You should read the following discussion and analysis in conjunction with our consolidated financial information set forth in the Accountants' Report included as Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements" in this document for more information.

OVERVIEW

We are a reputable integrated property management service provider and headquartered in Hangzhou with deep roots in Zhejiang province and the Yangtze River Delta Region. 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. As of December 31, 2022, we had nine principal subsidiaries which are principally engaged in property management business across two provinces in China. According to CIA, our ranking among the Top 100 Property Management Companies in China (中國物業服務百強企業) in terms of overall strength of property management increased from 82nd in 2016 to 40th in 2023*, reflecting our growing property management capabilities. According to CIA, among the 2023 Top 100 Property Management Companies in China (2023中國物業服務百強企業) headquartered in Hangzhou, Zhejiang province and the Yangtze River Delta Region, we were ranked seventh, ninth and 25th, in terms of the GFA under management 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.

As a result of our efficient operation and quality services, we experienced 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 4.1% from RMB47.0 million in 2020 to RMB50.9 million in 2022.

* *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.*

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.

BASIS OF PREPARATION AND PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 16, 2020. Pursuant to the Reorganization before the **[REDACTED]**, the companies now comprising the Group and certain commercial property management services were under the common control of the Whole Good before and after the Reorganisation. For further details of our Reorganization, see "History, Reorganization and Corporate Structure" in this document.

Our historical financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the historical financial information throughout the Track Record Period.

Our historical financial information has been prepared under a historical cost convention. For more information on the basis of presentation and preparation of the historical financial information, see notes 2.1 and 2.2 to the Accountants' Report in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been and will continue to be affected by a number of factors, including those set out in "Risk Factors" in this document and those discussed below:

Ability to Respond to Regulatory and Market Conditions of the Property Development and Property Management Industries

Our business and results of operations are principally affected by our ability to obtain new service engagements from property developers for their new property development projects as well as our ability to renew or retain our existing engagements with our customers. The number of new property development projects is dependent on the performance of the real estate market in China, which is subject to the general economic conditions in China, the rate of urbanization and, consequently, the demand for properties in the PRC. Any economic downturn in the PRC, particularly in the regions where we operate, could adversely affect our business, results of operations and financial position. The regulatory environment in the PRC and policies and measures taken by the PRC Government have also affected the development of the real estate market and property management market, which in turn affect our business and results of operations. See "Risk Factors—Risks Relating to Our Business and Industry—We may be susceptible to any adverse development in government policies or business environment in the Yangtze River Delta Region" and "Risk Factors—Risks Relating to Conducting Business in China."

The PRC Government has issued a series of favorable laws, policies and notices to incentivize the development of the property management industry. The relevant policies, such as the Notice on Strengthening and Improving Residential Property Management (《關於加強和改進住宅物業管理工作的通知》), and the consultation notice for Smart City-Construction and Resident Community Part 1: Specifications for the Construction of Smart Communities (Draft) (《智慧城市—建築及居住區第1部分：智慧社區建設規範(徵求意見稿)》), have encouraged property management companies like us to expand and modernize their business and have fostered the growth and development of the industry. See "Industry Overview—Market Drivers—Favorable Government Policies" in this document.

However, we cannot guarantee you that the PRC Government will continue to issue such favorable laws, regulations and policies. Moreover, we cannot guarantee you that the PRC Government will not suspend or terminate the current favorable laws, regulations and policies, or that the PRC Government will introduce laws and policies that directly or indirectly discourage the development of the property management industry. Any such changes in the PRC governmental policies may adversely affect our business.

GFA under Management

During the Track Record Period, we generated a majority of our revenue from our property management services, which contributed approximately 79.5%, 69.4%, and 69.9% of our total revenue in 2020, 2021 and 2022. Accordingly, our financial position and results of operations depend on our ability to maintain and increase our GFA under management, which in turn is affected by our ability to secure new property management projects and renew existing property management service agreements. During the Track Record Period, we experienced a steady growth in our GFA under management, which was approximately 10.8 million sq.m., 11.8 million sq.m. and 12.8 million sq.m., as of December 31, 2020, 2021 and 2022.

The following table sets forth a breakdown of the number of projects under our management and GFA under management by city tier as of the dates indicated:

	As of December 31,					
	2020		2021		2022	
	Number	GFA under Management	Number	GFA under Management	Number	GFA under Management
		(sq.m. '000)		*(sq.m. '000)*		*(sq.m. '000)*
Second-tier cities[1]	**54**	**8,047**	**53**	**8,178**	**64**	**8,363**
Residential properties	40	7,021	42	7,120	48	7,476
Non-residential properties	14	1,026	11	1,058	16	887
Third-tier cities[1]	**–**	**–**	**1**	**286**	**2**	**585**
Residential properties	–	–	1	286	1	286
Non-residential properties	–	–	–	–	1	299
Other cities[1]	**19**	**2,770**	**20**	**3,354**	**29**	**3,884**
Residential properties	15	2,557	17	3,309	21	3,522
Non-residential properties	4	213	3	45	8	362
Total	**73**	**10,817**	**74**	**11,818**	**95**	**12,832**

Note:

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

During the Track Record Period, our property management services principally cover various second-tier cities, in particular, 54 out of 73 projects, 53 out of 74 projects and 64 out of 95 projects are located in second-tier cities as of December 31, 2020, 2021, and 2022.

The following table sets forth a breakdown of the number of projects under our management and GFA under management by type of property developers and type of properties for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Number	GFA under Management	Number	GFA under Management	Number	GFA under Management
		(sq.m. '000)		*(sq.m. '000)*		*(sq.m. '000)*
Remaining Group[(1)]	**34**	**5,987**	**38**	**6,579**	**41**	**6,835**
Residential properties	27	5,279	29	5,851	32	6,107
Non-residential properties	7	708	9	728	9	728
Joint ventures and associates of the Remaining Group[(2)]	**–**	**–**	**–**	**–**	**1**	**90**
Residential properties	–	–	–	–	1	90
Non-residential properties	–	–	–	–	–	–
Independent third-party property developers[(3)]	**39**	**4,830**	**36**	**5,239**	**53**	**5,907**
Residential properties	28	4,299	31	4,864	37	5,086
Non-residential properties	11	53	5	375	16	821
Total	**73**	**10,817**	**74**	**11,818**	**95**	**12,832**

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 large portion of the properties we managed were developed by the Remaining Group, which comprises the Remaining Zhong An Group and the CNC Group. As of December 31, 2020, 2021 and 2022, GFA under our management from the projects developed by the Remaining Group accounted for approximately 55.3%, 55.7% and 53.3%, respectively, of our total GFA under management.

We have made continuous efforts to expand our customer base to include independent third-party property developers, with a view to building additional revenue sources and diversifying our property management portfolio. As of December 31, 2020, 2021 and 2022, the aggregate GFA under our management from projects developed by independent third-party property developers as the percentage of the total GFA under our management increased from approximately 44.7% as of December 31, 2020 to 46.0% as of December 31, 2022.

Our Brand Positioning and Pricing Ability

We operate in a highly competitive and fragmented industry, therefore our results of operations and financial position are affected by our ability to maintain and increase the fee rates we charge for our services. Our reputation can have an impact on our pricing ability. We generally price our services by considering factors such as (i) the size and location of the properties; (ii) budgeted operational expenses including labor and administrative expenses; (iii) scope and quality of the services proposed; (iv) revenue generating model and 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. We also balance multiple considerations, including competitiveness, profitability as well as our ability to shape and preserve our image as a quality property management service provider. Failure to effectively balance the aforementioned considerations may materially and adversely affect our business operations, financial condition and results of operations.

For illustration purposes only, we set out below a sensitivity analysis of our revenue and profit and total comprehensive income for the years indicated with reference to the fluctuation of average property management fees during the Track Record Period. The following table demonstrates the impact of the hypothetical decrease in monthly average property management fees on our revenue and profit and total comprehensive income for the years indicated, while all other factors remain unchanged:

	For the year ended December 31,		
	2020	**2021**	**2022**
		(RMB'000)	
Profit and total comprehensive income for the year	47,049	41,790	50,935
Assuming 5% decrease in our monthly average property management fees			
Impact on revenue from our property management service business	(9,162)	(10,260)	(11,180)
Impact on profit and total comprehensive income for the year[(1)]	(6,872)	(7,695)	(8,385)
Assuming 10% decrease in our monthly average property management fees			
Impact on revenue from our property management service business	(18,324)	(20,520)	22,360
Impact on profit and total comprehensive income for the year[(1)]	(13,743)	(15,390)	16,770

Note:

(1) Impact on profit and total comprehensive income for the year was calculated assuming EIT of 25.0%.

Business Mix

During the Track Record Period, our business and results of operations were affected by our business mix. Our gross profit margins varied across our three business lines, namely, property management services, value-added services mainly to property developers and community value-added services during the Track Record Period. Our gross profit margins of different business lines generally depend on types of services provided, fee received, and costs borne by us under different arrangements. Any change in the structure of revenue contribution from our three business lines or change in profit margin of any business line may have a corresponding impact on our overall profit margin.

The following table sets forth the revenue, gross profit and gross profit margin by business line for the years indicated:

	For the year ended December 31,											
	2020				2021				2022			
	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	183,231	79.5	66,076	36.1	205,190	69.4	71,105	34.7	223,593	69.9	74,217	33.2
Value-added services mainly to property developers	33,286	14.4	14,197	42.7	59,193	20.0	25,431	43.0	60,729	19.0	25,326	41.7
Community value-added services	14,178	6.1	6,528	46.0	31,311	10.6	14,569	46.5	35,413	11.1	16,795	47.4
Total/Overall	**230,695**	**100.0**	**86,801**	**37.6**	**295,694**	**100.0**	**111,105**	**37.6**	**319,735**	**100.0**	**116,338**	**36.4**

Our overall gross profit margin fluctuated between 37.6% to 36.4% during the Track Record Period, primarily attributable to (i) change in monthly average property management fee of our properties under management; (ii) the expansion of our value-added services mainly to property developers; (iii) steady growth of our community value-added services; and (iv) our successful implementation of cost-control measures. These measures, among others, include (i) implementing the budget system among our Group annually before the start of a new financial year to avoid any potential financial deficit while carrying out the strategies of the Group; (ii) adopting a comprehensive procurement management system to reduce the transaction cost, especially by utilising the tender process whenever purchasing a single batch of goods over RMB30,000 to determine the most cost-effective products; and (iii) ensuring the subcontracting fees that we paid to the subcontractors are generally lower than the cost for delivering the same services by ourselves during the same period.

In general, the gross profit margins of our community value-added services and value-added services mainly to property developers are higher than those of our property management services. The relatively higher gross profit margins for our community value-added services and value-added services mainly to property developers during the Track Record Period were primarily because property management services are labor intensive in nature, which may incur more costing. See "Business—Our Business Model" in this document and "—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Gross Profit and Gross Profit Margin" in this section for further discussions.

Ability to Mitigate the Impact of Rising Staff Costs

Since property management is a labor intensive industry, staff costs constitute a substantial portion of our total expenses, which are recognized under cost of sales, and administrative expenses.

During the Track Record Period, our staff costs increased steadily as a result of the expansion of our business, increase in the headcounts and increase in the market price for labor in China. In 2020, 2021 and 2022, our staff costs of on-site staff under our cost of sales amounted to approximately RMB111.9 million, RMB138.1 million, and RMB153.2 million , accounting for approximately 77.8%, 74.8%, and 75.3% of our cost of sales. The increase in our cost of sales during the Track Record Period were mainly due to the continuous expansion of our scale and operation. In 2020, 2021 and 2022, our staff costs recognized under our administrative expenses amounted to approximately RMB10.8 million, RMB21.1 million, RMB24.0 million accounting for approximately 40.8%, 37.6%, and 50.4% of the aggregate amount of our total administrative expenses, respectively.

To cope with the rising staff costs, we strive to implement a number of cost-saving measures, such as application of intelligent technologies and facilities to reduce our reliance on manual labor, standardization of procedures and provision of professional trainings to our employees, to improve operational efficiency effectively and manage our staff costs while ensuring consistent service quality. See "Business—Standardized Operation and Digitalization" and "Business—Employees" in this document for further information.

For illustrative purposes only, we set out below a sensitivity analysis of our cost of sales, as well as profit and total comprehensive income for the years indicated with reference to the fluctuation of our staff costs during the Track Record Period. The following table demonstrates the impact of the hypothetical increase in staff costs of on-site staff of our cost of sales and profit for the years indicated, while all other factors remain unchanged:

	For the year ended December 31,		
	2020	2021	2022
		(RMB'000)	
Profit and total comprehensive income for the year	47,049	41,790	50,935
Assuming 5% increase in our staff costs impact on cost of sales	5,593	6,904	7,660
Impact on profit and total comprehensive income for the year[(1)]	(4,195)	(5,178)	(5,745)
Assuming 10% increase in our staff costs impact on cost of sales	11,186	13,808	15,320
Impact on profit and total comprehensive income for the year[(1)]	(8,390)	(10,356)	(11,490)

Note:

(1) Impact on profit and total comprehensive income for the year was calculated assuming EIT of 25.0%.

Competition

Our industry is highly competitive and fragmented, and we compete with other property management service providers on a number of aspects, including business scale, brand recognition, profitability, financial resources and adequacy of financing, price, diversity of services and service quality. See "Business—Competition" and "Industry Overview—Competition—Competitive Landscape" in this document for further information.

We primarily compete against the other Top 100 Property Management Companies, particularly those affiliated with property developers in China. According to CIA, the Remaining Group's growth provides a strong foundation for our own advancement. During the Track Record Period, the proportion of our GFA under management from projects developed by the Remaining Group has decreased, while the proportion of our 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 the Remaining Group, we are also capable of searching for, and taking advantage of, market opportunities independently.

Our ability to compete effectively against our competitors and maintain or improve our market position depends on our ability to hone our competitive strengths. If we fail to compete effectively and grow our GFA under management, we may lose our existing market position and experience loss of revenue and decreased profitability.

PRC Government Regulations on the PRC Real Estate Industry

In August 2020, according to certain news articles, the PBOC and the MOHURD plan to control the financing activities of property developers and the scale of interest-bearing debts of property developers in China by applying a newly proposed standard in the assessment of the debt burden of property developers which lay out three red-line standards on debt-to-asset ratio, net gearing ratio and cash to short-term debt ratio applicable to property developers. As of the Latest Practicable Date, apart from the policy relaxation 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 impact on our growth. Given that (i) most of the Remaining Group's (including both the Remaining Zhong An Group and the CNC Group[(2)]) relevant financial ratios as of December 31, 2022 did not exceed any of the aforementioned three red-line standards based on the annual results 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

Notes:

(1) On November 11, 2022, the People's Bank of China and the China Banking and Insurance Regulatory Commission jointly issued the Notice on Improving the Steady and Healthy Development of the Real Estate Market Supported by Finance(《關於做好當前金融支持房地產市場平穩健康發展工作的通知》). A total of 16 specific measures were published to maintain reasonable and appropriate real estate financing, safeguard the legitimate rights and interests of consumers, and promote the steady and healthy development of the real estate market.

(2) Based on China New City's 2022 audited financial statements contained in its 2022 annual report, as of December 31, 2022, its interest-bearing bank 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.

