacts
Energy saving and emission reduction	Through improving operational efficiency, reducing the use of energy and resources, as well as emissions of pollutants and wastes may allow us to enhance our environmental performance and reduce the negative impact of our operation in relation to climate change. While this may potentially incur extra cost to comply with the increasingly stringent environmental regulatory requirements and increase operational cost, it may positively improve our reputation.

Material Topics	Potential Risks, Opportunities and Impacts
Employees' rights, interests and development	We may face the risk of loss of talents and reduction in our business capabilities if we fail to promote the rights, interests and development of our employees. We strive to attract, reserve, promote and retain talents and cultivate skills of our staff by providing reasonable career development routes and fairly evaluate the performance of our employees. We believe by maintaining a good relationship with our employees will improve our operation efficiency and service capabilities.
Occupational health and safety	The health and safety of our employees may be put at risk due to climate-related issues, such as increasingly frequent extreme weather conditions. We strive to protect the health of employees and create a safe working environment, thereby reducing the costs of accident handling, medical care, litigation, penalties and fines, and improving our business continuity and operational efficiency.
Business ethics and anti-corruption	Regulatory risks in failing to maintain good business ethics may cause compliance-based impacts. On the other hand, outstanding business ethics may help us yield a positive business image.

We have put in place various mitigation and measures to prevent the risks from causing unnecessary impact on our operations. We have obtained different management system certifications including ISO45001:2018, ISO14001:2015 and ISO9001:2015 to regulate and control various risks. We believe that the sustainable development of our Group cannot be achieved without meeting the expectations of our stakeholders. Our internal and external stakeholders mainly include employees, customers (such as property developers, property owners and residents), suppliers, business partners, investors, regulators and various social organizations. Through creating communication channels and mechanisms for different stakeholders, we are committed to listening to the views of various stakeholders, thereby helping us to make ESG management decisions more effectively.

Metrics and Targets on Environmental, Social and Climate-related Risks

We have taken into account the quantitative information that reflect our management for environmental, social and climate-related risks, which primarily includes resource consumption. We have included the office areas and common areas of properties under our management in 2021 into the calculation scope of indicators related to environment and climate change. The performance of the main indicators are as follows:

Emissions	2021	2022
Total greenhouse gas emissions (tonnes CO_2 equivalent)….	14,785.23	15,161.93
Scope 1 (direct emissions) (tonnes CO_2 equivalent)….	24	25.18
Scope 2 (indirect emissions) (tonnes CO_2 equivalent)….	14,756	15,131
Scope 3 greenhouse gas emission (business travel) (tonnes CO_2 equivalent)	5.23	5.75
Total greenhouse gas emissions per unit of GFA under management (tonnes CO_2 equivalent/'000 sq.m.)…	1.25	1.18

Resource Consumption	2021	2022
Total municipal water consumption (tonnes)	673,310	781,056
Total municipal water consumption per unit of GFA under management (tonnes/'000 sq.m.)	57	60.44
Total energy consumption (kWh)	21,051,906	21,558,562
Direct consumption (kWh)	75,993	80,723
Indirect consumption (kWh)	20,975,913	21,507,839
Total energy consumption per unit of GFA under management (kWh/'000 sq.m.)	1,781	1,671

In the future, we expect that our administrative expenses regarding environmental, social, and climate-related issues shall increase along with our overall business development, however, we expect that the proportion of such administrative expenses against our total revenue will have a downward trend.

INSURANCE

We maintain certain insurance coverage primarily including public liability insurance to cover liabilities for damages suffered by third-parties arising out of our business operations during the Track Record Period. We expressly require our subcontractors to purchase accident insurance for their employees who provide services to our Group, and in accordance with our agreements with subcontractors, the subcontractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us. We do not purchase any business interruption insurance or litigation insurance. Our Directors believe that our existing insurance coverage is in line with the industry norm for similar property management companies in the PRC. However, there is no assurance that the insurance policies we maintain are sufficient to cover all of our operational risks. See "Risk Factors—Risks Relating to our Business and Industry—Our insurance coverage may not sufficiently cover the risks related to our business" in this document for further discussion of the related risk.

EMPLOYEES

We believe that the expertise, experience and professional development of our employees contributes to our growth. Our human resources department is responsible for managing, training and hiring employees.