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 impact 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.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGMENTS

Significant Accounting Policies

We have identified certain accounting policies and accounting judgments and estimates that we believe are significant to the preparation of our consolidated financial statements. Our significant accounting policies, accounting judgments and estimates, which are important for understanding our financial position and results of operations, are set forth in details in notes 2.4 and 3 to the Accountants' Report in Appendix I to this document. In applying our accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Our significant accounting policies and some of our key sources of estimation uncertainty include, among others:

Revenue Recognition

We mainly provide property management services, value-added services mainly to property developers and community value-added services. We recognize revenue from contracts with customers when the control of goods or services is transferred to our customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. When the contract contains a financing component which provides us a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Property management services

For property management services, we bill a fixed amount for services provided on a monthly basis and recognise as revenue in the amount to which we have a right to invoice and that corresponds directly with the value of performance completed.

We charged property management fees in respect of the property management services on a lump-sum basis. We act as principal and are primarily responsible for providing the property management services to the property owners. We recognise the fee received or receivable from property owners as our revenue and all related property management costs as our cost of services.

(b) Value-added services mainly to property developers

Value-added services mainly to property developers mainly include cleaning, security and maintenance services for pre-sale display units and sales offices of property developers at the pre-delivery stage.

We agree the price for each service with the property developers upfront, issues the monthly bill to the property developers which varies based on the actual level of service completed in that month, and recognises revenue in the amount to which we have a right to invoice and that corresponds directly with the value of performance completed.

Value-added services mainly to property developers also include preliminary planning and design consultancy services and pre-delivery inspection services to property developers, which is recognised as revenue over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation.

(c) Community value-added services

Our community value-added services mainly include advertising spaces and common area of commercial and residential properties management services. Revenue from community value-added services is recognised when the related services are rendered as the customer simultaneously receives and consumes the benefits provided by us.

Our community value-added services revenue also includes income from the provision of assistance in sales of car parking spaces to third parties, which is recognised when the car parking spaces are transferred to the buyers of car parking spaces.

Financial Assets

We classify our financial assets into three types, namely financial assets at amortized cost, fair value through other comprehensive income, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them.

We classify and measure our financial assets at amortized cost when we intend to hold financial assets in order to collect contractual cash flows. We classify and measure financial assets at fair value through other comprehensive income when we intend to hold such asset to collect contractual cash flows or sell. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Our financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Impairment of Financial Assets

We recognize an allowance for expected credit losses ("**ECLs**") for all debt instruments not held fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on financial instrument as of the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. In certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at each reporting date. We have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Liabilities

Our financial liabilities include trade payables, other payables, accruals and amounts due to related companies. We recognize all financial liabilities, at initial recognition, at fair value and, in the case of payables, net of directly attributable transaction costs.

After initial recognition, we measure our trade payables, other payables, accruals and amounts due to related companies at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Government Grants

We recognize government grants at their fair value where there is reasonable assurance that we will receive the grant and that we will comply with all attaching conditions. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets. Current tax and movements in deferred tax assets recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant tax amounts are recognised in other comprehensive income or directly in equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Deferred tax assets arise from deductible and taxable temporary differences. These are the differences between the carrying amounts of assets for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,		
	2020	2021	2022
		(RMB '000)	
Revenue	230,695	295,694	319,735
Cost of sales	(143,894)	(184,589)	(203,397)
Gross profit	86,801	111,105	116,338
Other income	5,390	1,810	2,155
Administrative expenses	(26,498)	(56,072)	(47,573)
Impairment losses on financial assets, net	(2,500)	(333)	(2,660)
Profit before tax	63,193	56,510	68,260
Income tax expenses	(16,144)	(14,720)	(17,325)
Profit and total comprehensive income for the year	47,049	41,790	50,935
Attributable to:			
– Owners of our Company	36,535	38,991	50,817
– Non-controlling interests	10,514	2,799	118
	47,049	41,790	50,935

Revenue

During the Track Record Period, we derived our revenue primarily from three business lines, namely, property management services, value-added services mainly to property developers and community value-added services.

The following table sets forth a breakdown of our revenue by business lines for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	183,231	79.5	205,190	69.4	223,593	69.9
Value-added services mainly to property developers	33,286	14.4	59,193	20.0	60,729	19.0
Community value-added services	14,178	6.1	31,311	10.6	35,431	11.1
Total	**230,695**	**100.0**	**295,694**	**100.0**	**319,735**	**100.0**

Revenue from Property Management Services

During the Track Record Period, we generated a majority of our revenue from our property management services, which contributed approximately 79.5%, 69.4%, and 69.9% of our total revenue in 2020, 2021 and 2022, respectively. During the Track Record Period, we charged property management fees on lump-sum basis for all of the properties under our management. Under the lump-sum revenue model, property developers or property owners are required to pay a fixed property management fees, and we will be entitled to surplus or bear the deficit incurred from the properties under our management.

(a) Analysis of our revenue from property management services and GFA under our management by geographic region

Headquartered in Zhejiang province, we have established a leading market position in Zhejiang province and grown our brand recognition in the Yangtze River Delta Region through over 24 years of development. During the Track Record Period, the properties under our management were all located in and all of our revenue from property management services were sourced from Zhejiang province and Anhui province 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	126,869	56.7
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
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
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	2,960	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	–	–
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**

Note:

(1) In late December 2022, we commenced to provide property management services to one property 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.

During the Track Record Period, our property management services principally cover various cities in the Yangtze River Delta Region, in particular, approximately 95.9%, 92.1%, and 89.0% of our property management services revenue are generated in Hangzhou, Huaibei and Ningbo for the years ended December 31, 2020, 2021 and 2022.

Our revenue from property management services increased during the Track Record Period, primarily driven by (i) an increase in our total GFA under management as a result of our effort to secure more property management projects; and (ii) the increase in our overall monthly average property management fee. During the Track Record Period, we experienced steady growth in our GFA under management from 2020 to 2022, amounted to approximately 10.8 million sq.m., 11.8 million sq.m. and 12.8 million sq.m. as of December 31, 2020, 2021 and 2022.

Furthermore, during the Track Record Period, our property management services principally cover various second-tier cities. The following table set 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 city tier:

	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)*	*(%)*
Second-tier cities(1)	**8,047**	**74.4**	**157,228**	**85.8**	**8,179**	**69.2**	**162,116**	**79.0**	**8,363**	**65.1**	**174,641**	**78.1**
Remaining Group	4,536	41.9	120,667	65.9	4,545	38.5	119,858	58.4	4,738	36.9	128,982	57.7
Independent third–party customers	3,511	32.5	36,560	20.0	3,634	30.7	42,258	20.6	3,624	28.2	45,659	20.4
Third-tier cities(1)	**–**	**–**	**–**	**–**	**286**	**2.4**	**3,805**	**1.9**	**585**	**4.6**	**7,942**	**3.6**
Remaining Group	–	–	–	–	286	2.4	3,805	1.9	286	2.2	6,205	2.8
Independent third-party customers	–	–	–	–	–	–	–	–	299	2.4	1,737	0.8
Other cities(1)	**2,770**	**25.6**	**26,004**	**14.2**	**3,354**	**28.4**	**39,269**	**19.1**	**3,884**	**30.3**	**41,010**	**18.3**
Remaining Group	1,451	13.4	18,862	10.3	1,749	14.8	25,112	12.2	1,811	14.1	24,730	11.0
Joint ventures and associates of the Remaining Group	–	–	–	–	–	–	–	–	90	0.7	–(2)	–(2)
Independent third–party customers	1,319	12.2	7,142	3.9	1,605	13.6	14,157	6.9	1,983	15.5	16,280	7.3
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**

Note:

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

(2) 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.

During the Track Record Period, our property management services principally cover various second-tier cities, in particular, approximately 85.8%, 79.0%, and 78.1% of our property management services revenue are generated from second-tier cities for the years ended December 31, 2020, 2021 and 2022, respectively. During the Track Record Period, we did not provide any property management services for project located in any first-tier cities (such as Guangzhou).

(b) Analysis of our revenue from property management services and GFA under management by types of property

During the Track Record Period, the GFA under our management and our revenue from property management services was mainly contributed by residential properties. 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**

During the Track Record Period, our revenue from residential property management services was accounted for approximately 70.5%, 75.3%, and 73.1%, respectively, of our total revenue from property management services in 2020, 2021 and 2022. As of December 31, 2020, 2021 and 2022, the GFA of residential properties under our management was approximately 9.6 million sq.m., 10.7 million sq.m., and 11.3 million sq.m., representing approximately 88.5%, 90.7% and 87.9% of our total GFA under our management. The increase in GFA of residential properties under our management during the Track Record Period was mainly due to our business expansion through organic growth. For further information regarding the movement of our GFA under management and the number of projects under management, see "Business—Property Management Services—Growth of our Project Portfolio" in this document.

(c) Analysis of our revenue from property management services and GFA under our management by type of property developers

During the Track Record Period, majority of the GFA under our management were from the Remaining Group, which comprises the Remaining Zhong An Group and the CNC Group, we derived a majority of our revenue from managing properties developed by the Remaining Group. The following table sets forth a breakdown of our total GFA under management as of the dates indicated and revenue from property management services for the years indicated by type of property developers:

	As of or for the year ended December 31,											
	2020				2021				2022			
	GFA under management[4]		Revenue		GFA under management[4]		Revenue		GFA under management[4]		Revenue	
	(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	6,579	55.7	148,775	72.5	6,835	53.3	159,917	71.5
Joint ventures and associates of the Remaining Group[2]	–	–	–	–	–	–	–	–	90	0.7	–[2]	–[2]
Independent third-party property developers[3]	4,830	44.7	43,702	23.9	5,239	44.3	56,415	27.5	5,907	46.0	63,676	28.5
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) 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 manage one project developed by joint ventures and associates of the Remaining Group , given we have only generated property management income since January 2023 according to the relevant property management service agreement, no revenue was record for the year ended December 31, 2022..

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

(4) For further information regarding the number of projects that were under our management as of the dates indicated, please see "Business—Property Management Services—GFA under Management" in this document.

In 2020, 2021 and 2022, revenue from providing property management services to properties developed by the Remaining Group amounted to approximately RMB139.5 million, RMB148.8 million, and RMB159.9 million accounting for approximately 76.1%, 72.5%, and 71.5%, respectively, of our total revenue derived from property management services for the same years. In general, the decrease in our percentage of total revenue from providing property management services to properties developed by the Remaining Group during the Track Record Period reflected our continuous efforts to expand our customer base and to manage more projects developed by independent third-party property developers.

(d) *Analysis of our revenue for property management services by types of paying customers*

Independent third-party customers mainly comprising property owners and tenants, who were our paying customers during the Track Record Period. The following table sets forth a breakdown of our total revenue generated from property management services for the years indicated, by types of the paying customers:

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Remaining Group[(1)] .	37,758	20.6	33,996	16.6	32,867	14.7
Independent third-party customers[(2)] .	145,473	79.4	171,194	83.4	190,726	85.3
Total	**183,231**	**100.0**	**205,190**	**100.0**	**223,593**	**100.0**

Notes:

(1) Property management services provided by our Group to customers or entities, which the Remaining Group held a controlling interest.

(2) Property management services provided by our Group to other customers.

During the Track Record Period, we have recorded a decreasing proportion of our property management services revenue generated from the Remaining Group in terms of the type of paying customers. In 2020, 2021 and 2022, the revenue from property management services that we derived from independent third-party customers as paying customers amounted to approximately RMB145.5 million, RMB171.2 million, and RMB190.7 million, accounting for approximately 79.4%, 83.4%, and 85.3% of our revenue from property management services.

(e) Analysis of our overall monthly average property management fee by type of property developer

The following table sets forth our overall monthly average property management fee per sq.m. (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.

Our overall monthly average property management fee was approximately RMB1.43, RMB1.44 and RMB1.44 for the year ended December 31, 2020, 2021 and 2022.

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. Generally, 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 typically charge 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.

(f) Analysis of our non-residential properties monthly average property management fee

The following table sets forth our non-residential properties monthly average property management fee per sq.m. (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]	**5.22**	**4.76**	**4.00**
Remaining Group[2]	5.45	4.90	5.27
Independent third-party property developers [3]	3.01	3.33	1.04

Notes:

(1) 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 developed by the Remaining Group which mainly comprises serviced apartments, one office building and one school developed by independent third-party property developers during the Track Record Period, which we charged our property management services with reference to GFA.

(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.

Our non-residential properties monthly average property management fee was approximately RMB5.22, RMB4.76 and RMB4.00 for the year ended December 31, 2020, 2021 and 2022, respectively. The fluctuations in the overall monthly average property management fee for non-residential properties during the Track Record Period were mainly driven by:

(i) a commercial property developed by the Remaining Group which was delivered to us for management in phases in 2020, and this project comprises a larger proportion of GFA under management as compared to our other commercial properties;

(ii) changes in occupancy rates from our commercial properties. In particular, a commercial property developed by the Remaining Group, which comprises a larger proportion of GFA under management compared to our other commercial properties, is experiencing lower occupancy rate due to renovation since 2021; and

(iii) the commencement to manage a commercial property developed by an independent third-party property developer in December 2022. Also, a commercial property developed by an independent third-party property developer was delivered to us in 2022, and we charge a relatively lower monthly property management fee on this property than other existing properties developed by independent third-party property developers.

Our monthly average property management fee for non-residential properties was generally higher than that of residential properties during the Track Record Period, which is in line with the industry norm. Generally, the average property management fee for non-residential properties, in particular commercial properties, are higher than the average property management fee for residential properties in the Yangtze River Delta Region, mainly because the requirements on the scope of service and service quality for non-residential properties are higher than that of residential properties.

(g) Analysis of our residential properties monthly average property management fee

The following table sets forth our residential properties monthly average property management fee per sq.m. (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	**1.12**	**1.20**	**1.21**
Remaining Group[1]	1.45	1.48	1.51
Independent third-party property developers[2]	0.72	0.87	0.86

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.

Our residential properties monthly average property management fee was approximately RMB1.12, RMB1.20 and RMB1.21 for the year ended December 31, 2020, 2021 and 2022, respectively. The increase of the overall monthly average property management fee for residential properties during the Track Record Period was mainly driven by:

(i) the reallocation of our resources to provide property management services to a number of newly developed residential property management projects, which we charged a higher monthly property management fee; and

(ii) the commencement to manage three residential properties after mid-2020, which were developed by independent third-party property developers and we charged a higher monthly property management fee than other existing residential properties developed by independent third-party property developers. We were able to charge a higher property management fee for these residential projects considered they (a) command higher service quality; or (b) were delivered more recently compared to other projects developed by independent third-party property developers.

Furthermore, as we have continued to optimize our property management service portfolio, our monthly average property management fee per sq.m. charged on properties developed by independent third-party property developers had increased during the Track Record Period.

(h) Analysis of our monthly average property management fee by city tier

The following table sets forth 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, Qingdao and Hefei; "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 developed by the Remaining Group which mainly comprises serviced apartments, one office building and one school 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.

During the Track Record Period, we did not provide any property management services for project located in any first-tier cities (such as Guangzhou).

Average property management fee for our projects located in second-tier cities

Our monthly average property management fee for our projects located in second-tier cities was approximately RMB1.64, RMB1.66 and RMB1.69 for the year ended December 31, 2020, 2021 and 2022. The increase in the relevant property management fees during the Track Record Period were mainly driven by:

(i) the cessation of our property management services provided to certain property management services projects with lower property management fees;

(ii) the reallocation of our resources to provide property management services to certain relatively newer property management projects with higher monthly property management fee. We also commenced to manage two residential properties in Hangzhou, Zhejiang province after mid-2020, and we charged a higher monthly property management fee for these residential properties located in second-tier cities.

Comparison of the average property management fees provided to properties located in second-tier cities developed by the Remaining Group and independent third-party property developers

For our residential property projects located in second-tier cities developed by the Remaining Group, our monthly average property management fee was approximately RMB1.59, RMB1.63 and RMB1.66 for the year ended December 31, 2020, 2021 and 2022, respectively. During the same years, for our residential property projects located in second-tier cities developed by independent third-party property developers, our monthly average property management fee was approximately RMB0.82, RMB0.95 and RMB0.98 for the year ended December 31, 2020, 2021 and 2022.

For our non-residential property projects located in second-tier cities developed by the Remaining Group, our monthly average property management fee was approximately RMB5.45, RMB4.90 and RMB5.27 for the year ended December 31, 2020, 2021 and 2022, respectively. During the same years, for our non-residential property projects located in second-tier cities developed by independent third-party property developers, our monthly average property management fee was approximately RMB3.01, RMB3.33 and nil[(1)] for the year ended December 31, 2020, 2021, and 2022.

Generally, our monthly average property management fees per sq.m. for property management services provided to both residential and non-residential properties located in second-tier cities developed by the Remaining Group were generally higher than those developed by independent third-party property developers, primarily because of the following reasons:

(i) approximately 89.4% of properties developed by the Remaining Group of the total GFA under management were primarily located in more developed areas in those second-tier cities, as compared to those developed by independent third-party property developers, which located in less developed areas[(2)]. Generally, the average property management fee for property management services provided to properties located in more developed areas is generally higher than those located in less developed areas given the differences in their locations and level of development;

(ii) the properties developed by the Remaining Group included (a) commercial properties located in Hangzhou, which we charged a relatively higher property management fees per sq.m. compared to the rest of non-residential properties developed by independent third-party property developers; and (b) higher class residential properties, which we usually charge a higher property management fee given the higher service standards and requirements required from the customers. On the other hand, approximately 31.1% of the residential properties developed by independent third-party property developers of the total GFA under management were government-supported houses, public rental, low-rent properties and resettlement houses, which generally had less demanding service standards and requirements. 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) approximately 51.0% of residential properties (in terms of total GFA under management) developed by independent third-party property developers were older properties developed prior to year 2012 including some of them developed between 1998 and 2005. We normally charge a lower property management fee for these older properties. On the other hand, approximately 63.3% of the residential properties developed by the Remaining Group (in terms of the total GFA under management) were new properties developed between 2012 and 2020[3]. Generally, property management fees charged for newly developed residential properties are higher than those older residential properties.

Notes:

(1) We ceased to provide property management services for one non-residential property project located in second-tier cities developed by independent third-party property developers 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.

(2) For example, in Hangzhou, among the properties developed by independent third-party property developers, approximately 31.6% of the properties (in terms of the total GFA under management) were in Tonglu, a county under the administration of Hangzhou, which has a relatively weaker level of economic development compared against other areas in Hangzhou. On the other hand, almost all residential properties developed by the Remaining Group in Hangzhou were located in city main areas including Xiaoshan District, Xihu District and Yuhang District.

(3) Among the residential properties developed by the Remaining Group in second-tier cities, approximately 41.5% of the properties (in terms of the total GFA under management) had been developed for over 10 years.

Average property management fee for our project located in third-tier cities

For 2021 and 2022, our monthly average property management fee for our project located in third-tier cities (i.e. Jinhua) was approximately RMB1.11 and RMB1.81. As we had only started to offer our services in Jinhua in the second quarter of 2021, the change in the monthly average property management fee for our sole project in Jinhua for 2021 and 2022 does not truly reflect the actual revenue pattern.[1]

Note:

(1) The property management revenue for our project located in third-tier cities (i.e. Jinhua) for 2021 and 2022 was approximately RMB3.8 million and RMB6.2 million, respectively.

Average property management fee for our projects located in other cities

Our monthly average property management fee for our projects located in other cities was approximately RMB0.80, RMB0.96 and RMB0.87 for the year ended December 31, 2020, 2021 and 2022, respectively. The fluctuations in the relevant property management fee during the Track Record Period was mainly driven by:

(i) the commencement to manage one residential project in Huaibei after mid-2020, and we charged a higher monthly property management fee for this residential properties located in Huaibei; and

(ii) the receipt of additional property management fees from a residential project in Huaibei, Anhui province, as a result of a one-off property management fee compensation from the relevant property developer to compensate our repair and maintenance work.

Comparison of the average property management fees provided to properties located in other cities developed by the Remaining Group and independent third-party property developers

For our residential property projects located in other cities developed by the Remaining Group, our monthly average property management fee was approximately RMB1.08, RMB1.20 and RMB1.14 for the year ended December 31, 2020, 2021 and 2022. During the same years, for our residential property projects located in other cities developed by independent third-party property developers, our monthly average property management fee was approximately RMB0.44, RMB0.69 and RMB0.62 for the year ended December 31, 2020, 2021 and 2022, respectively.

Generally, our monthly average property management fees per sq.m. for property management services provided to residential properties located in other cities developed by the Remaining Group were generally higher than those developed by independent third-party property developers, primarily because of the following reasons:

(i) almost all residential properties developed by the Remaining Group of the total GFA under management were primarily located in more developed areas in those other cities, as compared to those developed by independent third-party property developers, which located in less developed areas in those other cities. Generally, the average property management fee for property management services provided to properties located in more developed areas is generally higher than those located in less developed areas given the differences in their locations and level of development;

(ii) approximately 80.6% of residential properties developed by the Remaining Group of the total GFA under management included 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. On the other hand, approximately 29.7% of the residential properties developed by independent third-party developers of the total GFA under management were government-supported houses, public rental, low-rent properties and resettlement house developed by independent third-party property developers, which generally had less demanding service standards and requirements[(1)]. 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) approximately 53.8% of residential properties developed by the Remaining Group of the total GFA under management were developed between 2011 to 2022, including two properties which was developed in 2020 and one property which was developed in 2022. Generally, property management fees charged for newly developed residential properties are higher than those older residential properties.

Note:

(1) Under "other cities" tier, among the properties developed by independent third-party property developers, almost all properties were located in Huaibei, in which around half of the properties were low-rent government housing.

Relationship between property management fees and tier of the cities

Generally, property management fees primarily depend on the tier of the cities in which the properties under our management were located. During the Track Record Period, a larger portion of properties developed by the Remaining Group of the total GFA under management were located in second-tier cities as compared to those developed by independent third-party property developers, which led to the higher average property management fees. The age, quality, location and other attributes of the properties also play a role in the property management fees among properties located in the same city. Generally, properties within the same city that (i) are located in city center with convenient access to public transportations; (ii) are higher-end in terms of service, design and construction quality; and (iii) were delivered more recently, tend to command higher property management service fees.

(i) Analysis of our monthly average property management fee by geographic location

The following table sets forth 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	–
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
– 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(4)	–	–	–
– Independent third-party property developers(2)	–	–	–
Jinhua	**–**	**1.11**	**1.81**

	For the year ended December 31,		
	2020	2021	2022
	(RMB per sq.m. per month)		
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 developers(2)	–	–	0.45
Overall(5)	**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 developed by the Remaining Group which mainly comprises serviced apartments, one office building and one school developed by independent third-party property developers during the Track Record Period, which we charged our property management services with reference to GFA.

(4) 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 and associates of the Remaining Group, given we have only generated property management income since January 2023 according to the relevant property management service agreement, no revenue was record for the year ended December 31, 2022.

(5) 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.

Average property management fee for our projects located in Hangzhou

Our monthly average property management fee for our projects located in Hangzhou was approximately RMB1.51, RMB1.59 and RMB1.62 for the year ended December 31, 2020, 2021 and 2022, respectively. Generally, the relevant management fee increased moderately during the Track Record Period.

Comparison of the average property management fees provided to properties located in Hangzhou developed by the Remaining Group and independent third-party property developers

For our residential property projects located in Hangzhou developed by the Remaining Group, our monthly average property management fee was approximately RMB1.59, RMB1.78 and RMB1.72 for the year ended December 31, 2020, 2021 and 2022. During the same years, for our residential property projects located in Hangzhou developed by independent third-party property developers, our monthly average property management fee was approximately RMB0.81, RMB0.94 and RMB0.98 for the year ended December 31, 2020, 2021 and 2022.

For our non-residential property projects located in Hangzhou developed by the Remaining Group, our monthly average property management fee was approximately RMB4.81, RMB4.22 and RMB4.67 for the year ended December 31, 2020, 2021 and 2022. During the same years, for our non-residential property projects located in Hangzhou developed by independent third-party property developers, our monthly average property management fee was approximately RMB3.01, RMB3.33 and nil(1) for the year ended December 31, 2020, 2021 and 2022.

Generally, our monthly average property management fees per sq.m. for property management services provided to both residential and non-residential properties located in Hangzhou developed by the Remaining Group were generally higher than those developed by independent third-party property developers, primarily because of the following reasons:

(i) approximately 89.4% of properties developed by the Remaining Group of the total GFA under management were located in city main areas including Xiaoshan District, Xihu District and Yuhang District in Hangzhou, as compared to those developed by independent third-party property developers, which located in less developed areas in Hangzhou. Generally, the average property management fee for property management services provided to properties located in more developed areas is generally higher than those located in less developed areas given the differences in their locations and level of development;

Note:

(1) 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 Hangzhou developed by independent third-party property developers is not applicable..

(ii) the properties developed by the Remaining Group included (a) commercial properties located in Hangzhou, which we charged a relatively higher property management fees per sq.m. compared to the rest of non-residential properties developed by independent third-party property developers; (b) higher class residential properties, which we usually charge a higher property management fee given the higher service standards and requirements required from the customers. On the other hand, approximately 28.9% of the residential properties developed by independent third-party property developers of the total GFA under management were government-supported houses, public rental, low-rent properties and resettlement houses, which generally had less demanding service standards and requirements. 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) approximately 51.3% of residential properties developed by independent third-party property developers of the total GFA under management were older properties developed prior to year 2010 including some of them developed between 2000 and 2005. We normally charge a lower property management fee for these older properties. Generally, property management fees charged for newly developed residential properties are generally higher than those older residential properties.

Average property management fee for our projects located in Huaibei

Our monthly average property management fee for our projects located in Huaibei was approximately RMB0.80, RMB0.92 and RMB0.83 for the year ended December 31, 2020, 2021 and 2022, respectively. Generally, the relevant property management fee maintained relatively stable during the Track Record Period.

Comparison of the average property management fees provided to properties located in Huaibei developed by the Remaining Group and independent third-party property developers

For our residential property projects located in Huaibei developed by the Remaining Group, our monthly average property management fee was approximately RMB1.08, RMB1.16 and RMB1.14 for the year ended December 31, 2020, 2021 and 2022. During the same years, for our residential property projects located in Huaibei developed by independent third-party property developers, our monthly average property management fee was approximately was approximately RMB0.44, RMB0.69 and RMB0.63 for the year ended December 31, 2020, 2021 and 2022.

We did not provide any property management services to non-residential property projects located in Huaibei developed by either the Remaining Group or independent third-party property developers during the Track Record Period.

Generally, our monthly average property management fees per sq.m. for property management services provided to residential properties developed by the Remaining Group were generally higher than those developed by independent third-party property developers, given approximately 30.2% of the residential properties developed by independent third-party property developers we managed were government-supported houses, public rental, low-rent properties and resettlement house located in Huaibei, which generally had less demanding service standards and requirements[(1)].

Average property management fee for our projects located in Ningbo

Our monthly average property management fee for our projects located in Ningbo was approximately RMB1.97, RMB1.81 and RMB1.93 for the year ended December 31, 2020, 2021 and 2022, respectively.

During the Track Record Period, the monthly average property management fees for our non-residential properties located in Ningbo were higher than the monthly average property management fees of properties in other cities, primarily because we provided property management services to an integrated commercial complex in Ningbo which we charged a relatively higher property management fee.

Comparison of the average property management fees provided to properties located in Ningbo developed by the Remaining Group and independent third-party property developers

For our residential property projects located in Ningbo developed by the Remaining Group, our monthly average property management fee was approximately RMB1.49, RMB1.34 and RMB1.46 for the year ended December 31, 2020, 2021 and 2022, respectively. We have recorded a higher average property management fee during 2020 as we received additional property management fees from residential projects in Ningbo as a result of the receipt of a one-off compensation from the property developers to compensate our repair and maintenance work. For our non-residential property projects located in Ningbo developed by the Remaining Group, our monthly average property management fee was approximately RMB8.86, RMB8.48 and RMB8.47 for the year ended December 31, 2020, 2021 and 2022.

We did not provide any property management services to both residential and non-residential property projects located in Ningbo developed by independent third-party property developers during the Track Record Period.

Average property management fee for our projects located in Hefei

Our monthly average property management fee for our projects located in Hefei was approximately RMB2.51, RMB2.27 and RMB1.64 for the year ended December 31, 2020, 2021 and 2022.

Note:

(1) Among the residential properties developed by independent third-party property developers, around one-third of the properties (in terms of the total GFA under management) were low-rent government housing. On the other hand, around 95.8% of residential properties developed by the Remaining Group were positioned as high-end properties in Huaibei.

During the Track Record Period, the monthly average property management fees for our residential properties located in Hefei were generally higher than the monthly average property management fees of residential properties in other cities, primarily because the residential properties developed by the Remaining Group we managed in Hefei include villas which command higher service standards and requirements and higher service costs. In 2022, we have recorded a lower monthly average property management fees for our residential properties located in Hefei as we commenced to provide property management services to residential properties developed by independent third-party property developers after mid-2022.

Comparison of the average property management fees provided to properties located in Hefei developed by the Remaining Group and independent third-party property developers

For our residential property projects located in Hefei developed by the Remaining Group, our monthly average property management fee was approximately RMB2.57, RMB2.57 and RMB2.57 for the year ended December 31, 2020, 2021 and 2022.

Average property management fee for our projects located in Lishui

We had only started to offer our services in Lishui in 2021 and the monthly average property management fee for our projects located in Lishui was approximately RMB1.44 for the year ended December 31, 2021 and RMB1.06 for the year ended December 31, 2022.

Average property management fee for our project located in Jinhua

We had only started to offer our services in Jinhua in 2021 and the monthly average property management fee for our project located in Jinhua was approximately RMB1.11 for the year ended December 31, 2021 and RMB1.81 for the year ended December 31, 2022.

Average property management fee for our projects located in Qingdao

We had only started to offer our services in Qingdao in 2022 and the monthly average property management fee for our project located in Qingdao was approximately RMB1.86 for the year ended December 31, 2022.

Average property management fee for our projects located in Chuzhou

We had only started to offer our services in Chuzhou in 2022 and the monthly average property management fee for our project located in Chuzhou was approximately RMB1.83 for the year ended December 31, 2022.

Average property management fee for our projects located in Taizhou

We had only started to offer our services in Taizhou in 2022 and the monthly average property management fee for our project located in Taizhou was approximately RMB0.45 for the year ended December 31, 2022.

Revenue from Value-Added Services Mainly to Property Developers

Our value-added services mainly to property developers cover different stages of property development projects from its commencement to its 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, with an aim to facilitate the property management of such project upon its completion and delivery. 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 purchasers.

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

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Sales office management services						
Remaining Group	20,090	60.3	38,888	65.7	44,144	72.6
Joint ventures and associates of the Remaining Group	3,988	12.0	8,984	15.2	3,992	6.6
Independent third–party customers	1,256	3.8	6,497	11.0	6,910	11.4
Preliminary planning and design consultancy services						
Remaining Group	5,960	17.9	3,279	5.5	3,970	6.5
Joint ventures and associates of the Remaining Group	202	0.6	257	0.4	576	0.9
Independent third-party customers	–	–	–	–	–	–
Pre-delivery inspection services						
Remaining Group	1,790	5.4	1,288	2.2	882	1.5
Joint ventures and associates of the Remaining Group	–	–	–	–	255	0.5
Independent third-party customers	–	–	–	–	–	–
Total	**33,286**	**100.0**	**59,193**	**100.0**	**60,729**	**100.0**

Our revenue from value-added services mainly to property developers increased by approximately 77.8%, from RMB33.3 million in 2020 to RMB59.2 million in 2021. Such increase was mainly due to the increase in revenue from sales office management services during the Track Record Period. As of December 31, 2020, 2021 and 2022, we managed 19, 26 and 29 sales office management projects obtained from the Remaining Group or its joint ventures and associates for their property development projects and had commenced pre-sale procedures, and these projects were mostly located in Zhejiang province. Moreover, we managed one, four and four sales office management projects obtained from independent third-party developers as of December 31, 2020, 2021 and 2022.

In 2021 and 2022, based on our long-term business relationship with the Remaining Group, we also obtained further business opportunities in the areas of (i) preliminary planning and design consultancy services; and (ii) pre-delivery inspection services to property developers. As of December 31, 2021, and 2022, we provided (i) preliminary planning and design consultancy services to 14 and 22 property projects. As of December 31, 2021 and 2022, we provided pre-delivery inspection services to four and three property projects.

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. Generally, projects we had with the Remaining Group or its joint ventures and associates were referred by the Remaining Group, whereas projects we had with independent third-party customers were obtained through our own efforts from the respective third-party customers. 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 with 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.

Revenue from Community Value-Added Services

We also provide community value-added services principally to property owners and residents, which primarily comprise (i) common area management services; (ii) renovation waste disposal services; and (iii) car parking space sales agency services. The following table sets forth a breakdown of our revenue from community value-added services by type of property developer for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Common area management services						
Remaining Group	5,634	39.7	7,182	22.9	9,315	26.4
Joint ventures and associates of the Remaining Group	–	–	–	–	147	0.4
Independent third–party developers	3,855	27.2	3,450	11.0	1,633	4.6
Renovation waste disposal services						
Remaining Group	1,014	7.2	2,430	7.8	608	1.7
Independent third–party developers	467	3.3	1,037	3.3	578	1.6
Car parking space sales agency services						
Remaining Group	3,208	22.6	17,212	55.0	23,132	65.3
Total	**14,178**	**100.0**	**31,311**	**100.0**	**35,413**	**100.0**

Our revenue from community value-added services experienced rapid growth during the Track Record Period. Our revenue from community value-added services increased by approximately 120.8% from RMB14.2 million in 2020 to RMB31.3 million in 2021, and further increased by 13.1% to RMB35.4 million in 2022. The increase in revenue for 2021 and 2022 was mainly due to the increase in car parking space sales agency services to the Remaining Group, where we assist property developer to sell and purchasers to purchase car parking spaces in certain property projects we managed or under our management.

Cost of Sales

Cost of Sales by Business Lines

The following table sets forth the components of our cost of sales by business lines for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Property management services	117,155	81.4	134,085	72.6	149,376	73.4
Value-added services mainly to property developers	19,089	13.3	33,762	18.3	35,403	17.4
Community value-added services	7,650	5.3	16,742	9.1	18,618	9.2
Total	**143,894**	**100.0**	**184,589**	**100.0**	**203,397**	**100.0**

The increase in cost of sales during the Track Record Period was generally consistent with the expansion of our business scale, where majority of our cost of sales was incurred for our property management services.

Cost of Sales by Nature of Expenses

Our cost of sales primarily consist of (i) staff costs refer to the costs of our on-site staff directly providing property management services, value-added services mainly to property developers and community value-added services; (ii) expenses for cleaning and gardening services including cleaning, waste and sewerage charges; (iii) expenses for maintenance services and consumables including equipment repair expenses; and (iv) utilities expenses including water and electricities charges, office supplies for property management offices and communication charges. The following table sets forth the components of our total cost of sales for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Staff costs	111,859	77.8	138,081	74.8	153,192	75.3
Cleaning and gardening services expenses	14,875	10.3	24,240	13.1	25,839	12.7
Maintenance services expenses	12,522	8.7	14,548	7.9	15,861	7.8
Utilities expenses	4,638	3.2	7,720	4.2	8,505	4.2
Total	**143,894**	**100.0**	**184,589**	**100.0**	**203,397**	**100.0**

During the Track Record Period, the main component of our cost of sales was staff costs. The increase in cost of sales during the Track Record Period was primarily attributable to the increase in number of on-site staff in response to the continuous increase in our GFA under management resulting mainly from the expansion of the portfolio of our property management projects and the increase in the average salary of our on-site staff. See "—Key Factors Affecting Our Results of Operations—Ability to Mitigate the Impact of Rising Staff Costs" in this document for further discussion in this regard.

Gross Profit and Gross Profit Margin

Our overall gross profit margin in 2020, 2021 and 2022 was approximately 37.6%, 37.6% and 36.4%. The following table sets forth our gross profit and gross profit margin by business line and type of property developer for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Property management Services	**66,076**	**36.1**	**71,105**	**34.7**	**74,217**	**33.2**
Remaining Group	52,320	37.5	51,866	34.9	53,603	33.5
Joint ventures and associates of the Remaining Group	–	–	–	–	–	–
Independent third–party property developers	13,756	31.5	19,239	34.1	20,614	32.4
Value-added services mainly to property developers	**14,197**	**42.7**	**25,431**	**43.0**	**25,326**	**41.7**
Remaining Group	12,530	43.5	19,582	43.7	20,298	41.4
Joint ventures and associates of the Remaining Group	1,553	37.1	3,906	42.3	1,900	39.4
Independent third–party property developers	114	40.2	1,943	37.8	3,128	45.3
Community value-added services	**6,528**	**46.0**	**14,569**	**46.5**	**16,795**	**47.4**
Remaining Group	4,654	47.2	12,605	47.0	15,735	47.6
Joint ventures and associates of the Remaining Group	–	–	–	–	68	46.3
Independent third–party property developers	1,874	43.4	1,964	43.8	992	44.9
Total /Overall	**86,801**	**37.6**	**111,105**	**37.6**	**116,338**	**36.4**

Our overall gross profit margins are affected by gross profit margins for each of our business lines as well as fluctuations in our business mix. The gross profit margins for our value-added services mainly to property developers and our community value-added services were relatively higher than that of the property management services, which were relatively more labor-intensive in nature. Our overall gross profit margin fluctuated between 37.6% in 2020 and 2021 to 36.4% in 2022, primarily attributable to (i) change in monthly average property management fee of our properties under management; (ii) the expansion of our value-added services mainly to property developers; (iii) steady growth of our community value-added services; and (iv) our successful implementation of cost-control measures. These measures, among others, include (i) implementing the budget system among our Group annually before the start of a new financial year to avoid any potential financial deficit while carrying out the strategies of the Group; (ii) adopting a comprehensive procurement management system to reduce the transaction cost, especially by utilising the tender process whenever purchasing a single batch of goods over RMB30,000 to determine the most cost-effective products; and (iii) ensuring the subcontracting fees that we paid to the subcontractors are generally lower than the cost for delivering the same services by ourselves during the same period.

Analysis of our gross profit and gross profit margin by type of property developer and types of property

The following table sets forth a breakdown of our gross profit and gross profit margin by type of property developer and type of property for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Remaining Group	**69,504**	**39.0**	**84,053**	**38.1**	**89,637**	**37.0**
Residential	48,786	38.3	63,338	37.8	68,849	37.4
Non-residential	20,718	40.7	20,715	39.1	20,788	35.8
Joint ventures and associates of the Remaining Group	**1,553**	**37.1**	**3,906**	**42.3**	**1,967**	**39.6**
Residential	1,553	37.1	3,906	42.3	1,967	39.6
Non-residential	–	–	–	–	–	–
Independent third–party property developers	**15,744**	**32.6**	**23,146**	**35.1**	**24,734**	**34.0**
Residential	14,348	34.2	21,388	35.9	20,420	34.3
Non-residential	1,396	22.0	1,758	27.1	4,314	32.5
Total	**86,801**	**37.6**	**111,105**	**37.6**	**116,338**	**36.4**

Gross profit margin analysis of projects developed by the Remaining Group

Our gross profit margin for projects developed by the Remaining Group in 2020, 2021 and 2022 were approximately 39.0%, 38.1% and 37.0%.

For our residential projects developed by the Remaining Group, our gross profit margin in 2020, 2021 and 2022 were approximately 38.3%, 37.8% and 37.4%. For our non-residential projects developed by the Remaining Group, our gross profit margin for Remaining Group in 2020, 2021 and 2022 was approximately 40.7%, 39.1% and 35.8%. The fluctuation of our gross profit margin for Remaining Group during the Track Record Period was mainly driven by:

(i) for 2020, our gross profit margin was affected partly due to the one-off deduction or exemption of payment of social insurance contributions as a result of the regulatory supportive policies issued by the local governments in response to the COVID-19 outbreak; the various cost saving measures that we have adopted; and the fact that we have broadened our services offering to property developers and construction companies to include (a) preliminary planning and design consultancy services; and (b) pre-delivery inspection services, which we can charge higher gross profit margin; and

(ii) for 2021, given we generated a significant portion of our revenue from our property management services, our gross profit margin was largely affected by the average property management fees we charged on our customers. Furthermore, we have recorded an increase in our staff costs, as the regulatory supportive policies to deduct or exempt for payment of social insurance contribution has discontinued, given the authorities have effectively controlled the COVID-19 epidemic. Generally, our monthly average property management fee for non-residential properties were generally higher than those of residential properties during the Track Record Period, which is in line with the industry norm. See "—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items —Revenue—Revenue from Property Management Services" in this section for details. While the relevant costs to provide property management services for non-residential properties were higher, we were able to charge a relatively higher premium for these properties and hence slightly higher gross profit margin were recorded for non-residential properties.

Gross profit margin analysis of projects developed by independent third-party property developers

Our gross profit margin for projects developed by independent third–party property developers in 2020, 2021 and 2022 was approximately 32.6%, 35.1% and 34.0%.

For our residential projects, our gross profit margin for independent third-party property developers in 2020, 2021 and 2022 was approximately 34.2%, 35.9% and 34.3%. For our non-residential projects, our gross profit margin for independent third-party property developers in 2020, 2021 and 2022 was approximately 22.0%, 27.1% and 32.5%.

The fluctuation of our gross profit margin for projects developed by independent third–party property developers during the Track Record Period were mainly driven by:

(i) for 2020, our gross profit margin was affected partly due to the one-off deduction or exemption of payment of social insurance contributions as a result of the regulatory supportive policies issued by the local governments in response to the COVID-19 outbreak; and the various cost saving measures that we have adopted;

(ii) for 2021, we commenced to manage three residential properties developed by independent third-party property developers after mid-2020 which we charged a higher property management fee. We were able to charge a higher property management fee for these residential projects considered they (a) command higher service quality; or (b) were delivered more recently compared to other projects developed by independent third-party property developers; and

(iii) for 2022, our gross profit margin was affected mainly due to the commencement of certain new residential projects developed by independent third-party property developers which were governmental supported houses, public rental and low-rent properties in 2022 in Hangzhou and Hefei, where we charged a relatively lower property management fee.

Gross profit margin between residential projects and non-residential projects developed by independent third-party property developers

Generally, the industry norm is that the monthly average property management fee for non-residential properties should be higher than that of residential properties. However, certain non-residential properties developed by independent third-party property developers under our management incurred losses during the Track Record Period.

Analysis of our gross profit and gross profit margin by city tier and types of property

The following table sets forth a breakdown of our gross profit and gross profit margin by city tier and types of property:

	For the year ended December 31,					
	2020		2021		2022	
	Gross profit/ (loss)	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
First-tier cities[1]	**–**	**–**	**338**	**44.6**	**960**	**44.6**
Residential	–	–	–	–	–	–
Non-residential	–	–	338	44.6	960	44.6
Second-tier cities[1]	**67,900**	**36.3**	**78,619**	**36.4**	**78,458**	**35.1**
Residential	45,993	35.1	56,662	35.8	56,119	35.1
Non-residential	21,907	39.2	21,957	38.1	22,339	35.3
Third-tier cities[1]	**4,293**	**41.1**	**7,517**	**42.4**	**11,981**	**40.2**
Residential	4,293	41.1	7,517	42.4	11,424	40.7
Non-residential	–	–	–	–	557	32.1
Other cities[1]	**14,608**	**43.7**	**24,631**	**40.1**	**24,939**	**38.6**
Residential	14,401	44.8	24,454	40.6	23,694	39.3
Non-residential	207	15.5	177	15.9	1,245	29.4
Total	**86,801**	**37.6**	**111,105**	**37.6**	**116,338**	**36.4**

Note:

(1) For the purpose of this table, "first-tier cities" includes Guangzhou; "second-tier cities" include Hangzhou, Ningbo, Hefei, Kunming, Nanchang, Nanjing, Qingdao and Wuhan; "third-tier cities" include Jinhua, Wenzhou and Wuxi; and "other cities" include Lishui, Huzhou, Taizhou, Zhoushan, Quzhou, Chuzhou and Huaibei.

Gross profit margin analysis of project located in first-tier cities

We had provided our sales office management services to a property developer in Guangzhou in the second half of 2021 and recorded approximately RMB338,000 gross profit with 44.6% gross profit margin. During 2022, we recorded approximately RMB960,000 gross profit with 44.6% gross profit margin.

Gross profit margin analysis of projects located in second-tier cities

Our gross profit margin for projects located in second-tier cities in 2020, 2021 and 2022 were approximately 36.3%, 36.4% and 35.1%.

For our residential projects, our gross profit margin for projects located in second-tier cities in 2020, 2021 and 2022 was approximately 35.1%, 35.8% and 35.1%. For our non-residential projects, our gross profit margin for projects located second-tier cities in 2020, 2021 and 2022 were approximately 39.2%, 38.1% and 35.3%. The decrease of our gross profit margin from 2021 to 2022 for projects located in second-tier cities during the Track Record Period was mainly driven by the commencement to manage seven residential properties (including certain governmental supported houses) and eight non-residental properties developed by independent third-party property developers after mid-2022, which we charged a relatively lower property management fee.

Gross profit margin analysis of project located in third-tier cities

Our gross profit margin for projects located in third-tier cities in 2020, 2021 and 2022 were approximately 41.1%, 42.4% and 40.2%. For our residential projects, our gross profit margin for projects located in third-tier cities in 2020, 2021 and 2022 were approximately 41.1%, 42.4% and 40.7%.

Gross profit margin analysis of projects located in other cities

Our gross profit margin for projects located in other cities in 2020, 2021 and 2022 were approximately 43.7%, 40.1% and 38.6%.

For our residential projects, our gross profit margin for projects located in other cities in 2020, 2021 and 2022 was approximately 44.8%, 40.6% and 39.3%. For our non-residential projects, our gross profit margin for projects located in other cities in 2020, 2021 and 2022 were approximately 15.5%, 15.9% and 29.4%.

The fluctuation of our gross profit margin for projects located in other cities during the Track Record Period was mainly driven by:

(i) we commenced to manage one residential property in Huaibei after mid-2020 and we charged a higher monthly property management fee for such property; and

(ii) we received additional property management fees from a residential project in Huaibei, Anhui province, as a result of the receipt of a one-off property management fee compensation from the relevant property developer to compensate our repair and maintenance work.

Property Management Services

Gross profit margin for our property management services is largely affected by the combined effect of the average fee per sq.m. per month we charge for our property management services and our cost of sales per sq.m. per month for providing such services.

In 2021, our gross profit margin for property management services decreased from approximately 36.1% in 2020 to 34.7% in 2021 primarily due to the increase in our staff costs, as the regulatory supportive policies to deduct or exempt for payment of social insurance contributions had discontinued, given the authorities have effectively controlled the COVID-19 epidemic.

Our gross profit margin for property management services remained stable between approximately 34.7% in 2021 to 33.2% in 2022.

Gross profit margin analysis by type of property developer

Our gross profit margin for property management services of the Remaining Group in 2020, 2021 and 2022 was approximately 37.5%, 34.9% and 33.5%, and our gross profit margin for independent third-party property developers was 31.5%, 34.1%, and 32.4%, during the same period. Generally, our gross profit margin for property management services for properties developed by the Remaining Group was slightly higher than the properties developed by independent third-party property developers.

Generally, we charge a higher monthly average property management fees per sq.m. for property management services provided to properties developed by the Remaining Group than those developed by independent third-party property developers. See "—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Revenue—Revenue from Property Management Services" in this section for details.

Value-added Services Mainly to Property Developers

Gross profit for value-added services mainly to property developers increased by approximately 79.1% from RMB14.2 million in 2020 to RMB25.4 million in 2021, and decreased slightly by 0.4% to RMB25.3 million in 2022. Such increase between 2020 to 2021 was mainly due to the increase in revenue from sales office management services during the Track Record Period. As of December 31, 2020, 2021 and 2022, we managed 19, 26 and 29 sales office management projects which were obtained from the Remaining Group or its joint ventures and associates for their property development projects which had commenced pre-sale procedures during the relevant years and these projects were mostly located in Zhejiang province.

In 2021, based on our long term business relationship with the Remaining Group, we have also obtained further business opportunities in the areas of (i) preliminary planning and design consultancy services; and (ii) pre-delivery inspection services to property developers. Our gross profit margin from value-added services mainly to property developers fluctuated between approximately 42.7% in 2020 to 41.7% in 2022.

Gross profit margin analysis by type of property developer

Our gross profit margin for value-added services mainly to property developers of the Remaining Group in 2020, 2021 and 2022 was approximately 43.5%, 43.7% and 41.4%, and our gross profit margin for independent third–party property developers was 40.2%, 37.8% and 45.3% during the same period.

Generally, our gross profit margin for value-added services mainly to property developers for properties developed by the Remaining Group was slightly higher than the properties developed by joint ventures and associates of the Remaining Group and independent third-party property developers. Notwithstanding with the above, our Directors believe that our contracts with respect to value-added services mainly to property developers for joint ventures and associates of the Remaining Group and independent third–party property developers during the Track Record Period were comparable as our contracts for value-added services mainly to property developers were obtained through commercial negotiation. Furthermore, 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, therefore, our Directors consider that gross profit margin earned by our Group to different property developers were reasonable and in line with the prevailing market rates.

Community Value-Added Services

Gross profit of our community value-added services increased by approximately 123.2% from RMB6.5 million in 2020 to RMB14.6 million in 2021, and further increased by approximately 15.3% to RMB16.8 million in 2022. The increase in gross profit was primarily due to the increase in gross profit from car parking space sales agency services in 2021.

Gross profit margin for our community value-added services was approximately 46.0%, 46.5% and 47.4%, in 2020, 2021 and 2022.

The gross profit margins for our community value-added services were higher than property management services during the Track Record Period, primarily because community value-added services, such as common area management services and car parking space sales agency services, were generally less labor-intensive than property management services and therefore had lower costs.

Gross profit margin analysis by type of property developer

Our gross profit margin for community value-added services of the Remaining Group in 2020, 2021 and 2022 was approximately 47.2%, 47.0% and 47.6%, and our gross profit marginfor independent third-party property developers was 43.4%, 43.8% and 44.9% during the same period.

Generally, our gross profit margin for community value-added services to property owners and residents of the projects we manage for properties developed by the Remaining Group was slightly higher than the properties developed by independent third-party property developers. Notwithstanding with the above, our Directors believe that our contracts with respect to community value-added services provided to independent third-party customers during the Track Record Period were generally comparable as the majority of our contracts for community value-added services, such as common area management services and renovation waste disposal services, were obtained through commercial negotiation or service requests from property owners or residents of our managed properties from time to time.

Other Income

Our other income mainly comprises government grant and interest income. The following table sets forth the components of our other income for the years indicated:

	For the year ended December 31,		
	2020	**2021**	**2022**
		(RMB'000)	
Government grant	4,636	707	928
Interest income	140	284	151
Others[(1)]	614	819	1,076
Total	**5,390**	**1,810**	**2,155**

(1) Others mainly include penalty income from late fees, receipts from contractual claims from suppliers and forfeiture of deposits received from property owners.

Government grant mainly comprised government subsidies to support local corporate and economic development and to encourage our effort of stabilizing employment and providing high standard property management services. The significant increase of our government grant to approximately RMB4.6 million in 2020 was primarily due to the government subsidies for staff retention and property management industry as a result of regulatory supportive policies issued by the local governments due to the impact of COVID-19. There are no unfulfilled conditions or contingencies relating to these government subsidies.

Our government grant increased from approximately RMB707,000 in 2021 to approximately RMB928,000 in 2022, mainly due to government subsidies to the property management company to encourage waste sorting and garbage classification.

Our other income increased from approximately RMB819,000 in 2021, to approximately RMB1.1 million in 2022, as we forfeited the deposit placed by a renovation company for violating our renovation and construction conditions of approximately RMB317,000 during 2022.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets primarily are provisions for losses arising from potential bad debts in respect of our trade receivables in the ordinary course of business. In 2020, 2021 and 2022, under the ECL model, we recorded impairment losses on financial assets of approximately RMB2.5 million, RMB333,000 and RMB2.7 million, respectively, mainly relating to the changes in allowance for impairment of trade receivables for property management services.

Administrative Expenses

Our administrative expenses mainly consist of (i) staff costs for administrative staff; (ii) office expenses; (iii) utility costs; (iv) legal and professional fee; and (v) **[REDACTED]**. The following table sets forth a breakdown of our administrative expenses for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Staff costs	10,790	40.8	21,075	37.6	23,977	50.4
Office expenses	4,607	17.2	4,794	8.5	4,937	10.4
Utility costs	1,738	6.6	2,809	5.0	3,179	6.6
Depreciation of items of property and equipment	630	2.4	706	1.3	934	2.0
Legal and professional fee	1,950	7.4	2,840	5.1	2,056	4.3
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Amortization of intangible assets	30	0.1	30	0.1	30	0.1
Others[(1)]	3,968	15.0	5,233	9.3	2,596	5.5
Total	**26,498**	**100.0**	**56,072**	**100.0**	**47,573**	**100.0**

(1) Others mainly include miscellaneous expenses such as expenses for employment security funds for disabled, business development and catering.

We recorded an increase in administrative expenses from RMB26.5 million in 2020 and further to RMB56.1 million in 2021, and it was generally in line with the growth of our business. For 2022, the decrease in our administrative expenses was mainly due to the decrease in our **[REDACTED]**.

Our staff costs for administrative staff in 2020, 2021 and 2022 was approximately RMB10.8 million, RMB21.1 million and RMB24.0 million. The relevant amount was principally consisted of wages, salaries, bonus payment, pension scheme contributions and social welfare for our administrative staff.

For 2020, our staff costs was affected primarily due to the decrease of pension scheme contributions and social welfare with the introduction of regulatory supportive policies in response to the outbreak of COVID-19, which was subsequently ceased in 2021. For 2022, the increase in our staff costs was primarily due to the increase in the number of our staff, the payment of bonus payment to our staff, the hiring of additional managerial staff, and an increase of pension scheme contributions and social welfare with the cessation of regulatory supportive policies as the outbreak of COVID-19 is under control.

Our legal and professional fee in 2020, 2021 and 2022 was approximately RMB1.9 million, RMB2.8 million and RMB2.1 million.

Our legal and professional fees in 2020 was primarily consisted of (i) engagement of external lawyers for a number of litigations related to our property management services (such as collection of management fees) or due diligence on potential project acquisition; (ii) consultation fees for feasibility studies to provide property management service; (iii) consultation fees on property management compliance or customer satisfaction surveys; and (iv) consulting fee for applying AAA certification of corporate integrity and credit (AAA等級企業誠信信用認證). For 2021, our legal and professional fees further increased to RMB2.8 million as we have engaged external consulting firm in the second half of 2021 to provide organizational development and business process advisory services.

Income Tax Expenses

Our income tax expenses comprise current tax and movements in deferred tax assets. Current tax represents the estimated tax payable on the taxable income for the Track Record Period, using tax rates enacted as of the end of Track Record Period, plus any adjustment to tax payable in respect of previous reporting years. Our income tax mainly comprises PRC EIT at a tax rate of 25% on taxable profits of our subsidiaries incorporated in the PRC. See notes 9 and 13 to the Accountants' Report in Appendix I to this document for more information on the deferred tax assets.

The following table sets forth a breakdown of our income tax expenses for the years indicated:

	For the year ended December 31,		
	2020	**2021**	**2022**
		(RMB'000)	
Current income tax	16,769	14,803	17,990
Deferred income tax	(625)	(83)	(665)
Total	**16,144**	**14,720**	**17,325**

Pursuant to the rules and regulations of the Cayman Islands and the BVI, we were not subject to any income tax in Cayman Islands and the BVI during the Track Record Period. In addition, the income tax rate applicable to entities incorporated in Hong Kong is 16.5%. No provision for Hong Kong profits tax was made because we did not have any income arising in or derived from Hong Kong during the Track Record Period.

In 2020, 2021 and 2022, our effective income tax rate, calculated as income tax expenses divided by profit before taxation, was approximately 25.6%, 26.0% and 25.4%, generally in line with the PRC statutory corporate income tax rate of 25%. The slight deviation was mainly due to incurrence of certain business development expenses and **[REDACTED]** which are not tax-deductible.

During the Track Record Period and up to the Latest Practicable Date, we had paid all applicable taxes when due and to the best knowledge of the Company, we have no dispute or unresolved matters with, and/or was subject to any investigation, inspection or enquiries by, the relevant tax authorities.

RESULTS OF OPERATIONS

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by approximately 8.1% from RMB295.7 million in the 2021 to RMB319.7 million in 2022, primarily due to an increase in our revenue from property management services by RMB18.4 million and to a lesser extent, an increase in revenue from community value-added services by RMB4.1 million.

- Revenue from property management services. Our revenue from property management services increased by approximately 9.0% from RMB205.2 million in 2021 to RMB223.6 million in 2022, primarily attributable to further optimization of our property management service portfolio by ceasing our service to four residential project and four non-residential projects developed by independent third-party property developers, which we had been charging a lower property management fee; and mainly reallocating our resources to provide property management services to two new non-residential projects located in Wenzhou and Chuzhou developed by independent third-property developers with higher monthly property management fee. Our number of properties under management increased from 74 projects as of December 31, 2021 to 95 projects as of December 31, 2022. Our GFA under management increased from approximately 11.8 million sq.m. as of December 31, 2021 to approximately 12.8 million sq.m. as of December 31, 2022. Furthermore, we manage a total of 70 residential properties projects and 25 non-residential properties projects as of December 31, 2022.

- Revenue from value-added services mainly to property developers. Our revenue from value-added services mainly to property developers increased by approximately 2.6% from RMB59.2 million in 2021 to RMB60.7 million in 2022. This increase was primarily attributable to (i) the increase in the number of sales office management projects we obtained from both the Remaining Group and its joint ventures and associates and independent third-party property developers; and (ii) the continuation of the contribution of revenue from preliminary planning and design consultancy services. Our number of sales office management services projects increased from 30 projects as of December 31, 2021 to 34 projects as of December 31, 2022.

- Revenue from community value-added services. Our revenue from community value-added services increased by approximately 13.2% from RMB31.3 million in 2021 to RMB35.4 million in 2022. This increase was primarily due to the increase in demand for our car parking space sales agency services during 2022.

Cost of sales

Our cost of sales increased by approximately 10.2% from RMB184.6 million in 2021 to RMB203.4 million in 2022, primarily due to the increase in our staff costs, as the regulatory supportive policies to deduct or exempt for payment of social insurance contributions had discontinued, given the authorities have effectively controlled the COVID-19 epidemic.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 4.7% from RMB110.1 million in 2021 to RMB116.3 million in 2022. Our overall gross profit margin fluctuated between approximately 37.6% in 2021 to 36.4% in 2022.

- Property management services. Our gross profit from property management services increased by approximately 4.4% from RMB71.1 million in 2021 to RMB74.2 million in 2022, and gross profit margin from property management services remained stable between approximately 34.4% in 2021 and 33.2% in 2022.

- Value-added services mainly to property developers. Our gross profit from value-added services mainly to property developers decreased slightly by approximately 0.4% from RMB25.4 million in 2021 to RMB25.3 million in 2022 and gross profit margin from value-added services mainly to property developers remained stable between approximately 43.0% in 2021 and 41.7% in 2022.

- Community value-added services. Our gross profit from community value-added services increased by approximately 15.3% from RMB14.6 million in 2021 to RMB16.8 million in 2022 and gross profit margin from community value-added services remained stable between approximately 46.5% in 2021 and 47.4% in 2022.

Other Income

We recognized other income of approximately RMB1.8 million in 2021, primarily relating to government subsidies for staff retention and property management industry as a result of regulatory supportive policies issued by the local government due to the impact of COVID-19. There are no unfulfilled conditions or contingencies relating to these government subsidies.

Our other income increased to approximately RMB2.2 million in 2022, mainly due to government subsidies to the property management company to encourage waste sorting and garbage classification, and we had forfeited the deposit of approximately RMB317,000 placed by a renovation company for violating our renovation and construction conditions during 2022.

Impairment Losses on Financial Assets, Net

In 2021 and 2022, we recorded impairment losses on financial assets of approximately RMB0.3 million and RMB2.7 million, representing an increase of approximately RMB2.4 million. The increase in the impairment losses was primarily due to (i) the increase in the GFA and number of properties under our management during 2022; and (ii) the deterioration of our property management fee collection rate, partly related to the COVID development at the end of 2022 in the PRC.

Administrative Expenses

Our administrative expenses decreased by approximately 15.2% to RMB47.6 million in 2022 from RMB56.1 million in 2021, due to the combined effect of increase in staff costs (including wages, salaries, bonus payment, pension scheme contributions and social welfare) to our employees, office expenses, utility costs and the decrease in **[REDACTED]**. The increase of pension scheme contributions and social welfare was due to the cessation of regulatory supportive policies issued by local government in response to the outbreak of COVID-19. Moreover, we recorded a decrease of an amount of approximately RMB**[REDACTED]** **[REDACTED]** during 2022.

Income Tax Expenses

Our income tax expenses increased by approximately 17.7% from RMB14.7 million in the 2021 to RMB17.3 million in 2022, the increase is generally in line with the increase in our profit before taxation.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year increased by approximately 21.9% from RMB41.8 million in 2021 to RMB50.9 million in 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by approximately 28.2% from RMB230.7 million in 2020 to RMB295.7 million in 2021, primarily due to an increase in our revenue from property management services by approximately RMB22.0 million, value-added services mainly to property developers by RMB25.9 million and to a lesser extent, an increase in revenue from community value-added services by RMB17.1 million.

- *Revenue from property management services*. Our revenue from property management services increased by approximately 12.0% from RMB183.2 million in 2020 to RMB205.2 million in 2021, primarily attributable to further optimization of our property management service portfolio by ceasing our service to one residential project and seven non-residential projects developed by independent third-party property developers, which we had been charging a lower property management fee; and reallocating our resources to provide property management services to (i) two new residential projects located in Lishui and Jinhua; and (ii) one new non-residential project located in Hangzhou with higher monthly property management fee developed by the Remaining Group. Our number of properties under management increased from 73 projects as of December 31, 2020 to 74 projects as of December 31, 2021. Our GFA under management increased from approximately 10.8 million sq.m. as of December 31, 2020 to approximately 11.8 million sq.m. as of December 31, 2021. Furthermore, we manage a total of 60 residential properties projects and 14 non-residential properties projects as of December 31, 2021.

- *Revenue from value-added services mainly to property developers*. Our revenue from value-added services mainly to property developers increased by approximately 77.8% from RMB33.3 million in 2020 to RMB59.2 million in 2021. This increase was primarily attributable to (i) the increase in the number of sales office management projects we obtained from both the Remaining Group and its joint ventures and associates and independent third-party property developers; and (ii) the continuation of the contribution of revenue from both preliminary planning and design consultancy services and pre-delivery inspection services. Our number of sales office management services projects increased from 20 projects as of December 31, 2020 to 30 projects as of December 31, 2021.

- *Revenue from community value-added services*. Our revenue from community value-added services increased by approximately 120.8% from RMB14.2 million in 2020 to RMB31.3 million in 2021. This increase was primarily due to the in demand for our car parking space sales agency services during 2021.

Cost of sales

Our cost of sales increased by approximately 28.3% from RMB143.9 million in 2020 to RMB184.6 million in 2021, primarily due to the increase in our staff costs, as the regulatory supportive policies to deduct or exempt for payment of social insurance contributions had discontinued, given the authorities have effectively controlled the COVID-19 epidemic.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 28.0% from RMB86.8 million in 2020 to RMB111.1 million in 2021. Our overall gross profit margin maintained stable at approximately 37.6% in both 2020 and 2021.

- *Property management services*. Our gross profit from property management services increased by approximately 7.6% from RMB66.1 million in 2020 to RMB71.1 million in 2021, and gross profit margin from property management services decreased slightly from approximately 36.1% in 2020 to 34.7% in 2021.

- *Value-added services mainly to property developers*. Our gross profit from value-added services mainly to property developers increased by approximately 79.1% from RMB14.2 million in 2020 to RMB25.4 million in 2021 and gross profit margin from value-added services mainly to property developers remained stable between approximately 42.7% in 2020 and 43.0% in 2021.

- *Community value-added services*. Our gross profit from community valued-added services increased by approximately 123.2% from RMB6.5 million in 2020 to RMB14.6 million in 2021 and gross profit margin from community value-added services remained stable between approximately 46.0% in 2020 and 46.5% in 2021.

Other Income

We recognized other income of approximately RMB5.4 million in 2020, primarily relating to government subsidies for staff retention and property management industry as a result of regulatory supportive policies issued by the local government due to the impact of COVID-19. There are no unfulfilled conditions or contingencies relating to these government subsidies.

Our other income decreased to approximately RMB1.8 million in 2021, mainly due to the decrease in the government subsidies in relation to COVID-19 as the authorities have effectively controlled the epidemic.

Impairment Losses on Financial Assets, Net

In 2020 and 2021, we recorded impairment losses on financial assets of approximately RMB2.5 million and RMB333,000, respectively, representing a decrease of approximately RMB2.2 million. Such decrease was primarily due to the decrease in impairment losses of trade receivables due from independent third parties for our property management services in 2021 as a result of our continuous effort to manage our trade receivables.

Administrative Expenses

Our administrative expenses increased by approximately 111.6% to RMB56.1 million in 2021 from RMB26.5 million in 2020, primarily due to the increase in staff costs (including wages, salaries, bonus payment, pension scheme contributions and social welfare) to our employees, office expenses, utility costs and **[REDACTED]**. The increase of pension scheme contributions and social welfare was due to the cessation of regulatory supportive policies issued by local government in response to the outbreak of COVID-19. Moreover, an amount of approximately RMB**[REDACTED] [REDACTED]** was recorded during 2021 and we had only recognized an amount of RMB**[REDACTED] [REDACTED]** in the previous corresponding period.

Income Tax Expenses

Our income tax expenses decreased by approximately 8.8% from RMB16.1 million in 2020 to RMB14.7 million in 2021, the decrease is due to the deduction effect of deferred tax expenses recognised.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the period decreased by approximately 11.2% from RMB47.0 million in 2020 to RMB41.8 million in 2021.

SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property and Equipment

Our property and equipment increased from RMB2.8 million as of December 31, 2020 to RMB5.0 million as of December 31, 2021, and decreased to RMB4.6 million as of December 31, 2022. The significant increase in our property and equipment as of December 31, 2021 were mainly due to the purchase of office equipment, electronic devices, machinery (mainly cleaning robots) and motor vehicles for our business operations, generally in line with our business expansion during the Track Record Period. The slight decrease in our property and equipment as of December 31, 2022 were mainly due to depreciation of our office equipment, electronic devices, machinery with only a small amount of addition during 2022.

Deferred Tax Assets

Our deferred tax assets increased from approximately RMB1.5 million as of December 31, 2020 to RMB1.6 million as of December 31, 2021, and increased to RMB2.2 million as of December 31, 2022. The increase in deferred tax assets as of December 31, 2021 and December 31, 2022 were primarily due to our deferred tax credited to profit or loss during the year, which mainly comprised allowance for impairment of receivables.

Trade Receivables

Our trade receivables mainly arise from provision of property management services property owners who are independent third parties. The following table sets forth a breakdown of our trade receivables as of the dates indicated below:

	As of December 31,		
	2020	2021	2022
		(RMB'000)	
Trade receivables	55,912	62,891	98,336
Less: allowance for impairment	(5,946)	(6,279)	(8,939)
Net trade receivables	**49,966**	**56,612**	**89,397**

Our trade receivables, before net of allowance for impairment, increased from approximately RMB55.9 million as of December 31, 2020 to RMB62.9 million as of December 31, 2021, and further to RMB98.3 million as of December 31, 2022. The increase was primarily due to the continuous increase in the GFA under our management and/or the increase in the overall monthly average property management fees we charged as well as the COVID-19 development at the end of the 2022.

Allowance for impairment of our trade receivables was approximately RMB5.9 million, RMB6.3 million and RMB8.9 million, as of December 31, 2020, 2021 and 2022. The movements in provision for expected credit losses of our trade receivables due from the independent third parties are as follows:

	As of December 31,		
	2020	**2021**	**2022**
		(RMB'000)	
As of the beginning of the year	3,446	5,946	6,279
Charged for the year	2,500	333	2,660
As of the end of the year	**5,946**	**6,279**	**8,939**

In determining the impairment for trade receivables, we primarily take into account the aging of trade receivables, subsequent settlement status and historical collection rate. We use a provision matrix to calculate expected credit losses for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking estimates, such as forecast economic conditions.

The following table sets forth the expected loss rates adopted and movement of the gross carrying amount of and loss allowance provision for our trade receivables from third parties, respectively, as of the dates indicated:

	As of December 31, 2020				
	Current	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected loss rate	6.83%	12.50%	24.37%	100.00%	10.63%
Gross carrying amount *(RMB'000)*	36,330	11,069	8,504	9	55,912
Loss allowance provision *(RMB'000)*	2,481	1,384	2,072	9	5,946

	As of December 31, 2021				
	Current	**1 to 2 years**	**2-3 years**	**Over 3 years**	**Total**
Expected loss rate	6.61%	12.02%	25.40%	100.00%	9.98%
Gross carrying amount *(RMB'000)*	52,338	6,655	2,520	1,378	62,891
Loss allowance provision *(RMB'000)*	3,461	800	640	1,378	6,279

	As of December 31, 2022				
	Current	**1 to 2 years**	**2-3 years**	**Over 3 years**	**Total**
Expected loss rate	6.95%	12.55%	25.55%	100.00%	9.09%
Gross carrying amount *(RMB'000)*	87,747	7,551	1,538	1,500	98,336
Loss allowance provision *(RMB'000)*	6,098	948	393	1,500	8,939

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 and tenants upon our issuance of bills and we generally grant a credit period between six months to one year.

We adopt various measures to expedite the recovery of trade receivables, such as establishing an internal collection system and updating the payment status. See "Business—Property Management Services—Payment and Credit Terms" in this document for more information on measures that we adopt to expedite the recovery of our trade receivables.

The following is an aging analysis of our trade receivables (net of loss allowance for impairment) as of the dates indicated, based on the invoice date:

	As of December 31,		
	2020	**2021**	**2022**
		(RMB'000)	
Within 180 days	21,286	39,102	58,332
181 to 365 days	12,563	9,775	23,317
One year to two years	9,685	5,855	6,603
Two to three years	6,432	1,880	1,145
Total trade receivables	**49,966**	**56,612**	**89,397**

As of the Latest Practicable Date, approximately RMB60.7 million, or 67.9% of our trade receivables due from third parties as of December 31, 2022 were subsequently settled.

Subsequent settlement for trade receivables due from third parties aged over 1 year

As of the Latest Practicable Date, the subsequent settlement for trade receivables due from third parties aged over 1 year is approximately RMB7.3 million, representing a recoverability of approximately 94.2%.

The Directors consider there is no recoverability issue for trade receivables due from third parties aged over 1 year and there is a sufficient provision given:

(i) the amount of provision on trade receivables is measured by applying a scientific assessment model, in which various considerations have been included under the ECL model, such as the future economic forecasts, credit risk of debtors, historical data, impact of the COVID-19 coronavirus outbreak that is available at the assessment date and inflation rate. The Directors consider the assessment model has provided a concrete basis to formulate the amount of provision; and

(ii) we have been exerting additional efforts in settling trade receivables due from third parties aged over 1 year, in particular, we have been increasing our magnitude to remind our third party customers for due payment through various channels such as phone calls, WeChat message, text messages and emails on a more frequent basis; we have designated a particular team to closely monitor the status of collection; and considering to appoint debt collector or collection expert to take proactive measures to ask our third party customers to settle long-term uncollected receivable in a timely manner.

Trade receivables due from related parties

Our trade-related receivables due from related parties were recorded under amounts due from related companies, the relevant balances were arising from our provision of property management services, value-added services mainly to property developers and community value-added services. As of December 31, 2020, 2021 and 2022, the relevant receivables were approximately RMB16.2 million, RMB3.9 million and RMB10.2 million and were aged within one year, respectively. The amounts decreased significantly from 2020 to 2021 as the Remaining Zhong An Group and CNC Group expedited to settle their outstanding trade balances with us. The amount increased as of December 31, 2022 as our property management services income increased during 2022 and property owners habitually settle their outstanding trade balances in the second half of the year. See note 24(2) to the Accountants' Report in Appendix I to this document for further details.

As of the Latest Practicable Date, approximately RMB10.0 million, or 98.2% of our trade-related receivables due from related parties as of December 31, 2022 were subsequently settled.

As of December 31, 2020, 2021 and 2022, we have assessed that the expected loss rate for trade receivables from related parties was immaterial considering the good finance position and credit history of the Remaining Zhong An Group and CNC Group. Thus, no loss allowance provision for trade receivables from related parties was recognized during the Track Record Period.

Amount and percentage of subsequent settlement for overall trade receivables

As of December 31, 2022, the relevant trade receivables (before loss allowance impairment) due from third parties and trade-related receivables due from related parties were approximately RMB98.3 million and RMB10.2 million. As of the Latest Practicable Date, approximately RMB60.7 million of trade receivables due from third parties and RMB10.0 million of trade-related receivables due from related parties were subsequently settled, representing an overall recoverability of approximately 71.0%.

Average Turnover Days of Trade Receivables

Average trade receivables turnover days indicate the average time required for us to collect cash payments from provision of services. The following table sets forth the average turnover days of our trade receivables for the years indicated:

	Year ended December 31,		
	2020	2021	2022
Average turnover days of trade receivables			
– Overall[(1)]	109	78	91
– Related parties [(2)]	134	35	23
– Independent third parties [(3)]	98	101	127

(1) Average overall trade receivables turnover days for a year equals the average of the opening and closing overall trade receivables divided by total revenue for the relevant year and multiplied by 365 days for the years ended 31 December 2020, 2021 and 2022. (i.e. trade receivables from related parties and independent third parties).

(2) Average trade receivables turnover days for related parties for a year equals the average of the opening and closing trade receivables from related parties (recorded under amounts due from related companies) divided by revenue from related parties for the relevant year and multiplied by 365 days for the years ended 31 December 2020, 2021 and 2022.

(3) Average trade receivables turnover days for third parties for a year equals the average of the opening and closing trade receivables from independent third parties divided by revenue from independent third parties for the relevant year and multiplied by 365 days for the years ended 31 December 2020, 2021 and 2022.

In 2020, 2021 and 2022, our average overall trade receivable turnover days were, 109 days, 78 days and 91 days, which are mostly within our credit period between six months to one year.

During 2020, our average trade receivables turnover days of related parties were generally longer than those of Independent Third Parties, notwithstanding the above, we consider the risk of default of our related parties was relatively lower. We, having considered the creditworthiness and past collection history of the related parties, consider that the relatively longer average trade receivables turnover days of related parties did not and would not expose us to significant credit risk. During the Track Record Period, we did not experience any difficulties in collecting trade receivables from our related parties.

For 2020, the average turnover days of our overall trade receivables decreased from 109 days in 2020 to 78 days in 2021 and further increased to 91 days in 2022, which was primarily due to the significant decrease in the average turnover days of our trade receivables due from related parties, as we have encouraged our related parties to settle the relevant receivables. During the same period, the average turnover days of our trade receivables due from independent third parties increased from 98 days in 2020 to 101 days in 2021 and further increased to 127 days in 2022. For 2020 and 2021, the increase in the average turnover days due from independent third parties were mainly attributable to the increase in the total GFA under management as well as our business expansion. For 2022, the increase in the average turnover days due from independent third parties were primarily due to low settlement activities from property owners and residents during the relevant year as they tend to make settlement in the second half of the year.

We have been exerting more efforts in settling related party receivables so as to narrow down the gap between the average trade receivables turnover days of related parties and those of Independent Third Parties. The measures we formulated and implemented include:

(i) sending reminders through various channels such as phone calls, text messages and emails on a more frequent basis;

(ii) designating relevant personnel to closely monitor the related party receivables collection; and

(iii) taking initiative to communicate with the related parties to settle the long-term uncollected accounts receivable, issuing the invoice and reconciliation letter to the related parties on a regular basis, and communicating about the accounts receivable overdue or approaching payment day in a timely manner.

We have reached a specific settlement plan with our related parties to ensure that most of the trade receivables due from the related parties will be settled prior to the **[REDACTED]**. We expect that the average trade receivables turnover days of related parties will be shortened, and better collection will be achieved in the forthcoming years after our continuous efforts.

Going forward, our related parties will generally settle the trade receivables in accordance with the credit terms granted, which are compared to the credit pledge granted to our Independent Third Party customers.

During the Track Record Period, our average trade receivable turnover days of related parties were generally longer than those of third parties, primarily because of our long-term business relationship with the Remaining Group and in light of the Remaining Group's good credit history, we consider credit risk related to trade receivables due from related parties is low.

Prepayments, Deposits and Other Receivables

The following table sets forth a breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,					
	2020		2021		2022	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Prepayments on behalf of customers to utility suppliers	4,632	37.1	7,940	34.5	29,732	63.6
Advance to staff	3,030	24.3	3,657	15.9	4,610	9.9
Deposits	2,897	23.2	7,354	32.0	8,708	18.6
Other prepayments	1,032	8.3	2,728	11.9	2,438	5.2
Others	884	7.1	1,305	5.7	1,273	2.7
Total	**12,475**	**100.0**	**22,984**	**100.0**	**46,761**	**100.0**

Prepayments on behalf of customers to utility suppliers we made during the Track Record Period mainly represent prepayments to suppliers for water and other utilities. Our prepayments on behalf of customers to utility suppliers increased by approximately 71.4% from approximately RMB4.6 million as of December 31, 2020 to RMB7.9 million as of December 31, 2021, due to the increase in prepayments to suppliers for utilities resulting from the increase in number of properties under our management. For the same reason, the relevant amounts increased to approximately RMB29.7 million as of December 31, 2022 as newly added projects during 2022 were mostly residential projects. For residential projects, as the owner's utility bill was mostly paid by the Group in advance, and subsequently settled by the owner. The temporary difference between the settlement by the owner and the payment made by us resulted to an increase of prepayment on behalf of customers to utility suppliers.

Deposits mainly represent security deposits with local authorities for providing property management services under local law requirements. The increase of deposits in 2021 were mainly attributable to the increase in the total GFA under management as a result of business expansion and the increased number of projects delivered to us for management. As of December 31, 2022, as it is estimated that the maintenance fees for some residential projects will be increased, the relevant deposit required with local authorities for providing property management services have been increased.

As of December 31, 2020, 2021 and 2022, other prepayment mainly represents biding deposits in relation to the public bidding (where applicable), the amount of biding deposits would depend on various factors such as the scale of the project, the type of the project and the specific requirement of the tender. As of December 31, 2022, in addition to the biding deposits, the relevant amount also included deposits to a number of decoration and maintenance companies for repair and maintenance services.

Advances to staff mainly represent our petty cash advance or disbursement to our employees for operational purpose. The increase was mainly due to the continuous increase in number of our employees in response to the business expansion during the Track Record Period.

Trade Payables

Our trade payables primarily represent our obligations to pay for services (such as charges for cleaning and gardening services) we acquired in the ordinary course of business from, suppliers and subcontractors. As of December 31, 2020, 2021 and 2022, our trade payables were approximately RMB1.3 million, RMB762,000 and RMB1.6 million, and there were no trade-related payables due to our related companies.

Our average trade payable turnover days indicate the average time we take to make payments to suppliers. The following table sets forth the average turnover days of our trade payables for the years indicated:

	For the year ended December 31,		
	2020	**2021**	**2022**
Average turnover days of trade payable(1)	3	2	2

(1) Average turnover days of trade payables for a year equals average trade payables divided by cost of sales for the year and multiplied by 365 days. Average trade payables are calculated as trade payables at the beginning of the year plus trade payables at the end of the year, divided by two.

Our average trade payable turnover days generally remained stable during the Track Record Period and within the typical credit terms granted to us. The following is an ageing analysis of our trade payables, based on the invoice date, as of the dates indicated:

	As of December 31,		
	2020	**2021**	**2022**
		(RMB'000)	
Within 3 months	1,323	739	1,568
3 to 12 months	26	23	33
Total	**1,349**	**762**	**1,601**

As of the Latest Practicable Date, approximately RMB1.6 million, or 98.4%, of our trade payables as of December 31, 2022 were subsequently settled.

Other Payables, Deposits Received and Accruals

Our other payables, deposits received and accruals mainly represent (i) deposits received such as retention deposits from property owners, decoration deposits and tender bond; (ii) payroll and welfare payable; and (iii) receipts on behalf of community residents for utility and other payables which represent the receipts from property owners which we collected on their behalf and were payable to relevant suppliers, for example, to settle utility and waste cleaning charges, or to relevant government authorities for application of house owner's certificate.

The following table sets forth a breakdown of our other payables as of the dates indicated:

	As of December 31,		
	2020	**2021**	**2022**
		(RMB'000)	
Deposits received	17,083	14,434	16,535
Payroll and welfare payable	11,861	8,668	5,432
Receipts on behalf of community residents for utilities	11,683	10,030	11,330
Business tax and surcharges	5,244	2,695	5,667
Others	2,399	2,142	3,548
Total	**48,270**	**37,969**	**42,512**

Our other payables, deposits received and accruals decreased from approximately RMB48.3 million as of December 31, 2020 to RMB38.0 million as of December 31, 2021. The decrease was primarily due to (i) decrease in the deposit received such as retention deposits from property owners, decoration deposits and tender bond, (ii) decrease in payroll payable to our employees and business tax and surcharges as we have settled the relevant amount before the year end date. As of December 31, 2022, our other payables, deposits received and accruals increased to RMB42.5 million primarily due to (i) an increase in deposits received as we have received decoration deposits for new residential projects; and (ii) an increase of business tax and surcharges along with the increase of our revenue.

Contract Liabilities

Our contract liabilities represents mainly the property management fees received upfront from property owners of our properties under management at the beginning of a billing cycle but not recognized as revenue. The property management fees received upfront will be recognised as our revenue once our property management services being provided.

The following table is an ageing analysis of contract liabilities as of the dates indicated, based on the date of advance payment made:

	As of December 31,		
	2020	**2021**	**2022**
		(RMB'000)	
Within one year	46,611	45,439	40,118

Our contract liabilities decreased by approximately 2.5% from RMB46.6 million as of December 31, 2020 to RMB45.4 million as of December 31, 2021 and decreased to RMB40.1 million as of December 31, 2022. The decrease in our contract liabilities as of December 31, 2021 and December 31, 2022 were mainly due to the decrease of short term advances received from customers in relation to the provision of property management services as of the end of the relevant year.

As of the Latest Practicable Date, approximately RMB26.6 million, or 66.4%, of our contract liabilities as of December 31, 2022 were subsequently recognized of revenue.

Tax Payable

Our tax payable decreased from approximately RMB15.4 million as of December 31, 2020 to RMB12.3 million as of December 31, 2021, increased to RMB20.5 million as of December 31, 2022.

The decrease in our tax payable as of December 31, 2021 was primarily due to the decrease in profit before tax from RMB47.0 million in 2020 to RMB41.8 million in 2021. The increase in our tax payable as of December 31, 2022 was because more income tax was accured due to the increase of profit before tax.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(RMB'000)			
				(unaudited)
Current assets				
Inventories	222	81	69	81
Trade receivables	49,966	56,612	89,397	75,135
Due from related companies	61,147	4,133	10,169	8,609
Prepayments, other receivables and other assets	12,475	22,984	46,761	46,431
Cash and cash equivalents	131,219	50,225	44,724	42,718
Total current assets	**255,029**	**134,035**	**191,120**	**172,980**
Current liabilities				
Trade payables	1,349	762	1,601	1,638
Other payables, deposits received and accruals	48,270	37,969	42,512	44,342
Contract liabilities	46,611	45,439	40,118	40,688
Due to related companies	1,005	1,857	–	–
Tax payable	15,351	12,308	20,535	18,594
Total current liabilities	**112,586**	**98,335**	**104,766**	**105,262**
Net current assets	**142,443**	**35,700**	**86,354**	**67,718**

Our net current assets decreased by approximately RMB106.7 million to approximately RMB35.7 million as of December 31, 2021, mainly due to (i) decrease in cash and cash equivalents by RMB81.0 million as we settled the consideration payment to acquire the entire equity interest of (a) Zhejiang Runzhou, Yuyao Zhongli and Hangzhou Zhonghong and (b) Zhong An Management as part of the Reorganization; (ii) decrease in amount due from related companies by RMB57.0 million as we have adopted measures to expedite the recovery of our receivables from our related companies, partially offset by (i) decrease other payables, deposits received and accruals by RMB10.3 million due to the return of decoration deposits and the decrease of bonus as decided by our management; (ii) increase in trade receivables by approximately RMB6.6 million, which was in line with our continuous expansion of our business scale; and (iii) increase in prepayment, other receivables and other assets by RMB10.5 million mainly due to the increase in prepayments to suppliers for utilities resulting from the increase in number of properties under our management.

Our net current assets increased by approximately RMB50.7 million to approximately RMB86.4 million as of December 31, 2022, mainly due to (i) the increase in trade receivables by RMB32.8 million contributed by our operation; (ii) increase in prepayment, other receivables and other assets by RMB23.8 million mainly due to the increase in prepayments to suppliers for utilities resulting from the increase in number of properties under our management, partially offset by (i) increase in tax payable of RMB8.2 million in connection with our operation; and (ii) an increase in other payables, deposits received and accruals of RMB4.5 million.

Our net current assets decreased by approximately RMB18.7 million to approximately RMB67.7 million as of Apirl 30, 2023, mainly due to (i) collection in trade receivables by approximately RMB14.3 million in relation with our operation, partially offset by (i) decrease in our tax payable by approximately RMB1.9 million, and (ii) increase in our other payables, deposits received and accruals by approximately RMB1.8 million.

Our Directors confirm that all loans, advances and balances of non-trade nature due to or from members of the Remaining Group and other related parties which were not arising out of the ordinary course of business will be offset or fully settled before **[REDACTED]**.

LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash has been for working capital. Our main source of liquidity has been generated from mainly from cash flow from operations. In the foreseeable future, we expect cash flow from operations to continue to be our principal source of liquidity and we may use a portion of the **[REDACTED]** from the **[REDACTED]** to finance some of our capital requirements.

Cash Flow

The following table sets forth a summary of our cash flows for the years indicated:

	For the year ended December 31,		
	2020	2021	2022
		(RMB'000)	
Operating cashflow before changes in working capital	66,353	57,579	71,804
– Movement in working capital	27,783	(11,559)	(65,341)
– PRC corporate income tax paid	(2,947)	(17,845)	(9,763)
Net cash flows from/(used in) operating activities	91,189	28,175	(3,300)
Net cash flows (used in)/from investing activities	(17,133)	41,948	(344)
Net cash flows used in financing activities	–	(151,117)	(1,857)
Net increase/(decrease) in cash and cash equivalents	74,056	(80,994)	(5,501)
Cash and cash equivalents as of the beginning of year	57,163	131,219	50,225
Cash and cash equivalents as of the end of year	131,219	50,225	44,724

Net Cash Flows From/(Used in) Operating Activities

Net cash flows from operating activities reflects (i) profit before taxation adjusted for non-cash and non-operating items, (ii) the effects of movements in working capital, and (iii) income tax paid.

In 2020, we had net cash flows generated from operating activities of approximately RMB91.2 million, which was the result of operating cashflow before changes in working capital of approximately RMB66.4 million and income tax payment of RMB2.9 million. The cash generated from operations of approximately RMB94.1 million was primarily consist of (i) increase in contract liabilities of approximately RMB26.9 million primarily due to the sharp increase of advance payments made by customers for our property management services for properties newly developed and delivered to us in the second half of 2020; (ii) increase in trade receivables of approximately RMB18.2 million, as a result of our business expansion given the increase in total GFA under our management reaching 10.8 million sq.m. as of December 31, 2020 as well as the number of projects under management increased from 59 to 73 during 2020; (iii) decrease in amounts due from related companies of approximately RMB18.1 million due to prompt settlement of trade debts by our related parties; and (iv) increase in other payables, deposits received and accruals of approximately RMB7.5 million mainly contributed by increase in payroll and welfare payable and deposits needed (such as retention deposits from property owners, decoration deposits and tender bond) as a result of continuous increase in number of properties under our management and the increase of our headcount.

In 2021, we had net cash flows generated from operating activities of approximately RMB28.2 million, which was the result of operating cashflow before changes in working capital of approximately RMB57.6 million, income tax payment of RMB17.8 million. The cash generated from operations of approximately RMB46.0 million was mainly the results of (i) our profits generated during the year of approximately RMB56.5 million and (ii) decrease in amounts due from related companies of RMB15.5 million due to our enhanced collection, partially offset by (i) increase in prepayments, other receivables and other assets by RMB10.5 million and increase in trade receivables of approximately RMB7.0million due to our business growth and (ii) decrease in other payables, deposits received and accruals by RMB10.3 million as we have returned the decoration deposits to the property owners for two residential projects.

In 2022, we had net cash flows used in operating activities of approximately RMB3.3 million, which was the result of operating cashflow before changes in working capital of approximately RMB71.8 million, income tax payment of RMB9.8 million. The cash used in operations of approximately RMB6.5 million was primarily consist of (i) increase in amounts due from related companies of approximately RMB6.3 million; (ii) increase in trade receivables of approximately RMB35.4 million, generated from our business operation; (iii) increase in prepayments, other receivables and other assets of approximately RMB23.8 million, mainly due to the increase in our advances to suppliers as a result of the projects delivered to us for management, partially offset by an increase in contract liabilities of approximately RMB5.3 million primarily due to increase in prepayment for our property management services by our customers.

The negative net cash flow from operating activities in 2022 was primarily attributable to (i) increase in trade receivables generated from our business operation; and (ii) increase in prepayments to suppliers for utilities resulting from the increase in number of properties under our management.

To avoid negative net cash flow from operating activities and to narrow down the gap between trade receivables and prepayments in the future, we will exert more efforts in asking the owner to prepay or settle in advance the relevant utilities payment. Further, we will enhance our internal credit risk management, including but not limited to increase our magnitude to remind our customers for due payment through various channels such as phone calls, WeChat message, text messages and emails on bi-weekly basis; closely monitor the status of collection on a monthly basis; and consider to appoint debt collector or collection expert to take proactive measures to ask our customers to settle long-term uncollected receivable that are past due for over six months to improve our cash flow position. We expect these measures will avoid negative net cash flow from operating activities in the forthcoming years.

Net Cash Flows (Used in)/From Investing Activities

In 2020, net cash flows used in investing activities was approximately RMB17.1 million, primarily due to advances to related parties in the amount of approximately RMB19.8 million partially offset by repayment of advance to related companies in the amount of approximately RMB4.3 million and purchases of items of property and equipment of RMB1.3 million.

In 2021, net cash flows generated from investing activities was approximately RMB41.9 million, primarily due to repayment of advance to related companies in the amount of approximately RMB177.2 million. Partially offset by advances to related parties in the amount of approximately RMB132.5 million.

In 2022, net cash used in investing activities was approximately RMB344,000, primarily due to purchases of items of property and equipment of approximately RMB580,000 partially offset by repayment of advance to related companies in the amount of approximately RMB236,000.

Net Cash Flows Used In Financing Activities

In 2020, we had no net cash flows generated from or used in financing activities.

In 2021, net cash flows used in financing activities was approximately RMB151.1 million primarily due to repayment of advances from related parties of approximately RMB58.3 million partially offset by advances from related parties in the amount of approximately RMB56.8 million, and the capital contribution from the then shareholders prior to the Reorganization in the amount of approximately RMB90.0 million, and payment for the consideration in relation to (i) the acquisition of Zhejiang Runzhou, Yuyao Zhongli and Hangzhou Zhonghong as part of the Reorganization of RMB104.7 million (ii) acquisition of Zhong An Management as part of the Reorganization of RMB100.0 million. For details, please refer to note 22 of the Accountants' Report set out in Appendix I to this document.

In 2022, net cash used in financing activities was approximately RMB1.9 million primarily due to repayment of advances from related parties of approximately RMB5.3 million, partially offset by advances from related parties in the amount of approximately RMB3.5 million.

Working Capital

Our Directors are of the opinion, and the Joint Sponsors concur with the view that, after taking into accounts the financial resources available to us including our internally generated funds and estimated **[REDACTED]** from the **[REDACTED]** (after a possible **[REDACTED]** setting the final **[REDACTED]** **[REDACTED]** below the bottom end of the indicative **[REDACTED]** range), we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this document.

INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets out our indebtedness as at the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
				(unaudited)
			(RMB'000)	
Bank borrowings	–	–	–	–
Amount due to related parties	1,005	1,857	–	–
Total	**1,005**	**1,857**	**–**	**–**

Bank Borrowings

As of December 31, 2020, 2021, December 31, 2022 and April 30, 2023, we did not have any bank borrowings balance.

Amount due to Related Parties

As of December 31, 2020, 2021, 2022 and April 30, 2023, the amounts due to related parties were approximately RMB1.0 million, RMB1.9 million, nil and nil, respectively.

Contingent Liabilities

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

Financial Guarantee

On 14 May 2020, Zhejiang Runzhou provided guarantee with a total amount of RMB350 million to Henlly Enterprise Management (Hangzhou) Co., Ltd. ("**Henlly**"), a subsidiary of CNC Group, which is engaged in the development and sales of commercial properties, in respect of the mortgage facilities of RMB350 million granted by a bank for construction of Henlly's properties. Pursuant to the relevant guarantee arrangement, CNC Group also provided guarantee with a total amount of RMB350 million to the same mortgage facilities. In the event of default on mortgage payments by Henlly, Zhejiang Runzhou may be responsible for repaying the outstanding mortgage facilities together with any accrued interest and penalty owed by Henlly. As of the Latest Practicable Date, we did not incur any material losses in connection with the relevant guarantee. The Directors consider the fair value of the financial guarantee as of the date of inception and the carrying amounts as of December 31, 2020 is minimal. The guarantee was provided before the Reorganization and has been released as of December 31, 2021. For more details, please refer to note 24(4) to the Accountants' Report in Appendix I to this document.

Save as disclosed herein, as of December 31, 2020, 2021, 2022 and April 30, 2023 we did not have any outstanding guarantees.

Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness issued and outstanding or agreed to be issued, hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding or any covenant in connection therewith as of April 30, 2023, being the latest practicable date for the purpose of the indebtedness statement. Our Directors have confirmed that there had not been any material change in the indebtedness and contingent liabilities of our Group since April 30, 2023, the latest date for liquidity disclosure, and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

Our capital expenditures represent additions to property and equipment. In 2020, our capital expenditure were approximately RMB1.3 million, primarily due to the purchase of office equipment of RMB677,000 in view of our business expansion. Our capital expenditure further increased to approximately RMB2.8 million in the year ended December 31, 2021, primarily due to the purchase of office equipment of approximately RMB762,000 and machinery (mainly cleaning robots) of RMB2.0 million. Our capital expenditure was approximately RMB580,000 in 2022, primarily due to the purchase of office equipment electronic and other devices of approximately RMB402,000.

The following table sets forth the amount of capital expenditure incurred during the Track Record Period:

	For the year ended December 31,		
	2020	2021	2022
		(RMB'000)	
Property and equipment	1,278	2,808	580

The total estimated capital expenditure to be incurred for 2023 is approximately RMB5.5 million, attributable to our purchase of office equipment, electronic devices, and motor vehicles. Our principal source of funds for the capital expenditure for 2023 is our operating cash flow. Our actual capital expenditures may differ from the estimated amounts due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC, the availability of financing on terms acceptable to us, technical or other problems in obtaining or installing equipment, changes in the regulatory environment in the PRC and other factors.

OFF-BALANCE SHEET ARRANGEMENTS

We had no material off-balance sheet arrangements as of December 31, 2022, being the date of our most recent financial statement, and the Latest Practicable Date.

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the dates indicated:

	As of or for the year ended December 31,		
	2020	2021	2022
Current ratio(1) *(times)*	2.27	1.36	1.82
Quick ratio(2) *(times)*	2.26	1.36	1.82
Return on total assets(3) *(%)*	21.9	20.9	30.1
Return on equity(4) *(%)*	38.1	44.2	75.1

(1) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the respective dates.

(2) Quick ratio is calculated based on our total current assets less inventories and divided by our total current liabilities as of the same date.

(3) Return on total assets is calculated based on our profit and total comprehensive income for the year attributable to owners of our Company divided by the average balance of our total assets at the beginning and end of the year and multiplied by 100%.

(4) Return on equity is calculated based on our profit and total comprehensive income for the year attributable to owners of our Company divided by the average balance of total equity attributable to owners of our Company as of the beginning and end of the year and multiplied by 100%.

Current Ratio and Quick Ratio

Our current ratio as of 31 December 2020, 2021 and 2022 was approximately 2.27, 1.36 and 1.82, and our quick ratio as of those dates was approximately 2.26, 1.36 and 1.82. Our quick ratio was very close to our current ratio as of the relevant dates, because we remained relatively small amount of inventories as of those dates.

The decrease in current ratio and quick ratio from December 31, 2020 to December 31, 2021 was primarily due to the significant decrease in our current assets. The decrease in our current assets was mainly due to the decrease in the amount of cash and cash equivalents and amount due from related companies as a result of their settlement.

The increase in current ratio and quick ratio from December 31, 2021 to December 31, 2022 was primarily due to the increase in our current assets, which outweighed the increase in our current liabilities. The increase in our current assets is mainly driven by the increase in our trade receivables in relation to the projects under our management.

Return on Total Assets

Our return on total assets in 2020, 2021 and 2022 was approximately 21.9%, 20.9% and 30.1%. Our return on total assets has generally increased during the Track Record Period, which was mainly due to the continuous improvement in our gross profit margin and the expansion of our business scale as a result of the continuous increase of total GFA under our 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 to 12.8 million sq.m. as of December 31, 2022; and broadening our services offering to property developers and property owners.

Return on Equity

Our return on equity in 2020, 2021 and 2022 was approximately 38.1%, 44.2% and 75.1%. The increase in return on equity during the Track Record Period was primarily due to the fact that the continuous improvement of our profit for the year as a result of the continuous increase of our total GFA under our management increased from approximately 10.8 million sq.m as of December 31, 2020 and to 11.8 million sq.m. as of December 31, 2021 and further to 12.8 million sq.m as of December 31, 2022 and our continue effort to broadening our services offering.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

The main risks arising from our financial instruments are credit risk and liquidity risk. For further details, see note 27 to the Accountants' Report in Appendix I to this document. Our exposure to these risks and the financial risk management policies and practices used by us to manage these risks are described below.

Credit Risk

We are exposed to credit risk in relation to cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, and amounts due from related companies.

We expect that there is no significant credit risk associated with cash and cash equivalents at banks and financial institution since they are deposited in high-credit-quality financial institutions without significant credit risk. We do not expect that there will be any significant losses from non-performance by these financial institutions. We have a large number of customers and there was no concentration of credit risk. To mitigate risk arising from trade receivables, we have established policies to monitor the credit term grant to customers. We also have established procedures to monitor the collection of overdue receivables. In addition, we regularly review the recoverable amount of our trade receivables and make adequate impairment allowance for amounts irrecoverable.

We consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each Track Record Period. To assess whether there is a significant increase in credit risk we compare the risk of a default occurring on the asset as of the date of the end of each Track Record Period with the risk of default as of the date of initial recognition. We also consider available reasonable and supportive forwarding-looking information. We used the expected credit loss rate of 10.63%, 9.98% and 9.09%, as of December 31, 2020, 2021 and 2022, considering the default probability and recovery probability, to estimate the impairment of financial assets included in trade receivables.

Liquidity Risk

To manage the liquidity risk, we have built an appropriate liquidity risk management framework for the management of our short, medium and long term funding and liquidity management requirements, and we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. Our objective is to maintain a balance between continuity of funding to finance our working capital needs as well as capital expenditure.

RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of us are also considered as related parties. See note 24 to the Accountants' Report in Appendix I to this document for a detailed discussion of related party transactions.

Transactions with related parties

The following table sets forth the significant related party transactions for the years indicated:

	For the year ended December 31,		
	2020	2021	2022
		(RMB'000)	
Property management income from related parties			
– Companies controlled by Mr. Shi	37,758	33,996	32,867
Value-added services mainly to property developers			
– Companies controlled by Mr. Shi	27,840	43,455	47,862
– Joint ventures of companies controlled by Mr. Shi	2,764	7,231	3,414
– Associates of companies controlled by Mr. Shi	1,426	2,010	2,543
	32,030	52,696	53,819
Community value-added services income from related parties			
– Companies controlled by Mr. Shi	3,208	17,212	23,132
Gardening services expenses from related party			
– A company controlled by Mr. Shi	2,363	2,490	–
Rental expenses from related parties:			
– Companies controlled by Mr. Shi	259	391	394

During the Track Record Period, we provided property management value-added services mainly to property developers and community value-added services to related parties. In 2020, 2021 and 2022, we recorded revenue from providing property management services to related parties in the amount of approximately RMB37.8 million, RMB34.0 million and RMB32.9 million, our revenue from providing related parties with value-added services mainly to property developers such as sales office management services and preliminary planning and design consultancy services amounted to approximately RMB32.0 million, RMB52.7 million and RMB53.8 million, and our revenue from providing related parties with community value-added services (such as car parking space sales agency services) amounted to approximately RMB3.2 million, RMB17.2 million and RMB23.1 million.

Outstanding balances with related parties

The following table sets forth the outstanding balances with related parties as of the dates indicated:

Amounts due from related companies:

Trade related

	As of 31 December,		
	2020	2021	2022
		(RMB'000)	
Companies controlled by Mr. Shi . .	12,164	1,365	7,139
Joint ventures of companies controlled by Mr. Shi	3,991	2,532	3,030
	16,155	3,897	10,169

As of December 31, 2020, 2021 and 2022, our trade related amounts due from related companies amounted to approximately RMB16.2 million, RMB3.9 million and RMB10.2 million. These trade related receivables mainly arose from the provision of property management services, value-added services mainly to property developers and community value-added services by us to related companies.

Non-trade related

	As of 31 December,		
	2020	2021	2022
		(RMB'000)	
Companies controlled by Mr. Shi	44,992	236	–

As of December 31, 2020, 2021 and 2022, our non-trade related amounts due from related companies amounted to approximately RMB45.0 million, RMB236,000 and nil, respectively. These non-trade related amounts due from related companies are interest-free, unsecured and repayable on demand, and will be settled prior to **[REDACTED]**.

Amounts due to related companies:

Non-trade related

	As of December 31,		
	2020	2021	2022
		(RMB'000)	
Companies controlled by Mr. Shi	1,005	1,857	–

As of December 31, 2020, 2021 and 2022, our non-trade amounts due to related companies amounted to approximately RMB1.0 million, RMB1.9 million and nil. These amounts due to related companies were all interest-free, unsecured and repayable on demand, and has been settled prior to **[REDACTED]**.

As confirmed by our Directors, the above-mentioned advances to related parties did not incur any interest income. As advised by our PRC legal advisors, given the advances did not incur any interest income, such advances to related parties are not subjected or contravened to General Lending Provisions (貸款通則) issued by the PBOC or Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定).

Our Directors confirm that the related party transactions were conducted on normal commercial terms and were fair and reasonable and in the interest of our Company and our Shareholders as a whole. Our Directors further confirm that the related party transactions would not distort the results of operations for the Track Record Period or make the historical results not reflective of our future performance.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

During the Track Record Period, Zhejiang Runzhou, Yuyao Zhongli and Hangzhou Zhonghong declared approximately RMB35.0 million dividends to their respective then shareholders prior to the completion of the Reorganization. For details, see note 10 to the Accountants' Report in Appendix I to this document. Our Company has not declared or paid any dividends since the date of incorporation. Our dividend policy, subject to compliance with the relevant laws of the Cayman Islands, is to distribute to our Shareholders no less than 25% of our distributable profits for any particular years after the **[REDACTED]**. Our Board has absolute discretion in determining whether to recommend a declaration of any dividend for any period, and the amount of dividend to be paid. In determining any dividend payment, our Board will evaluate our Company's earnings, cash flow, financial condition, capital requirements, prevailing economic conditions and any other factors that the Directors deem relevant. There can be no assurance that dividends will be paid in any amount in the future, or at all.

Our Company had no reserve available for distribution to the Shareholders as of December 31, 2022.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Save as disclosed in paragraphs headed "—Indebtedness and Contingent Liabilities—Financial Guarantee" and "—Related Party Transactions and Balance—Outstanding Balance with Related Parties" above in this section, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

[REDACTED]

The total **[REDACTED]** (including **[REDACTED]** commissions) for the **[REDACTED]** of the Shares are estimated to be approximately RMB**[REDACTED]**, representing **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** Range and assuming the **[REDACTED]** is not exercised), among which, approximately RMB**[REDACTED]** is directly attributable to the issuance of Shares and will be charged to equity upon completion of the **[REDACTED]**, approximately RMB**[REDACTED]** was charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2020, approximately RMB**[REDACTED]** was charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2021, and approximately RMB**[REDACTED]** was charged to our consolidated statements of profit or loss and other comprehensive income for of the year ended December 31, 2022 and approximately RMB**[REDACTED]** will be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2023. The **[REDACTED]** for 2023 above are the latest practicable estimates and are provided for reference only and actual amounts may differ. Our Directors do not expect such expenses will have a material adverse impact on our financial results for the year ending December 31, 2023.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited **[REDACTED]** adjusted consolidated net tangible assets prepared in accordance with Rule of the Listing Rules are set out to illustrate the effect of the **[REDACTED]** on the consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2022 as if the **[REDACTED]** had taken place on that date.

The unaudited **[REDACTED]** adjusted consolidated net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of our Group had the **[REDACTED]** been completed as of December 31, 2022 or at any future dates. It is prepared based on the consolidated net assets of our Group as of December 31, 2022 as set out in the Accountants' Report of our Company, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2022(1)	Estimated [REDACTED] from the [REDACTED](2)	Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2022	Unaudited [REDACTED] adjusted consolidated net tangible assets per Share(3)	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB)*	*(HK$)*
Based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, after **[REDACTED]** of **[REDACTED]** . . .	91,431	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** . .	91,431	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** . .	91,431	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

(1) The consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2022 is extracted from the Accountants' Report set out in Appendix I to this document, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as of December 31, 2022 of approximately RMB91,497,000 with adjustment for intangible assets as of December 31, 2022 of approximately RMB66,000.

(2) The estimated **[REDACTED]** from the **[REDACTED]** are based on the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per Share, being the low and high end of the indicative **[REDACTED]** range, respectively, and also based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, after making a **[REDACTED]** of **[REDACTED]**, after deduction of the **[REDACTED]** fees and other related expenses paid/payable by our Company, and takes no account of any Shares which may be issued or repurchased by our Company and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any Shares which may be issued or repurchased by our Company pursuant to the general mandates given to our Directors for **[REDACTED]** and allotment of Shares as described in "Share Capital" in this document.

(3) The unaudited **[REDACTED]** consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that **[REDACTED]** Shares were in issue, assuming that the **[REDACTED]** and **[REDACTED]** have been completed on December 31, 2022 but takes no account of any Shares which may be issued or repurchased by our Company pursuant to the general mandates given to our Directors for **[REDACTED]** and allotment of Shares as described in "Share Capital" in this document.

(4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to December 31, 2022.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

After due and careful consideration, save as disclosed in "Business—Effects of the COVID-19 Outbreak" in this document, presenting, among others, certain extreme situations for illustrative purpose only, which may or may not occur, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022 (being the date to which our Group's latest consolidated audited financial results were prepared), and there has been no event since December 31, 2022 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this document.