As of December 31, 2022, we had a total of 2,817 full-time employees in China. The following table sets forth the number and breakdown of our full-time employees by function:

	Number of employees	% of total
		(%)
On-site property management services personnel[1]	2,270	80.5
Personnel for value-added services mainly to property developers and community value-added services	337	12.0
Management personnel[2]	110	3.9
Project managers and project managers in reserve	67	2.4
Quality control and business development personnel	33	1.2
Total	**2,817**	**100.0**

Notes:

(1) Refers to our employees directly providing property management services, excluding project managers and project managers in reserve.

(2) Refers to regional management personnel and management personnel at headquarters level.

The following table sets forth a breakdown of our full-time employees by geographic location as of December 31, 2022:

	Number of employees	% of total
		(%)
Zhejiang province	2,107	74.8
Anhui province	624	22.1
Shandong province	28	1.0
Jiangsu province(1)	21	0.8
Guangdong province(1)	14	0.5
Yunnan province(1)	12	0.4
Hubei province(1)	11	0.4
Total	**2,817**	**100.0**

Note:

(1) During the Track Record Period, the Group had not provided property management services but had provided certain value-added services mainly to property developers for projects located in these provinces, therefore, the Group had employees employed in these provinces as of December 31, 2022.

We endeavor to recruit suitable employees in the market by offering competitive salary and benefits, training and internal promotion. We source candidates through a variety of channels such as head hunters, online advertisements and employee referrals. Our review and screening of candidates takes into account a variety of factors, such as education credentials, work experience, professional qualifications, personality and potential. It is our corporate policy to promote equal opportunities among our employees regardless of gender, age, race, background, religion and any other social or personal characteristics.

We provide training programmes to our employees, including induction training to new hires to introduce them to our corporate culture and procure them to familiarize with their job responsibilities and our Group's service goals and procedures. We also provide interactive trainings to our employees and management personnel throughout our operation on a regular basis, such as training and exchange on corporate culture, team building, legal knowledge, financial knowledge, and industry development trend to enhance their servicing skills and basic legal and compliance knowledge. We also endeavor to offer our junior employees adequate trainings to facilitate their career progression within our Group and we started to recruit young graduates through our newly implemented Smart Star Program (智慧之星計劃). We may also organize external training programs to strengthen teamwork and collaboration skills among our staff. For senior management personnel, we have a training plan covering on-the-job trainings organized by professional institutions to strengthen their management and leadership skills, and industry exchanges to cultivate their forward-looking insights of the industry landscape. Our employees' remuneration comprises salaries, performance-based bonuses (where applicable), social insurance and housing provident fund contributions, long-term incentives and other welfare payments. We also plan to enhance our incentive mechanism, such as promoting performance bonus, to ensure the association of remuneration, bonus and performance.

As of the Latest Practicable Date, our certain employees formed labor unions. We have maintained good working relationships with our employees. During the Track Record Period, no significant labor disputes occurred which materially and adversely affected our business or were likely to have a material adverse effect on our business.

Social Insurance and Housing Provident Fund Contributions

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 primarily because some of our employees declined to make their social insurance and housing provident fund contributions.

Under the Administrative Regulation on Housing Provident Fund (《住房公積金管理條例》), (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 Social Insurance Law of the PRC (《中華人民共和國社會保險法》), (i) for social insurance registration 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 period, 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 stipulated 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. As of December 31, 2022, the shortfall amount of our social insurance and housing provident fund contributions was approximately RMB1.1 million and RMB1.0 million, respectively.

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. For the remaining PRC subsidiaries and branch offices we have obtained written confirmations from relevant officers at the local social insurance and housing provident fund authorities, each stating that: (i) the social insurance and housing provident fund contributions were made by relevant PRC subsidiaries and branch offices in compliance with the respective laws, regulations and/or relevant local policies and requirements; (ii) we had made full social insurance and housing provident fund contributions and/or we had no outstanding social insurance and housing provident fund contributions; and/or (iii) no administrative penalty has been imposed. Our PRC Legal Advisor is of the opinion that the relevant written confirmations are issued by competent authorities.

Our Directors are of the view that no provision is required to be made in respect of the remaining PRC subsidiaries and branch offices, based on (i) written confirmations from local social insurance and housing provident fund authorities as stated above; (ii) their assessment of various factors including the nature and amount of the non-compliance; and (iii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance premiums and housing provident funds and demanding payment of the same before a stipulated deadline. We were also not aware of any employee's complaints or demands for payment of social insurance premiums and housing provident fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the PRC courts regarding disputes in this regard, which may have a material adverse effect on our business, financial position and results of operations. In view of the above, our PRC Legal Advisor is of the view that save and except those PRC subsidiaries and branch offices which we made provisions in 2020, 2021 and 2022, respectively, the risk of us being penalized by the competent authorities providing above written confirmations for our aforementioned historical failure to register for and/or make full contributions to the social insurance and housing provident funds for our employees is low or that such failure would not constitute a material adverse impact on the **[REDACTED]**. Our Directors are of the view that it will not have a material adverse effect on our business operations, nor will such events constitute a material legal obstacle for the **[REDACTED]**. The Group will make contributions in accordance with relevant PRC laws and regulations prior to **[REDACTED]**.

In addition, as of the Latest Practicable Date, we have established internal policies and procedures to ensure that we will make full contributions in relation to social insurance and housing provident funds. These internal policies and procedures include (i) regular communication with government agencies to ensure that our calculation and payment methods are in compliance with the relevant laws and regulations; (ii) regular consultation with legal counsel to understand whether we are at risk of non-compliance with the relevant laws and regulations; (iii) preparation of regular reports regarding our contribution amounts for review by our Board; and (iv) holding of internal trainings on the relevant laws and regulations for our Directors, senior management and certain employees. Taking into consideration of the above, our Directors are of the view that our enhanced internal control measures are adequate and effective for our current business environment.

OUR CASH MANAGEMENT AND TREASURY POLICIES

Cash Management Policy

We have a bank account and cash management policies to manage our cash inflows and outflows, applicable to all of our subsidiaries and branch offices in their ordinary course of business. Generally, we encourage our subsidiaries and branch offices to settle their transactions through bank transfers to lower the risks in relation to managing cash. Our employees are expressly forbidden from removing and/or using our cash for private or other purposes not in line with our ordinary course of business.

Cash flow transactions	Cash handling policies and internal control measures
Cash inflow in relation to payments of property management fees and other service fees from our customers	We typically have designated customer service personnel specifically responsible for cash collection who verifies that the amount of cash collected is correct prior to issuing receipts. The designated customer service personnel stationed at each of our managed properties (i) performs check on the actual amount of cash received against the payment records, and (ii) deposits the cash received into our bank accounts and reports to finance department on a daily basis. We require that all cash collections be recorded in our intelligent property management system upon receipt.
Cash outflow to suppliers, service providers and subcontractors	Payments by our subsidiaries and branches to our suppliers, service providers and subcontractors must be pre-approved by the responsible supervising personnel at a higher level. Such payments will be made directly from the bank accounts of our subsidiaries and branches after obtaining internal approval.
Cash outflow in relation to refunding deposits or service fees to our customers	We may collect refund application form from customers in relation to deposits received such as performance bond, retention deposits from property owners and decoration deposits. Our customer service personnel shall report to the finance department which will verify the authenticity of the transaction before issuing the refund. The refund shall be approved by the designated responsible supervising personnel.
Cash inventory and deposits	Our subsidiaries and branch offices are typically not allowed to keep more than RMB5,000 in cash on hand. We typically require excess amounts to be deposited into the bank accounts of our subsidiaries or branch offices within one week.

Cash flow transactions	Cash handling policies and internal control measures
Cash transfers to the bank accounts of our subsidiaries and branch offices	We receive cash through methods such as online payment, credit card payments and bank transfers, and cash collected from these methods are directly deposited into the bank accounts of our subsidiaries and branch offices.
Opening of and managing bank accounts of our subsidiaries and branch offices	Our subsidiaries and branch offices must adhere to our internal policies and procedures in relation to the opening of bank accounts. Our subsidiaries and branch offices are typically required to reconcile and check balances on a monthly basis.

Treasury Policy

We comply with our treasury policy when managing the relevant departments, conducting business and accounting activities. We are committed to safeguarding our overall financial stability and maintaining a healthy cash position. In order to maintain a strong and sustainable financial position, we have established various internal policies, which allow us to adopt to a comprehensive and professional assessment mechanism.

Budget and Funding Management

For budget and funding management, we have established a monthly, quarterly and annual budget management system. Generally, our finance department reviews and adjusts the budget reports submitted by our subsidiaries, then seeks approval from our Directors. The budget plan is assessed on an objective basis with reference to our Group's business plans to ensure that the budget accurately reflects our actual business needs. Our finance department is also responsible for the preparation of external financing proposals when it foresees a shortage of fund based on the budget reports.

CERTIFICATES, LICENSES AND PERMITS

We are required to obtain and maintain various certificates, licenses and permits in relation to our operations. Based on the legal opinions issued by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material certificates, licenses and permits from relevant regulatory authorities necessary for our business operations in the PRC. We are required to renew such certificates, licenses and permits from time to time. We do not expect any difficulties in such renewals so long as we meet the applicable requirements and conditions set by the relevant government agencies and adhere to procedures set forth in relevant laws and regulations.

PROPERTIES

As of the Latest Practicable Date, we also leased 25 properties in the PRC with an aggregated GFA of approximately 2,900.0 sq.m. for use primarily as offices, business operations and registered office addresses. Among these 25 leased properties, 16 of which are leased from Independent Third Parties, five of which are leased from the Remaining Zhong An Group, and four of which are leased from the CNC Group. For further details, see "Connected Transactions—(A) Continuing Connected Transactions Fully Exempted from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements—2. Office Leasing" in this document. During the Track Record Period and up to the Latest Practicable Date, we did not have any self-owned properties.

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 lack of cooperation from our lessors in registering the relevant lease agreements, which was beyond our control. As advised by our PRC Legal Advisor, failure to file the lease agreements would not affect the validity of such lease agreements. According to the relevant PRC laws and regulations, we might be ordered to rectify this failure by the 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 on us 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 Directors do not expect any practical difficulty in identifying alternative premises subject to the lease agreements that have not been filed, and are of the view that such non-filing would not have a material and adverse impact on our business operations or constitute a material legal obstacle for the **[REDACTED]**. See "Risk Factors—Risks Relating to our Business and Industry—We may be subject to administrative penalties as we have not filed some of our lease agreements with housing administration authorities" in this document for further discussion on the related risk.

As of the Latest Practicable Date, we had nine leased properties which the lessors could not provide the relevant title certificates, with a total GFA of approximately 480 sq.m.. In relation to the leased properties for which our lessors did not provide us with the relevant title certificates or proof of property ownership, 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 these leased properties against third-parties with the relevant property interests. In the event that we are required to relocate from any of these leased properties as a result of the foregoing, given the nature of our operation, we do not believe that any relocation would result in material disruptions to our business. Moreover, alternative premises for the leased properties without title certificates or proof of property ownership, which we are using primarily for office use and as registered office address, are readily available. Although we may incur additional relocation costs, our Directors are of the view that this would not have any material impact on our business, financial position and results of operations. See "Risk Factors—Risks Relating to our

Business and Industry—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" in this document for further discussion on the related risk.

As of the Latest Practicable Date, we did not own any real properties, and we had no single property with a carrying amount of 15% or more of our total assets. Therefore, we did not need to prepare a valuation report with respect to our property interests in reliance upon the exemption provided by Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be involved in legal, arbitration or administrative proceedings in the ordinary course of our business such as contract disputes with our customers, subcontractors, suppliers and other parties. As of the Latest Practicable Date, there were no legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our business, financial condition or results of operations.

Historical Non-compliance Incidents

As advised by our PRC Legal Advisor, we had not been subject to any material fines or legal actions involving non-compliance with any PRC laws or regulations relating to our business during the Track Record Period and up to the Latest Practicable Date.

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 primarily because some of our employees declined to make their social insurance and housing provident fund contributions. See "—Employees—Social Insurance and Housing Provident Fund Contributions" in this section for further information.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. See "Risk Factors" in this document for more information. We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Our key risk management objectives include: (i) identifying the different risks relevant to our operations; (ii) assessing and prioritizing the identified risks; (iii) developing appropriate risk management strategies for different risks; (iv) monitoring and managing risks and our risk tolerance level; and (v) executing measures to respond to those risks.

Our Board oversees and manages the risks associated with our business. We have established an audit committee to review and supervise our financial reporting process and internal control system, risk management and internal audit. The audit committee consists of three members, namely Mr. Chung Chong Sun, who serves as chairman of the committee, Mr. Liang Xinjun and Mr. Chiu Ngam. See "Directors and Senior Management" in this document for more information on the primary duties of the audit committee and the qualifications and experiences of these committee members.

In order to improve our corporate governance, we have adopted, or expect to adopt before **[REDACTED]**, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- Our Directors and senior management attended a training session on June 4, 2021 in relation to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;

- We have appointed Rainbow Capital (HK) Limited as our compliance advisor to advise us on compliance with the Listing Rules; and

- the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

Finally, we adopted before the **[REDACTED]**, various internal regulations against corrupt and fraudulent activities, which includes measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorizing our audit department to assume responsibility for the implementation and execution of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistleblower and conducting internal investigations;

- promoting and providing training in relation to the management and operation of the whistleblowing mechanism among our staff to enhance their awareness of our anti-corruption and anti-fraud measures; and

- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and reporting to the relevant enforcement authorities when necessary.

Our Directors are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities.