Post Hearing Information Pack of

Lushang Life Services Co., Ltd.
魯商生活服務股份有限公司

(the "**Company**")

(A joint stock company established in the People's Republic of China with limited liability)

WARNING

The publication of this Post Hearing Information Pack is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Post Hearing Information Pack is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sole sponsor, advisors or members of the underwriting syndicate that:

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(d) the Post Hearing Information Pack is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

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(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

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(j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and

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If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be made available to the public during the offer period.

IMPORTANT

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

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魯商服务

Lushang Life Services Co., Ltd.
魯商生活服務股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**[REDACTED]**

Sole Sponsor

農銀國際
ABC INTERNATIONAL

[[REDACTED], [REDACTED] and [REDACTED]]

[REDACTED]

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A copy of this document, having attached thereto the documents specified in "Appendix VIII—Documents Delivered to the Registrar of Companies and Documents on Display—A. Documents delivered to the Registrar of Companies" to this document, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The final [**REDACTED**] is expected to be fixed by agreement between the [**REDACTED**] (on behalf of the [**REDACTED**]) and the Company on the [**REDACTED**], which is expected to be on or around [**REDACTED**] and in any event, not later than [**REDACTED**]. The [**REDACTED**] will be not more than HK$[**REDACTED**] per [**REDACTED**] and is currently expected to be not less than HK$[**REDACTED**]. If, for any reason, the final [**REDACTED**] is not agreed by [**REDACTED**] between the [**REDACTED**] (on behalf of the [**REDACTED**]) and the Company, the [**REDACTED**] will not proceed and will lapse.

The H Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be [**REDACTED**], sold, pledged or transferred within the United States, or to or for the account or benefit of the U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The H Shares are being [**REDACTED**] and sold only outside the United States in offshore transactions in reliance on Regulation S.

Applicants for [**REDACTED**] are required to pay, on application, the maximum [**REDACTED**] of HK$[**REDACTED**] for each [**REDACTED**] together with brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%, subject to refund if the [**REDACTED**] as finally determined is less than HK$[**REDACTED**].

The [**REDACTED**] (on behalf of the [**REDACTED**]), and with our consent, may, where considered appropriate, reduce the number of [**REDACTED**] and/or the indicative [**REDACTED**] below that is stated in this document (which is HK$[**REDACTED**] to HK$[**REDACTED**]) at any time prior to the morning of the last day for lodging applications under the [**REDACTED**]. In such case, notices of the reduction in the number of [**REDACTED**] and/or the indicative [**REDACTED**] will be published on the website of our Company at **www.lushangfuwu.com** and on the website of the Stock Exchange at **www.hkexnews.hk** as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the [**REDACTED**]. Further details are set forth in "[**REDACTED**]" and "[**REDACTED**]" in this document. If applications for [**REDACTED**] have been submitted prior to the day which is the last day for lodging applications under the [**REDACTED**], in the event that the number of [**REDACTED**] and/or the indicative [**REDACTED**] is so reduced, such applications can subsequently be withdrawn.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our H Share. Such differences and risk factors are set out in "Risk Factors", "Appendix V—Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VI—Summary of Articles of Association" to this document.

Prior to making an investment decision, prospective investors should consider all of the information set out in this document, including the risk factors set out in "Risk Factors".

The obligations of the [**REDACTED**] under the [**REDACTED**] to subscribe for, and to procure applicants for the subscription for, the [**REDACTED**], are subject to termination by the [**REDACTED**] (on behalf of the [**REDACTED**]) if certain grounds arise prior to 8:00 a.m. on the day that trading in the H Shares commences on the Stock Exchange. Such grounds are set out in the section entitled "[**REDACTED**]" in this document. It is important that you refer to that section for further details.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

[**REDACTED**]

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IMPORTANT NOTICE TO INVESTORS

This document is issued by Lushang Life Services Co., Ltd. solely in connection with the [**REDACTED**] *and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the* [**REDACTED**] *offered by this document pursuant to the* [**REDACTED**]. *This document may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a* [**REDACTED**] *of the* [**REDACTED**] *or the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the offering and sale of the* [**REDACTED**] *in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

You should rely only on the information contained in this document and the [**REDACTED**] *to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Sole Sponsor,* [**REDACTED**] *and* [**REDACTED**], *any of the* [**REDACTED**], *any of our or their respective directors, officers or representatives, or any other person or party involved in the* [**REDACTED**].

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This summary aims to give you an overview of the information contained in this document. Since it is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [**REDACTED**].

There are risks associated with any investment. Some of the particular risks in investing in the [**REDACTED**] *are set out in "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

We are a comprehensive property management service provider with a market leading position in Shandong Province and a proven track record of rapid growth. Headquartered in Jinan, Shandong Province, we have, through over 15 years of development since our inception in 2006, expanded our coverage to nearly all prefecture-level cities in Shandong Province and to Beijing and Harbin. According to CIA, we were ranked 41st among the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業) in terms of overall strength and were recognized as an "Outstanding Enterprise in the Property Management Industry with Diversified Operations in 2021" (2021物業管理行業多元化運營優秀企業) and one of the "Leading Property Management Brands in Specialized Operations in 2021" (2021物業服務專業化運營領先品牌企業).

We are deeply rooted in Shandong Province, which, according to CIA, is one of the most populous and economically prosperous provinces in China, has always been and will continue to be our strategic development focus. According to CIA, the aggregate GDP of Shandong Province ranked third among all provinces in China in 2021, and the per capita annual disposable income in Shandong Province are higher than the average in China. According to CIA, our Group's market share among the Top 100 Property Management Companies in the PRC in terms of GFA under management as of December 31, 2021 was approximately 0.16% and our market share in Shandong Province in terms of GFA under management as of the same date was approximately 1.0%.

The table below sets forth the number and GFA of our contracted projects and projects under management in Shandong Province and other regions of China as of December 31, 2021, respectively:

Region	Number of contracted properties	Contracted GFA	Number of properties under management	GFA under management
		(sq.m'000)		*(sq.m'000)*
Shandong Province	75	23,856	75	20,269
Other regions of China	7	2,325	7	2,600
Total	**82**	**26,181**	**82**	**22,869**

Throughout the course of our development, we have adhered to our vision of "building sweet and healthy home" for property owners and residents ("健康為民,幸福為家") in conducting our business. We believe that our commitment to customer satisfaction and customer-centric culture have shaped our brand image and helped us established leading market position in Shandong Province. As a result of our efficient operation and quality services, we experienced rapid growth during the Track Record Period. Our revenue increased at a CAGR of 34.7% from RMB321.1 million in 2019 to RMB582.8 million in 2021. Our net profit increased at a CAGR of 63.2% from RMB28.9 million in 2019 to RMB77.0 million in 2021.

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue primarily from three business lines: (i) property management services, (ii) value-added services to non-property owners, and (iii) community value-added services:

	For the year ended December 31,					
	2019		2020		2021	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	180,475	56.2	204,001	50.6	255,485	43.8
Value-added services to non-property owners	70,963	22.1	119,884	29.8	204,816	35.1
Community value-added services	69,707	21.7	78,959	19.6	122,502	21.1
Total	**321,145**	**100.0**	**402,844**	**100.0**	**582,803**	**100.0**

- *Property Management Services.* We provide property developers, property owners (including public entities), residents and tenants with a wide range of property management services, comprising cleaning, security, greening, repair and maintenance, public area maintenance and other property management related services. We manage a diverse portfolio of properties, including (i) residential properties; (ii) commercial properties such as commercial complexes, office buildings and apartments; and (iii) other type of properties including municipal facilities such as city roads, schools, theme towns, hospitals, banks, industrial parks and airline base property. We generally charge property management fees on a lump sum basis.

- *Value-added Services to Non-Property Owners.* We offer a wide spectrum of value-added services to property developers. Our value-added services to non-property owners cover various stages of the property development and delivery process, primarily including (i) design services, where we provide property developers and schools comprehensive design services for property development, including preparation of construction blueprints and design plans for building structures, facilities, water supply, electricity and heating systems and interior decoration such as for hotels, commercial complexes, property developers' sales offices and show flats and common area, before the construction begins; (ii) preliminary property management services, which mainly include (a) construction site management in which we patrol and manage the security of property developers' construction sites; (b) sales office management services in which we provide property management services to property developers' sales offices and show flats; and (c) consulting services in which we advise on various stages of property developers' business operations from a property management perspective; (iii) landscaping services under which we offer property developers a variety of landscape design and construction services based on our customers' needs including preparation of landscape design for residential communities and sales offices, terrain modification and planting of nursery plants; (iv) pre-delivery services in which we clean and inspect the properties to be delivered, as well as assist in the delivery process; and (v) other customized services such as repair and maintenance services in which we assist with the repair and maintenance of properties during their post-delivery quality warranty periods, and property agency services in which we facilitate property developers in selling unsold properties and parking spaces.

- *Community Value-added Services.* We aim to improve our property owners' and residents' quality of life by providing them with access to a wide range of community value-added services. Our community value-added services primarily consist of: (i) community space and resource management services, in which we rent out leasable common area to third-party vendors such as lift advertising spaces, basements and outer wall advertising spaces and assist property owners and residents in managing recreation centers, community spaces and storage spaces at our managed communities; (ii) parking space management services where we offer temporary parking spaces to property owners and residents and bring them convenience; (iii) utility management services and (iv) community living services such as customized waste cleaning and housekeeping services to address customers' diverse needs. Since 2021, we commenced resale of car parks and storage spaces to property owners and residents at a certain markup on top of our original purchase price from property developers.

The table below sets forth a breakdown of our revenue by business lines and by paying customer for the periods indicated:

	For the year ended December 31,					
	2019		2020		2021	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	**180,475**	**56.2**	**204,001**	**50.6**	**255,485**	**43.8**
-Lushang Development Group	*9,880*	*3.1*	*9,112*	*2.3*	*7,349*	*1.3*
-Shandong Commercial Remaining Group	*1,188*	*0.4*	*2,770*	*0.7*	*9,948*	*1.7*
Subtotal	11,068	3.5	11,882	3.0	17,297	3.0
-Independent Third Parties	169,407	52.8	192,119	47.7	238,188	40.8
Value-added services to non-property owners	**70,963**	**22.1**	**119,884**	**29.8**	**204,816**	**35.1**
-Lushang Development Group	*61,232*	*19.1*	*107,766*	*26.8*	*161,199*	*27.7*
-Shandong Commercial Remaining Group	*6,251*	*1.9*	*8,032*	*2.0*	*36,450*	*6.3*
Subtotal	67,483	21.0	115,798	28.8	197,649	34.0
-Independent Third Parties	3,480	1.1	4,086	1.0	7,167	1.1
Community value-added services	**69,707**	**21.7**	**78,959**	**19.6**	**122,502**	**21.1**
-Lushang Development Group	*25*	*0.0*	*515*	*0.1*	*1,797*	*0.3*
-Shandong Commercial Remaining Group	*1,698*	*0.5*	*1,668*	*0.4*	*953*	*0.2*
Subtotal	1,723	0.5	2,183	0.5	2,750	0.5
-Independent Third Parties	67,984	21.2	76,776	19.1	119,752	20.6
Total	**321,145**	**100.0**	**402,844**	**100.0**	**582,803**	**100.0**

The revenue from Lushang Development Group and Shandong Commercial Remaining Group under the value-added services to non-property owners increased significantly during Track Record Period, primarily due to the expansion of our design services and landscaping services, the majority of which are provided to Lushang Development Group and Shandong Commercial Remaining Group.

The table below sets forth a breakdown of our total revenue by type of property developer for the periods indicated:

	For the year ended December 31,					
	2019		2020		2021	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Lushang Development Group	309,492	96.4	386,092	95.8	490,715	84.2
Shandong Commercial Remaining Group	4,400	1.4	4,922	1.2	40,421	6.9
Independent Third Parties	7,253	2.3	11,830	2.9	51,667	8.9
Total	**321,145**	**100.0**	**402,844**	**100.0**	**582,803**	**100.0**

The table below sets forth the details of our contracted projects and projects under management in terms of the project number and its corresponding GFA by property developer during the Track Record Period:

	As of December 31,					
	2019		2020		2021	
	GFA	Number of projects	GFA	Number of projects	GFA	Number of projects
	(sqm' 000)		*(sqm' 000)*		*(sqm' 000)*	
Contracted projects[(1)]	**12,260**	**39**	**18,420**	**61**	**26,181**	**82**
– Lushang Development Group	12,236	38	14,811	41	14,762	45
– Shandong Commercial Remaining Group	–	–	951	6	918	5
– Independent Third Parties	24	1	2,658	14	10,501	32
Projects under management	**10,742**	**39**	**15,447**	**61**	**22,869**	**82**
– Lushang Development Group	10,719	35	11,839	41	12,424	45
– Shandong Commercial Remaining Group	–	–	951	6	918	5
– Independent Third Parties	24	1	2,658	14	9,527	32

(1) Include projects under management and projects contracted but not yet delivered.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed and will continue to contribute to our success: (i) a comprehensive property management service provider with a leading market position in Shandong Province and a proven track record of robust growth; (ii) long-term and stable cooperation with Lushang Development Group and Shandong Commercial Group contributing to continuous and sustainable business growth; (iii) multiple revenue streams derived from diversified service offerings and property portfolio; (iv) strong brand image supported by quality services; (v) advanced technology solutions and standardized management systems to enhance operational efficiency and improve customer experience; and (vi) seasoned and professional management team and effective human resource system.

OUR BUSINESS STRATEGIES

We are committed to strengthening our market position and achieving further expansion by implementing the following strategies: (i) expand business scale and solidify our market position in Shandong Province through strategic cooperation, acquisitions and investments; (ii) continue to provide quality and diversified value-added service offerings; (iii) improve our standardized operations and automation systems to enhance service quality and operational efficiency; and (iv) continue to attract, cultivate and retain talent.

OUR STRATEGIC BUSINESS RELATIONSHIP WITH LUSHANG DEVELOPMENT GROUP AND SHANDONG COMMERCIAL GROUP

We have a long and close strategic ongoing relationship with Lushang Development Group. Lushang Development is and will be our Controlling Shareholder under the Listing Rules upon [**REDACTED**]. Lushang Development is a comprehensive property developer listed on the Shanghai Stock Exchange (stock code: 600223) and has developed a diversified portfolio of high-quality properties covering shopping malls, commercial pedestrian streets, residential buildings, office buildings and hotels. As of December 31, 2020, 41 properties under our management were developed by Lushang Development Group with a total GFA under management of 11.8 million sq.m., representing 76.6% of our total GFA under management as of the same date, and, as of December 31, 2021, 45 properties under our management were developed by Lushang Development Group with a total GFA under management of 12.4 million sq.m., representing 54.3% of our total GFA under management as of the same date. In 2019, 2020 and 2021, our revenue generated from Lushang Development Group as paying customer amounted to RMB71.1 million, RMB117.4 million and RMB170.3 million, respectively, accounting for 22.2%, 29.1% and 29.2% of our total revenue, respectively. In 2019, 2020 and the 2021, our revenue generated from property management services provided to properties developed by Lushang Development Group amounted to RMB178.1 million, RMB197.9 million and RMB224.0 million, respectively, representing 98.7%, 97.0% and 87.7% of our total revenue generated from the provision of property management services.

In addition, we have maintained a close and long-term relationship with Shandong Commercial Group. Shandong Commercial is and will be our Controlling Shareholder under the Listing Rules upon [**REDACTED**], which is a large-scale holding company with a wider range of investments in retail, healthcare, finance and commercial tourism and hotel administration, among other sectors. Shandong Commercial Group under the Listing Rules, taken as a group, was our largest customer, during the Track Record Period, to whom we provided property management and value-added services since our inception. As of December 31, 2021, five properties under our management were developed by Shandong Commercial Remaining Group with a total GFA under management of 1.0 million sq.m., representing 4.0% of our total GFA under management as of the same date. As of December 31, 2019 and 2020 and 2021, the percentage of properties under management developed by Shandong Commercial Remaining Group amounted to nil, 9.8% and 6.1%, respectively, of our total number of properties under management as of the same dates. In 2019, 2020 and 2021, our revenue from Shandong Commercial Remaining Group as paying customer amounted to RMB9.1 million, RMB12.5 million and RMB47.4 million, respectively, accounting for 2.8%, 3.1% and 8.1% of our total revenue, respectively. In 2019, 2020 and 2021, revenue from our property management services provided to Shandong Commercial Remaining Group as our customer accounted for 0.4%, 0.7% and 1.7% of our total revenue in the same periods, respectively. In 2019, 2020 and 2021, our revenue generated from property management services provided to properties owned by Shandong Commercial Remaining Group amounted to nil, RMB1.1 million and RMB10.8 million, representing nil, 0.6% and 4.2% of our total revenue generated from provision of property management services. In 2019, 2020 and 2021, we submitted nil, seven and nil tenders to Shandong Commercial Remaining Group, respectively, and our bidding success rate for such projects was nil, 85.7% and nil, respectively.

We consider the close business relationship between our Group and Lushang Development Group and Shandong Commercial Group to be mutually beneficial and complementary, which CIA has confirmed is common among property management service providers and their related property development companies in the PRC. Our long-term cooperation relationship with Lushang Development Group and Shandong Commercial Group has enabled us to reduce communication costs and build mutual trust. Over years of cooperation, we have developed an in-depth understanding of their stringent demands and requirements for property management services.

We believe that our close and long-term cooperative relationship with Lushang Development Group is instrumental to its success in developing its brand image, as well as our own success in accumulating experience in providing property management services, reinforcing our existing market position and enhancing our competitiveness. In addition, to the best of our Directors' knowledge and belief, we provided property management services to all of the properties developed by Lushang Development Group, and our bidding success rate for such projects was 100.0%, during the Track Record Period. We believe it is commercially beneficial for both Lushang Development Group and our Group to maintain such a stable and strategic business relationship. Our Directors therefore consider that our business relationship with Lushang Development Group is unlikely to terminate or materially or adversely change due to its mutual and complementary nature. Going forward, based on our mutual and complementary business relationship, and considering the amount of time and effort required to secure other service providers who can possibly provide services with comparable standard and scope to Lushang Development Group, we consider we have competitive advantage which distinguishes us from our competitors and we believe we will continue to secure future engagements from Lushang Development Group. Our provision of property management services and value-added services to Lushang Development Group will constitute continuing connected transactions for our Company upon [**REDACTED**]. See "Connected Transactions" and "Relationship with Our Controlling Shareholders" in this document.

While maintaining our business cooperation with Lushang Development Group and Shandong Commercial Group, with a view to diversifying our customer base, we have been making continuous efforts to expand our business to manage projects developed by third-party property developers as well as our customer base by leveraging our increasingly enhanced brand awareness and market position.

During the Track Record Period, we entered into certain financing arrangements with our related parties primarily due to our involvement in Lushang Development Group's centralized fund management mechanism prior to 2021. This financing arrangement was entered for purpose of the overall financing demands of Lushang Development Group, and was non-recurring in nature. In preparation of the [**REDACTED**], we conducted a series of Reorganization, details of which are set out in "History, Reorganization and Corporate Structure—Reorganization" in this document. For purpose of financial independence, we discontinued our participation in the centralized fund management mechanism in early 2021, and all payables with related parties in relation to the financing arrangement had been settled as of the Latest Practicable Date. These financing arrangements with our related parties had impact on (i) our financial position, including our current assets and current liabilities. See "—Selected Items of Consolidated Statements of Financial Position,"; (ii) key financing ratio, including gearing ratio; and (iii) our financial performance, including our profit and total comprehensive income for the year. Our amount due from related parties amounted to RMB165.8 million, RMB291.0 million and RMB2.1 million as of December 31, 2019, 2020 and 2021, respectively. In 2019, 2020 and 2021, we recorded interest income from related parties in the amount of RMB4.8 million, RMB5.6 million and RMB5.2 million, respectively. The advances to related parties may affect our cash in hand and available working capital. See "Risk Factors—Risks Relating to Our Business and Industry—We had amounts due to and due from related parties during the Track Record Period, which may have adverse impact to our business operation and financial condition" for more information. In addition, as of December 31, 2020, our subsidiaries Lan'an Landscape and Lushang Design incurred interest-bearing borrowings in the amount of RMB90.0 million in 2020 from a related party with an interest rate of 10.0% per annum. The interest-bearing borrowings were incurred under Lushang Development Group's centralized fund management mechanism and repaid by Lan'an Landscape and Lushang Design after our Reorganization in the first quarter of 2021. As a result of our borrowings in 2020, including the interest-bearing borrowings of RMB110.3 million, our gearing ratio was 42.8% as of December 31, 2020. Since we repaid the interest-bearing borrowings to related parties in the first quarter in 2021, our gearing ratio therefore decreased to nil as of December 31, 2021. Our Directors confirm that all other related party balances which are non-trade in nature and did not occur in our ordinary course of business will be settled before [**REDACTED**]. We do not expect to enter into similar arrangements going forward. See "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Interest-bearing Borrowings" and "Financial Information—Related Party Transactions—Balances with Related Parties" for details and "Risk Factors—We had amounts due to and due from related parties during the Track Record Period, which may have adverse impact to our business operation and financial condition" for relevant risks.

CONTROLLING SHAREHOLDERS AND CONTINUING CONNECTED TRANSACTIONS

The [**REDACTED**] constitutes a spin-off from Lushang Development. Immediately upon completion of the [**REDACTED**] (without taking into account the exercise of the [**REDACTED**]), our Company will be owned as to approximately [**REDACTED**]% by Lushang Development and [**REDACTED**]% by Lushang Innovation, a wholly-owned subsidiary of Lushang Development. Lushang Development is directly and indirectly owned as to approximately 53.7% by Shandong Commercial. Shandong Commercial is directly and indirectly owned as to 90% by Shandong SASAC. Hence, Shandong Commercial, Lushang Development and Lushang Innovation constitute a group of Controlling Shareholders under the Listing Rules.

Save as disclosed in the section headed "Relationship with Our Controlling Shareholders," as of the Latest Practicable Date, none of our Controlling Shareholders, our Directors or their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to us in the Deed of Non-Competition that each of them will not, and will procure each of their respective close associates not to, directly or indirectly conduct, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business.

We [have entered] into a number of agreements with our connected persons which will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon the [**REDACTED**]. See "Connected Transactions" for more information.

OUR CUSTOMERS AND SUPPLIERS

Revenue from our five largest customers in each period during the Track Record Period amounted to RMB87.6 million, RMB136.0 million and RMB237.5 million, respectively, accounting for 27.3%, 33.8% and 40.7% of our total revenue for the same periods, respectively. During the Track Record Period, our largest customer was Shandong Commercial Group and its associates under the Listing Rules, taken as a group. In 2019, 2020 and 2021, revenue generated from our services provided to Shandong Commercial Group and its associates under the Listing Rules amounted to RMB80.3 million, RMB129.9 million and RMB217.7 million, respectively, accounting for 25.0%, 32.2% and 37.4% of our total revenue, respectively. See "Business—Customers" for details.

Purchases from our five largest suppliers in each period during the Track Record Period amounted to RMB40.9 million, RMB110.5 million and RMB80.7 million, respectively, accounting for 23.5%, 41.4%, and 23.4% of our total purchases for the same periods, respectively. Purchase from the single largest supplier in each period during the Track Record Period amounted to RMB19.3 million, RMB49.7 million and RMB19.0 million, respectively, accounting for 11.1%, 18.6% and 5.5% of our total purchases for the relevant period, respectively. See "Business—Suppliers" for details.

SUMMARY KEY FINANCIAL INFORMATION

The summary historical financial information set forth below have been derived from, and should be read in conjunction with, our consolidated historical financial information, including the accompanying notes, set forth in the Accountants' Report attached as Appendix I to this document, as well as the information set forth in "Financial Information." Our financial information was prepared in accordance with the IFRSs.

Selected Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	**321,145**	**402,844**	**582,803**
Cost of sales	(265,122)	(323,223)	(434,954)
Gross profit	**56,023**	**79,621**	**147,849**
Other net (loss)/income	998	1,836	3,296
Administrative and other expenses	(21,994)	(27,258)	(52,724)
Recognition of expected credit loss on financial assets	(220)	(205)	(3,757)
Profit from operations	**34,807**	**53,994**	**94,664**
Finance income	5,021	5,773	5,845
Finance costs	–	(878)	(2,700)
Finance income, net	5,021	4,895	3,145
Profit before taxation	**39,828**	**58,889**	**97,809**
Income tax	(10,894)	(13,527)	(20,792)
Profit and total comprehensive income for the year	**28,934**	**45,362**	**77,017**

	For the year ended December 31,		
	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Profit and total comprehensive income attributable to:			
Equity shareholders of our Company	28,934	45,302	75,810
Non-controlling interests	–	60	1,207

Our overall gross profit margin in 2019, 2020 and 2021, was 17.4%, 19.8% and 25.4%, respectively. Our overall gross profit margins are affected by the mix of revenue derived from each of our business lines. Our gross profit margin increased from 17.4% in 2019 to 19.8% in 2020, primarily due to the increase in gross profit margin of our property management services and community value-added services. Our gross profit margin increased from 19.8% in 2020 to 25.4% in 2021, as a result of the increase in gross profit margin of each of our three business lines.

Our gross profit margin for property management services increased from 7.8% in 2019 to 11.1% in 2020, primarily due to (i) our receipt of certain social insurance contribution exemptions for our employees from local governments of approximately RMB7.7 million as part of the COVID-19 pandemic relief measures of which RMB3.2 million was allocated to this segment which led to the absolute percentage of our gross profit margin increased by approximately 1.6% (calculated by adding back these social insurance contribution exemption under cost of sales and without considering other potential variables); and (ii) the greater economies of scope achieved during our business expansion, as we were able to share cost more efficiently among business lines, such as property management services and community value-added services, within a particular projects. As such, our cost of sales attributable to overall property management services increase in a slower scale at 9.0% from 2019 to 2020, as compared to the increase in revenue from overall property management services at 13.0% from 2019 to 2020. Our gross profit margin for property management services increased from 11.1% in 2020 to 17.6% in 2021, primarily due to (i) a lesser extent of COVID-19 pandemic reduction to property management fee in 2021 as the pandemic was generally under control in 2021, which led to an increase of approximately 3.6% in an absolute amount in gross profit margin (calculated by adding back such reductions to the revenue and without considering other potential variables); (ii) the increase in gross profit margin attributable to properties developed by Independent Third Parties, as we obtained certain new projects developed by Independent Third Parties with relatively high average property management fee which resulted a gross profit attributable to properties developed by Independent Third Parties of approximately RMB3.4 million for 2021 while such gross loss was approximately RMB0.7 million for 2020; and (iii) the greater economies of scope achieved during the our business expansion as we were able to enhance cost efficiently by sharing costs among the adjacent projects. As such, our cost of sales attributable to overall property management services provided increase in a slower scale at 16.2% from 2020 to 2021, as compared to the increase in revenue from overall property management services at 25.2% from 2020 to 2021.

The table below sets forth our gross profit and gross profit margin from property management services by property developer for the periods indicated:

	For the year ended December 31,					
	2019		2020		2021	
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Properties developed by Lushang Development Group	14,320	8.0	23,487	11.9	40,630	18.1
Projects developed by Shandong Commercial Remaining Group	–	–	(49)	(4.4)	870	8.0
Subtotal	**14,320**	**8.0**	**23,438**	**11.8**	**41,500**	**17.7**
Properties developed by Independent Third Parties	(180)	(7.7)	(748)	(15.2)	3,376	16.3
Total	**14,140**	**7.8**	**22,690**	**11.1**	**44,876**	**17.6**

Our gross profit margin for managing projects developed by Lushang Development Group was considerably higher than gross profit margin for managing project developed by Shandong Commercial Remaining Group and Independent Third Parties.

Our gross profit margin for managing properties developed by Lushang Development Group increased from 8.0% in 2019 to 11.9% in 2020, primarily due to (i) our receipt of certain social insurance contribution exemptions for our employees from local governments, among which RMB3.1 million was allocated property management services provided to Lushang Development Group. Such exemption led to the absolute percentage of our gross profit margin increased by approximately 1.6% (calculated by adding back these social insurance contribution exemption under cost of sales and without considering other potential variables); and (ii) the greater economies of scope achieved during our business expansion, as we were able to enhance cost efficiency by sharing costs among adjacent projects. Our gross profit margin for managing properties developed by Lushang Development Group increased from 11.9% in 2020 to 18.1% in 2021, primarily due to (i) a decreased in reduction of property management fees charged to Lushang Development Group, as the pandemic was generally under control in 2021. Such reduction amounted to RMB0.5 million in 2021, as compared to RMB7.2 million in 2020, which led to an increase of approximately 3.3% in an absolute amount in gross profit margin (calculated by adding back such reductions to the revenue and without considering other potential variables); and (ii) the greater economies of scope achieved during our business expansion. In 2019, 2020 and 2021, our direct labor costs allocated to property management services provided to Lushang Development Group amounted to RMB62.6 million, RMB59.5 million and RMB62.9 million, respectively, which remained relatively stable despite our continuous business expansion. As a result of the greater economies of scope achieved, the ratio of the direct labor costs allocated to property management services provided to Lushang Development Group divided by revenue from property management services provided to Lushang Development Group decreased from approximately 35.1% in 2019 to approximately 30.1% in 2020, and further decrease to approximately 28.1% in 2021. Our cost of sales attributable to property management services provided to Lushang Development Group increased in a slower scale at 6.5% from 2019 to 2020 and 5.1% from 2020 to 2021, as compared to the increase in revenue attributable to property management services provided to Lushang Development Group at 11.1% from 2019 to 2020 and 13.2% from 2020 to 2021.

We had gross loss in 2020 with respect to property management services for projects developed by Shandong Commercial Remaining Group, primarily because we managed only a limited number of projects developed by Shandong Commercial Remaining Group, and incurred relatively more costs at their early stage of operations. We had gross loss in 2019 and 2020 with respect to property management services for projects developed by Independent Third Parties, primarily because we managed certain public facilities developed by Independent Third Parties and the costs of managing these early-stage public facilities were relatively high. These early-stage costs primarily include cleaning expenses and waste disposal expenses to prepare for the opening of public facilities. We procured and leased garbage trucks that are specifically designed to collect and transport construction waste at relatively high price. In addition, these properties had a relatively lower average property management fee than that of properties developed by Lushang Development Group. In 2021, we obtained new projects developed by Independent Third Parties with relatively high average property management fee. As a result, the gross profit margin of our property management services for properties developed by Independent Third Parties increased to 16.3% in 2021. Our overall average property management fees and the property management fees we charged for residential properties were both within the range of the industry practice in Shandong Province for similar projects, according to CIA.

The table below sets forth our gross profit and gross profit margin from value-added services to non-property owners and community value-added services, respectively, by paying customer for the periods indicated:

	For the year ended December 31,					
	2019		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Value-Added Services to Non-property Owners						
Lushang Development Group	21,790	35.6	33,517	31.1	57,361	35.6
Shandong Commercial Remaining Group	2,777	44.4	2,988	37.2	11,445	31.4
Subtotal	**24,567**	**36.4**	**36,505**	**31.5**	**68,806**	**34.8**
Independent Third Parties	1,566	45.0	1,352	33.1	3,866	53.9
Total/overall	**26,133**	**36.8**	**37,857**	**31.6**	**72,672**	**35.5**

	For the year ended December 31,					
	2019		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Community Value-Added Services						
Lushang Development Group	3	11.6	102	19.8	397	22.1
Shandong Commercial Remaining Group	332	19.6	355	21.3	167	17.5
Subtotal	**335**	**19.5**	**457**	**21.0**	**564**	**20.5**
Independent Third Parties	15,415	22.7	18,617	24.2	29,737	24.8
Total/overall	**15,750**	**22.6**	**19,074**	**24.2**	**30,301**	**24.7**

Our gross profit margin for value-added services to non-property owners decreased from 36.8% in 2019 to 31.6% in 2020 and increased from 31.6% in the 2020 to 35.5% in 2021. The increase of gross profit margin in 2021 was primarily due to the increased demands for value-added services to non-property owners, as such demands resumed in 2021 with the COVID-19 pandemic under control.

Our gross profit from value-added services to non-property owners provided to Shandong Commercial Remaining Group increased significantly from RMB3.0 million in 2020 to RMB11.4 million in 2021, primarily because of the increases in gross profits from our design services resulting from expansion of business scale. The related gross profit margin decreased from 37.2% in 2020 to 31.4% in 2021, primarily due to the increase in the proportion of our landscaping services which had a relatively lower gross profit margin. In the meanwhile, our gross profit margin of value-added services to non-property owners provided to Lushang Development Group increased from 31.1% in 2020 to 35.6% in 2021. The increase was primarily due to (i) the expansion of our design services, and (ii) the increase in gross profit margin of design services. Our revenue from design services increased from RMB25.3 million in 2020 to RMB67.7 million in 2021. The increase in revenue was primarily because we took more design projects in various cities in Shandong Province, which was in line with Lushang Development Group's business expansion into more cities in Shandong Province. Our gross profit margin of design services increased from 2020 to 2021, primarily because we hired experienced personnel with more than ten years' related experience that effectively enhanced our cost efficiency. Our gross profit from value added services provided to Independent Third Parties increased from RMB1.4 million in 2020 to RMB3.9 million in 2021 primarily due to the increases in gross profits from our design services. The related gross profit margin increased from 33.1% in 2020 to 53.9% in 2021, primarily due to the increase in the percentage of our revenue from design services, which is of higher gross profit margin than other types of value-added services to non-property owners. Our slightly higher gross profit margin of design service was primarily because we hired experienced personnel which reduced our overall labor cost.

During the Track Record Period, our gross profit margin of value-added services to non-property owners provided to Independent Third Parties was generally higher than that of the same services provided to related parties, primarily because our services provided to Independent Third Parties under this segment were mainly design services, which had a relatively high gross profit margin as such type of services are less labor intensive as compared to landscaping services, preliminary property management services and pre-delivery services.

During the Track Record Period, our gross profit margin of community value-added services provided to related parties was generally lower than that of the same services provided to Independent Third Parties, primarily because our services provided to related parties under this segment were mainly utility management services and community living services, which had a relatively low gross profit margin. Utility management service had relatively low gross profit margin as it is charged at a pre-negotiated moderate markup, due to the nature that utility management service relates to people's livelihood. Community living services had a relatively low gross profit margin, primarily because community living services are more labor intensive than other types of services under community value-added services.

Our overall gross profit margin was slightly below the average gross profit margin for the Top 100 Property Management Companies in 2019 and 2020, respectively, and slightly above the average gross profit margin for the Top 100 Property Management Companies in 2021, according to CIA.

The table below sets forth a breakdown of our number of projects, our total GFA under management and contracted but undelivered GFA as of the dates indicated and the total revenue from the property management service for the periods indicated, by the type of property developer:

	As of and/or for the year ended December 31,																							
	2019								2020								2021							
	Number of projects		Revenue		GFA under management		Contracted but undelivered GFA		Number of projects		Revenue		GFA under management		Contracted but undelivered GFA		Number of projects		Revenue		GFA under management		Contracted but undelivered GFA	
		(%)	*(RMB' 000)*	(%)	*(sq.m.' 000)*	(%)	*(sq.m.' 000)*	(%)		(%)	*(RMB' 000)*	(%)	*(sq.m.' 000)*	(%)	*(sq.m.' 000)*	(%)		(%)	*(RMB' 000)*	(%)	*(sq.m.' 000)*	(%)	*(sq.m. '000)*	(%)
Projects developed by Lushang Development Group	35	97.2	178,147	98.7	10,719	99.8	1,517	100	41	67.2	197,943	97.0	11,839	76.6	2,972	100	45	54.9	224,025	87.7	12,424	54.3	2,238	67.6
Projects developed by Shandong Commercial Remaining Group	–	–	–	–	–	–	–	–	6	9.8	1,125	0.6	951	6.2	–	–	5	6.1	10,809	4.2	918	4.0	–	–
Subtotal	**35**	**97.2**	**178,147**	**98.7**	**10,719**	**99.8**	**1,517**	**100**	**47**	**77.0**	**199,068**	**97.6**	**12,790**	**82.8**	**2,972**	**100**	**50**	**61.0**	**234,834**	**91.9**	**13,342**	**58.3**	**2,238**	**67.6**
Projects developed by Independent Third Parties		12.8	2,328	1.3	24	0.2	–	–	14	23.0	4,933	2.4	2,658	17.2	–	–	32	39.0	20,651	8.1	9,527	41.7	974	29.4
Total	**36**	**100.0**	**180,475**	**100.0**	**10,742**	**100.0**	**1,517**	**100**	**61**	**100.0**	**204,001**	**100.0**	**15,447**	**100.0**	**2,972**	**100**	**82**	**100.0**	**255,485**	**100.0**	**22,869**	**100.0**	**3,312**	**100.0**

The table below sets forth our average property management fee for our managed properties by property developer:

	For the year ended December 31,		
	2019	2020	2021
	(RMB per sq.m. per month)		
By property developer:			
Lushang Development Group	2.18	2.24	2.24
Shandong Commercial Remaining Group	–	0.86	0.86
Subtotal	**2.18**	**2.11**	**2.13**
Independent Third Parties	–	0.68	0.72

During the Track Record Period, we charged relatively high average property management fees to properties developed by Lushang Development Group as compared to those to properties developed by Independent Third Parties, primarily because (i) we managed a higher portion of commercial properties developed by Lushang Development Group than Independent Third Parties, and commercial properties generally have higher property management fees; and (ii) we managed certain properties developed by Independent Third Parties that are resettlement housing projects, to which we generally charge relatively low average property management fees.

See "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items."

Selected Items of Consolidated Statements of Financial Position

	As of December 31,		
	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total non-current assets	**21,664**	**25,069**	**68,821**
Property, plant and equipment	16,212	18,937	57,398
Total current assets	**320,908**	**837,283**	**565,575**
Trade and bills receivables	81,431	321,796	196,887
Cash and cash equivalents	64,558	164,425	275,486
Total current liabilities	**225,685**	**604,463**	**331,512**
Trade payables	43,673	70,532	137,530
Accrued expenses and other payables	88,005	306,620	125,281
Contract liabilities	62,065	80,873	60,846

	As of December 31,		
	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Net current assets	**95,223**	**232,820**	**234,063**
Total equity	**116,887**	**257,889**	**300,444**
Total equity attributable to equity shareholders of our Company	116,887	257,829	298,877
Non-controlling interests	–	60	1,567

Our current assets decreased from RMB837.3 million as of December 31, 2020 to RMB565.6 million as of December 31, 2021, primarily attributable to a decrease of RMB124.9 million in trade and bills receivables mainly as we terminated the financing arrangement with Lushang Innovation in the first quarter of 2021. Our current liabilities decreased from RMB604.5 million as of December 31, 2020 to RMB331.5 million as of December 31, 2021, primarily due to the decrease of RMB181.3 million in accrued expense and other payables mainly as we settled payables to a financial institution along with the termination of financing arrangement with Lushang Innovation. Our net current assets remained relatively stable at RMB232.8 million and RMB234.1 million as of December 31, 2020 and 2021, respectively. See "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Trade and Bills Receivables" for details.

In 2019, 2020 and 2021, we recorded advances to Lushang Development Group in the amount of RMB82.4 million, RMB371.2 million and RMB116.5 million, respectively. The advances to related parties are non-trade in nature. We made the advances to related parties primarily due to our involvement in Lushang Development Group's centralized fund management mechanism prior to 2021. In preparation of the [**REDACTED**], we conducted a series of Reorganization, details of which are set out in "History, Reorganization and Corporate Structure—Reorganization" in this document. For purpose of financial independence, we discontinued our participation in the centralized fund management mechanism in early 2021.

Selected Items of Consolidated Statements of Cash Flow

	For the year ended December 31,		
	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Net cash generated from operating activities	43,759	18,894	28,996
Net cash (used in)/generated from investing activities	(78,164)	(123,407)	255,831
Net cash generated from/(used in) financing activities	1,152	204,380	(173,766)
Net increase/(decrease) in cash and cash equivalents	(33,253)	99,867	111,061
Cash and cash equivalents as of the beginning of year	97,811	64,558	164,425
Cash and cash equivalents as of end of year	64,558	164,425	275,486

In 2021, our net cash generated from operating activities was RMB29.0 million. See Consolidated Statements of Cash Flow in Appendix I to this document.

In 2021, our net cash generated from investing activities was RMB255.8 million. The net cash inflow was primarily attributable to repayments received from related parties of RMB390.6 million, partially offset by payments for purchase of property, plant and equipment and intangible assets of RMB39.4 million. In 2021, our net cash used in financing activities was RMB173.8 million, primarily reflecting proceeds from repayments of interest-bearing borrowings of RMB110.0 million and acquisition of subsidiaries under common control of RMB37.9 million.

See "Financial Information—Liquidity and Capital Resources—Cash Flow."

Summary of Key Financial Ratios

	As of and/or for the year ended December 31,		
	2019	2020	2021
Return on equity(1) (%)	24.8	17.6	25.2
Return on total assets(2) (%)	8.4	5.3	12.1
Current ratio(3) *(times)*	1.4	1.4	1.7
Gearing ratio(4) (%)	–	42.8	–

(1) Return on equity is calculated based on profit for the year divided by total equity as of the end of that year and multiplied by 100%.

(2) Return on total assets is calculated based on profit for the year divided by total assets as of the end of that year and multiplied by 100%.

(3) Current ratio is calculated based on current assets divided by current liabilities as of the same date.

(4) Gearing ratio is calculated based on the sum of interest-bearing borrowings as of the respective dates divided by total equity as of the same dates and multiplied by 100%.

Our return on equity decreased from 24.8% in 2019 to 17.6% in 2020, primarily due to the increase in total equity mainly attributable to an increase in retained earnings from increase in profit for the year. Our return on equity then increased to 25.2% in 2021, primarily due to the increase in gross profit. Our return on total assets decreased from 8.4% in 2019 to 5.3% in 2020, primarily because the increases in our total asset, mainly attributable to the increase in trade and bills receivables. Our return on total assets increased from 5.3% in 2020 to 12.1% in 2021, primarily due to (i) a decrease in total assets, which mainly attributable to the decrease in trade and bills receivables and (ii) an increase in gross profit. Our gearing ratio decreased from 42.8% as of December 31, 2020 to nil as of December 31, 2021, as we repaid interest bearing borrowings to related parties in the first quarter of 2021. See "Financial Information—Key Financial Ratios" for the definitions and analysis of key financial ratios set forth above.

Financing Arrangement with Lushang Innovation

In December 2020, in accordance with the instructions from Lushang Innovation, one of our Controlling Shareholder, we obtained financing of RMB200,000,000 from a financial institution that is under the supervision of the Banking and Insurance Regulatory Commission. Pursuant to the relevant financing agreements, with certain assets as lien, we received RMB200,000,000 in the form of bank acceptance notes that were issued by this financial institution. We agreed to receive financing proceeds in the form of bank acceptance notes to obtain a lower financing cost. Pursuant to the financing agreements, there was no limitation on the use of proceeds received from the financing arrangement. In January 2021, the bank acceptance notes were cashed and proceeds were transferred to Lushang Innovation. We did not recognize any finance income nor incur any finance cost from the financing arrangement with Lushang Innovation. Please see "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Trade and Bills Receivables—Bill Receivables—Financing Arrangement with Lushang Innovation" for details.

PROPERTY INTERESTS AND PROPERTY VALUATION

Cushman & Wakefield, an independent property valuer, valued our properties based on certain assumptions. In valuing the basement carparks under Yinzuo Jingdu International Plaza (銀座晶都國際廣場), Cushman & Wakefield has adopted the Market Comparison Method.

Cushman & Wakefield has valued our basement carparks as of April 30, 2022 and is of the opinion that the market value of the property in which we had an interest as of such date was RMB7.1 million, and the hypothetical value would be RMB35.8 million. The full text of the letter and summary disclosure of property valuation with regard to our basement carparks are set out in "Appendix III—Valuation Report" to this document. The following table shows the reconciliation of the aggregate amount reflected in the historical financial information as of December 31, 2021 as disclosed in the Accountants' Report included in Appendix I to this document, with the valuation of these basement carparks as of April 30, 2022 disclosed in "Appendix III—Valuation Report" to this document:

	(RMB'000)
Net book value of inventories of the Group as of December 31, 2021	38,302[1]
Movement for the period from January 1, 2022 to April 30, 2022 (unaudited)	–
Net book value of inventories of the Group as of April 30, 2022 (unaudited)	38,302
Valuation surplus as of April 30, 2022	4,598
Valuation as of April 30, 2022 as set out in Appendix III to this document	42,900

Notes:

(1) Such amount excluded the net book value of raw materials and consumables with a carrying amount of RMB0.5 million and specific goods for sales with a carrying amount of RMB3.5 million as of December 31, 2021.

(2) Such amount represented the valuation of our Group's specific inventories (excluding raw materials and consumable and specific goods for sales as mentioned in note 1 above) as of April 30, 2022, which comprised market values of RMB7.1 million and hypothetical values of RMB35.8 million per "Appendix III—Valuation Report".

[**REDACTED**] STATISTICS

The statistics in the following table are based on the assumptions that: (i) the [**REDACTED**] is completed and [**REDACTED**] Shares are issued and sold in the [**REDACTED**]; (ii) the [**REDACTED**] is not exercised; and (iii) [**REDACTED**] Shares are issued and outstanding upon completion of the [**REDACTED**].

	Based on an [REDACTED] of HK$[REDACTED] per H Share	**Based on an [REDACTED] of HK$[REDACTED] per H Share**
Market capitalization of our Shares[1]	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited pro forma adjusted net tangible asset attributable to equity shareholders of our Company per Share[2]	HK$[**REDACTED**]	HK$[**REDACTED**]

(1) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue and outstanding following the completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

(2) The unaudited pro forma adjusted net tangible asset attributable to equity shareholders of the Company per Share is calculated after making the adjustments referred to in "Appendix II—Unaudited Pro Forma Financial Information."

DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute dividend. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the shares, subject to the resolution of the shareholder meeting. As of the Latest Practicable Date, we did not set any dividend payout ratio after the [**REDACTED**]. The payment and amounts of dividends (if any) depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividend paid by us, future prospects and other factors which we consider relevant. The declaration, payment and amount of dividends will be subject to our discretion. The proposed payment of dividends is also subject to the absolute discretion of our Board, and, after the [**REDACTED**], any declaration of final dividend for the year will be subject to the approval of our Shareholders. See "Financial Information—Dividend Policy" and "Financial Information—Distributable Reserve."

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**], after deducting the [**REDACTED**] commissions and other estimated expenses payable by us in connection with the [**REDACTED**], assuming that the [**REDACTED**] is not exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the mid-point of the indicative [**REDACTED**] set forth on the cover page of this document). We intend to use such net [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below: (i) approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used for strategic cooperation, acquisitions and investments to expand business scale and diversity property portfolio; (ii) approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to invest in technology systems and standardized business operations and develop technology supported community platform; (iii) approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to enhance property management services and further develop our diversified community value added services to improve our customers' experience and satisfaction; and (iv) approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used for working capital. See "Future Plans and Use of [**REDACTED**]."

A few large-scaled property management companies expanded their business through mergers and acquisitions. According to CIA, there will be approximately 100 potential targets available in the property management industry in Shandong Province, Beijing and Harbin, based on our criteria for strategic acquisitions and investments. However, due to the competition for acquiring property management companies in the PRC by large-scale property management companies, we may not be able to materialize our acquisitions as planned. See "Risk Factors—Risks Relating to Our Business and Industry—Our future growth may not materialize as planned, and any failure to manage our future growth effectively may have a material adverse effect on our business, financial position and results of operations" for more information.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Financial Performance Subsequent to the Track Record Period

Based on our unaudited management accounts for the four months from January 1, 2022 to April 30, 2022, our revenue and gross profit increased as compared to the same period in 2021, which was primarily attributable to the expansion of our property management services and community value-added services. During the same period, our gross profit margin decreased slightly primarily due to an increase in the number of municipal facilities we managed in the end of 2021, which had relatively lower gross profit margin as we charge relatively lower average property management fee for public facilities. For the four months from January 1, 2022 to April 30, 2022, our average property management fee remained relatively stable as compared to the same period in 2021.

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2021, the latest date of our financial statements.

COVID-19 Pandemic

An outbreak of respiratory illness caused by a novel coronavirus, namely COVID-19, was reported in December 2019 and continues to expand globally. The outbreak of the COVID-19 pandemic is likely to have an adverse impact on the livelihood of people around the world and on the global economy. However, according to CIA, while the COVID-19 pandemic increased property management service providers' short-term operational costs and additional allowances that property management services providers had to compensate their employees and subcontractors, it may also increase the demand for value-added services and stimulate the growth of property management service providers' revenue in the long term. The COVID-19 will promote property management service providers to pay more attention to high-quality, safe and healthy services, which will further improve the service standards in China's property management service market and gain great brand reputation for themselves. Moreover, in response to the outbreak of COVID-19, public facilities which have high visitor flows demand cleaning and security services with higher standards. As professional property management service providers could assist local governments in controlling the spread of the pandemic, local governments have growing awareness of the importance of property management service providers. As such, property management service providers are expected to have more opportunities in the PRC property management service industry, in particular, to participate in property management market. In addition, more small and medium-sized service providers are seeking to be merged and acquired under the crisis of COVID-19, which will further promote the integration and development of the property management service market in China according to CIA. The PRC property management industry is intensely competitive and highly fragmented. As of December 31, 2021, there were approximately 200,000 property management companies in China. See "Industry Overview."

According to CIA, the outbreak of COVID-19 pandemic puts pressure on property management service providers in the short term as property management companies would incur increasing operational costs in purchasing face masks, disinfectant and other sanitizing equipment and additional allowances compensated to their staff and subcontractors for resuming normal working hours during the pandemic. Additionally, the impact on revenue derived from non-residential properties, especially shopping malls and office buildings, is relatively more adverse as compared to that on residential properties since the tenants of shopping malls and office buildings who experienced continued financial loss might terminate their lease agreements to avoid any further financial loss.

Up to the Latest Practicable Date, to comply with government regulations and measures to combat the COVID-19 pandemic, we assigned additional staff and incurred additional labor costs and medical material costs, which affected the short-term financial performance of our property management services. However, there were no delays in delivery of properties for property management service we have contracted. Our value-added services to non-property owners and community value-added services, to a lesser extent, have be affected given that we experienced a decrease in demand for value-added services to property developers and community value-added services to residents and tenants of properties under our management, such as parking space management. However, we continue to expand our community value-added services such as community living services given the high demand for such services in the community. We believe our efforts to control the outbreak has earned us high degrees of trust and reliance from property owners, residents and tenants of properties under our management. The lockdown measures imposed in many regions have also led to residents' and tenants' increasing reliance on value-added services to residential communities under our management to address residents' and tenants' daily living needs, which we believe presents us significant opportunities to expand our related service offerings.

In response to the COVID-19 outbreak, we have implemented a contingency plan and adopted enhanced hygiene and precautionary measures across our office premises and managed properties. From January 2020 and up to the Latest Practicable Date, we incurred an aggregate cost of approximately RMB3.6 million for the purchasing of protective masks and other medical and cleaning supplies. However, our Directors believe that the additional costs associated with the enhanced hygiene and precautionary measures, after taking into account the medical and cleaning supplies distributed by local governments, and relevant regulatory policies such as reduction in payment of social insurance contributions, had no significant adverse impact on our Group's financial position for the year ended December 31, 2020 and 2021.

Since the outbreak of COVID-19 and up to the Latest Practicable Date, we had not encountered any material disruption to the services provided by our subcontractors and utilities service providers and the supply of materials from our suppliers. In particular, in Shandong Province from which we generated the vast majority portion of our revenue, the COVID-19 pandemic had been generally in control up to the Latest Practicable Date and the provincial and municipal governments had only imposed lock-down and other restrictions within limited scope and lasting short period. Accordingly, in Shandong Province, as of the Latest Practicable Date, we had not experienced any delay in properties developed by Lushang Development Group or Independent Third Parties which we contracted to manage as a result of the COVID-19 pandemic, and we had not experience shortage or disruption of supply of materials from our suppliers and electricity supply as a result of the COVID-19 pandemic.

In view of the nature of our business, our Directors do not expect that our Group will encounter any material disruptions of our supply chain given that we do not rely on any particular service subcontractors or material suppliers and there are many other readily available subcontractors and suppliers in the market as back-up. Despite the outbreak of COVID-19 in the PRC, based on the above-mentioned operating and financial performance since the outbreak of COVID-19 and considering the supportive policies and financial subsidies from relevant local governments, our Directors expect that the outbreak would not have material adverse effect on our business operation, financial position and sustainability. However, we are still subject to risks and will face uncertainties due to the COVID-19 pandemic. See "Risk Factors—Risks Relating to Our Business and Industry—Risks relating to natural disasters, epidemics, pandemics, acts of terrorism or war in the PRC and globally may materially and adversely affect our business" and "Business—Effects of the COVID-19 Outbreak" for more details.

After due and careful consideration, our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2021.

RECENT REGULATORY DEVELOPMENT

The Proposed Three Red-Line Policy

In 2020, the Ministry of Housing and Urban-Rural Development, together with the People's Bank of China, proposed to issue the "three red-line" regulation for real estate companies, with intention to accelerate the deleveraging process of real estate companies and facilitate the healthy development of China's real estate industry. The "three red-line" regulation refers to: (i) the gearing ratio (excluding prepayments) of a real estate company shall not exceed 70%; (ii) the net gearing ratio of a real estate company shall not exceed 100%; and (iii) cash over short-term interest-bearing loans shall not be lower than 1.0. In particular, if a real estate company complies with all of the above-mentioned three limits (also known as green real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 15%; if a real estate company fails to comply with one of the above-mentioned three limits (also known as the yellow real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 10%; if a real estate company fails to comply with with two of the above-mentioned three limits (also known as the orange real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 5%; and if a real estate company fails to comply with all of the above-mentioned three limits (also known as the red real estate companies), it will not be allowed to increase its interest-bearing liabilities.

In the event that the above-mentioned standard comes into effect, given that, as of March 31, 2022, based on the 2022 first quarterly report of Lushang Development Group and using the above-mentioned calculation methods, Lushang Development Group's the gearing ratio (excluding prepayments), net gearing ratio and cash over short-term interest-bearing loans amounted to 83.5%, 61.6% and 0.5, respectively, Lushang Development Group may fail to comply with the above-mentioned limits on the gearing ratio (excluding prepayments) and cash over short-term interest-bearing loans. As a result, in the event that the "three red-line" regulation comes into effect, Lushang Development Group's annual increase in interest-bearing liabilities may not exceed the 5% cap and its ability to obtain additional debt financing may be affected in the following year per the "three red-line" regulation.

However, considering that, based on the 2020 annual report, the 2021 third quarterly report, the 2021 annual report, the 2022 first quarterly report and recent announcements, Lushang Development Group (i) has been making efforts to deleverage, as demonstrated by the decrease in gearing ratio (excluding prepayments) and net gearing ratio from September 30, 2021 to December 31, 2021 and further to March 31, 2022, and increase in cash over short-term interest-bearing loans ratio during the same periods; (ii) recorded net operating cash inflow in 2021; and (iii) has been expanding multiple financing channels, including issuing perpetual bonds in the second half of 2020 and listed new shares of one of its wholly-owned subsidiaries on Shandong Property Exchange Center to raise equity capital from strategic investors in September 2021, to our best knowledge, it is unlikely that Lushang Development Group's fund raising ability in general and accordingly its property development business and construction activities will be materially and adversely affected in the case that it may fail to comply with two of the three limits under the "three red-line" regulation. Besides, there was not any delay of properties developed by Lushang Development Group which we contracted to manage during the Track Record Period, and we believe that there is unlikely to be any material delay of such properties as a result of the "three red-line" regulation. In addition, as advised by our PRC Legal Advisors, as of the Latest Practicable Date, local government in Shandong Province where we generated substantially all of our revenue has not released any regulations or standards at provincial and/or local level pursuant to the "three red-line" policy, while local governments in certain areas where we did not have operation have released certain regulations or standards pursuant to the "three red-line" policy, for example, the restrictions imposed by local authorities in Chengdu, Sichuan Province and Xi'an, Shaanxi Province on participation in land bidding for property developers who failed to comply with all of the three red lines. Based on the above and having made due and reasonable inquiries with our PRC Legal Advisors, our Directors are of the view, and the Sole Sponsor concurs, that to their best knowledge, the "three red-line" regulation will not have any material adverse impact on the future development plan of Lushang Development Group, and accordingly, it will not have material adverse impact on our operations, business and financial condition.

Moreover, as advised by our PRC Legal Advisors, given its intention to regulate the financing activities of real estate companies, the "three red-line" regulation is unlikely to impose legal restrictions on the financing activities for companies like us with diversified business lines and without having real estate development business as the principal business. In addition to having strong support from Lushang Development Group, we have been actively expanding our property portfolio to diversify our customer base to cover properties developed by Independent Third Parties, as is evidenced by the significant increase in our GFA under management for projects developed by Independent Third Parties during the same period. Furthermore, we believe we can diversify our service portfolio to include more non-property developers through our long-term and stable cooperation with Shandong Commercial Group, the controlling shareholder of us and Lushang Development Company, who is a large-scale holding company with a wider range of investments in retail, healthcare, finance and commercial tourism and hotel administration, among other sectors. See "Business—Recent Regulatory Development" for details.

Recent Changes in Provision of Mortgage Loans to Property Purchasers

On December 28, 2020, PBOC and CBIRC jointly promulgated the Notice on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》) (the "**Notice**")), which put forward certain limitation for the proportion of real estate loans and the personal housing loans to all RMB loans in banking financial institutions (excluding overseas branches). Taking into account the asset scale and types of banking financial institutions and other factors, the Notice sets different upper limits on the ratio of individual housing loans and ratio of real estate loans of banking financial institutions at different levels, and the banking financial institutions exceeding such upper limit shall have a transition period of two or four years to comply with the requirements. Accordingly, some banks in Shanghai have notified that the loan limit for second-hand housing shall be determined according to the lowest price among the online contracting price, the bank evaluation price, and the tax-related evaluation price since August 2021.

Instead of raising the interest rates of individual housing loans, the Notice only limits the proportion of individual housing loans of various commercial banks. Similar to the interest rate adjustment of individual housing loans, this is also PRC government's control means to curb the overheated real estate market and help the real estate market develop in a healthy and stable way. As advised by our PRC Legal Advisor, based on past experiences of individual housing loan policy's impact on the operation of Lushang Development Group, the Notice is unlikely to affect the project development plan of Lushang Development Group in a long term, but only likely to affect the transaction volume of properties developed by Lushang Development Group in a short term. Such view is concurred by CIA. Moreover, according to CIA, since the promulgation of the Notice, the average interest rate of individual housing loans has only slightly increased. Besides, we usually conclude the property management service contracts with Lushang Development Group before the pre-sale of the projects. Based on the above, we believe that such regulations had not had any material adverse impact on our operation or financial conditions. See "Business–Recent Regulatory Development" for details.

Recent Changes in Property Management Service Regulations

On December 25, 2020, the Ministry of Housing and Urban-Rural Development and other nine competent government departments issued Notice on Strengthening and Improving Residential Property Management (《關於加強和改進住宅物業管理工作的通知》) (the "**Property Notice**") with the purpose of accelerating the development of the property management service industry. Most rules in the Property Notice are non-mandatory and are related to the deployment of the governmental work, there are few rules applicable to property enterprises, which are as follows: (1) the quality of property service should be improved; (2) the pricing mechanism for property management services should be reasonable; (3) the merger and reorganization of property management service enterprises are encouraged; (4) the credit management system for property service enterprises should be established. Therefore, as advised by our PRC Legal Advisors, the function of foresaid rules is to standardize property companies rather than imposing punishments. Considering that (i) the property management committee would merely fulfill a property owners' association's responsibilities primarily by overseeing the quality of property management service provision, renewing property management service agreements with existing service providers or selecting new ones, and representing property owners and residents to communicate with property management service providers prior to the establishment of property owners' associations; (ii) the administrative department of real estate of the people's government of the district or county, the street community office or the people's government of the township or town is responsible for facilitating the establishment of property owners' association, and for communities which are not prepared to establish property owners' associations, the communities may first establish the property management committee composing of members mainly including people from the residents' committee and property owners' representatives, among other people, and serving as a provisional property owners' committee; and (iii) to our best knowledge, we had not been imposed any material administrative punishment for violation of the Property Notice by the competent authorities, based on our experience in managing projects with established property owners' associations, our Directors are of the view that we have complied with the regulatory requirements in the Property Notice, and it is unlikely that we would incur any material extra operational burden or costs to comply with the property management committee system. Therefore, we do not expect the Property Notice would have a material impact on our operation.

On July 13, 2021, the MOHURD and seven other ministries jointly promulgated the the Notice on Continuous Rectification and Regulation of Real Estate Market Order (《關於持續整治規範房地產市場秩序的通知》) (the "**Regulatory Notice**" and together with the Property Notice, the "**Notices**"), requiring the implementation of policies to highlight the key rectification points and focus on the rectification of real estate development, housing sales, housing leasing and property services. However, the Regulatory Notice does not impose any new material requirements on property management companies. Considering that (i) the Regulatory Notice primarily refine or reiterate certain general requirements, but did not impose new compliance requirements, on the property development and property management service industries; and (ii) after consulting with Lushang Development Group, to our best knowledge, both Lushang Development Group and our Group (a) had established necessary internal control procedures to ensure that we comply with the relevant PRC laws and regulations in all material aspects, which cover the compliance requirements set forth in the Regulatory Notice; and (b) have conducted self-inspection in accordance with the regulatory requirements in the Regulatory Notice, and did not find any serious violations, our Directors and our PRC Legal Advisors are of the view that our Group have not been subject to any major administrative punishment for violation on the Regulatory Notice that has any material adverse effect on the business or operations of our Company. We also confirm that the Regulatory Notice will not adversely impact the business operating and financial performance of Lushang Development Group or our Group.

In addition, as reviewed by our internal control consultant, (i) we have established policies and procedures to govern the compliance with the requirements set out in the Notices, and facilitate whistle-blowing on non-compliance issues; and (ii) our legal function department is also responsible for (a) conducting the updates of relevant rules and regulation, and providing training to our staff regularly; (b) conducting follow up review to assess the remedial actions taken by relevant departments, the result of which will be documented and submitted for our management's review; and (c) reporting to the Board of Directors and relevant regulatory authorities upon the identification of material non-compliance issues. As such, our Directors and the Sole Sponsor, having made due and reasonable enquiries with the Directors and PRC Legal Advisors of our Company, are of the view that neither our property management service contracting nor our business operation will be materially and adversely impacted by the Notices. Nevertheless, we remain susceptible to regulatory changes relating to the property development and property management industries in the PRC.

The Proposed Real Estate Tax Reform

On October 23, 2021, the Standing Committee of the National People's Congress adopted a decision to authorize the State Council to pilot real estate tax reform in certain regions (the "**Decision**"). The Decision authorizes the State Council to formulate specific measures for the pilot program and government in the pilot regions will formulate specific implementation rules. The pilot real estate tax reform expects to cover all types of properties, and the holders of land use rights and owners of houses are taxpayers of the real estate tax.

There are a number of incentives for the PRC government to levy real estate tax, including (i) to raise local fiscal revenue from the potential major tax resource, which could be directly used for basic social public services to local residents; (ii) to adjust the fair distribution of real estate wealth and promote common prosperity; and (iii) to promote the stable and healthy development of the real estate market. The earlier pilot real estate tax in Shanghai and Chongqing has been levied for ten years, but its scope and tax rate are very limited, which has no significant impact on the regulation of the real estate market and the fair distribution of social wealth. The new pilot real estate tax reform will be carried out in various cities according to the further implementation rules, and on the basis of summing up the Shanghai and Chongqing pilot experience, the final law will be enacted and implemented nationwide.

According to the Decision, the period for the real estate tax pilot program shall be five years from the date when the measures for the pilot program are officially issued by the State Council. It is not clear when the detailed measures for the real estate tax pilot program will be formally introduced. According to public information, it is expected that priority will be given to first or second tier cities located in active real estate markets when selecting pilot cities under the new real estate tax reform. These cities may include Beijing, Shenzhen, Hangzhou, Ningbo, Nanjing, Suzhou and Hainan, in addition to Shanghai and Chongqing. Based on the latest researches from public domain, such as news articles in March 2022, it is reported that the Ministry of Finance has paused the expansion of real estate pilot program into more cities for lack of sufficient conditions. Up to the date of this Document, the pilot cities of real estate tax will remain as Shanghai and Chongqing.

Based on the development strategy of Lushang Development Group, it will further strengthen its land bank in cities in Shandong and Heilongjiang Provinces, including Qingdao, Linyi, Heze, Zibo, Yantai, Jining, Jinan, Tai'an and Harbin. In addition, Lushang Development Group procured land bank in Yangzhou. As of June 30, 2021, Lushang Development Group had one project located in Shanghai, accounting for approximately 1.3% of Lushang Development Group's total land bank as of the same date. Considering the relatively small amount, to the best of our knowledge, we believe real estate tax will not have any material adverse impact to Lushang Development Group. We will continue to monitor the progress of the pilot real estate tax reform and promptly adapt to regulatory changes. See "Risk Factors—Our profitability, finance condition and results of operation may be affected by the promulgation of real estate tax regulation in PRC."

PRC Laws and Regulations Relating to Overseas Listing

On December 24, 2021, the China Securities Regulatory Commission (the "CSRC") issued the Provisions of the State Council on Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the "Administration Provisions"), and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the "Filing Measures", and collectively with the Administration Provisions, the

"Draft Regulations on Listing"). Under the Draft Regulations on Listing, a Chinese company's securities offering and listing in an overseas market, direct or indirect, shall be filed with the CSRC. However, as of the Latest Practicable Date, neither of the Draft Regulations on Listing has come into effect. As such, we are not required to go through the filing procedures with the CSRC under the Draft Regulations on Listing with respect to the Listing.

According to the Reply of Relevant Responsible Persons of the CSRC to Questions from Journalists published on the CSRC's website on December 24, 2021, the regulations relating to overseas listing will adhere to the principle of "non-retroactivity." Specifically, companies undergoing the listing process or listed companies seeking refinancing and relevant activities shall go through the filing procedures in accordance with the requirements; whereas the filing procedures of listed companies shall be subject to a separate arrangement and a sufficient transition period. As of the Latest Practicable Date, the CSRC has not imposed any specific filing requirements on listed companies or companies that have obtained approval from the CSRC for the listing of their H-shares. Our Company has obtained an approval letter from the CSRC dated September 13, 2021 for the [**REDACTED**], and we have completed all domestic approval procedures for the [**REDACTED**] and the [**REDACTED**] of our H-shares. Moreover, since the promulgation of the Draft Regulations on Listing, the CSRC has not required us to make additional filings for the issuance and [**REDACTED**].

According to the Draft Regulations on Listing, the following overseas offerings and listings are explicitly profited, which include offerings and listings (i) that are prohibited by specific laws and regulations, (ii) that constitute threat to or endanger national security as reviewed and determined by competent authorities, (iii) that involve material ownership disputes, (iv) where the PRC domestic companies, their controlling shareholder or actual controller are involved in certain criminal offence, or directors, supervisors and senior management of the issuer involved in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden. In accordance with the proper inquiry by our PRC Legal Advisers, the [**REDACTED**] and the [**REDACTED**] of our H-shares are not involved in any of the abovementioned circumstances.

Therefore, based on the principle of "non-retroactivity" and considering that the CSRC has been aware of and approved our application for the [**REDACTED**] and [**REDACTED**], as advised by our PRC Legal Advisors, the Draft Regulations on Listing does not have any material adverse effect on our current [**REDACTED**], and we do not foresee any impediments in complying with the Draft Regulations on Listing in all material respects, assuming the Draft Regulations on Listing are implemented in its current form.

Based on the above and having made due and reasonable inquiries with our PRC Legal Advisors, our Directors are of the view, and the Sole Sponsor concurs, the recent regulatory developments described in this "Recent Regulatory Development" section and the regulations described in "Regulatory Overview" section in this Document will not have a material adverse impact on our operations, business and financial conduction.

[**REDACTED**] EXPENSES

The total amount of [**REDACTED**] expenses that will be borne by us in connection with the [**REDACTED**], including [**REDACTED**] commissions, is estimated to be HK$[**REDACTED**] (RMB[**REDACTED**]), which includes but not limited to [**REDACTED**] commissions and [**REDACTED**] related expenses of approximately HK$[**REDACTED**] (RMB[**REDACTED**]), and non-[**REDACTED**] related expenses of approximately HK$[**REDACTED**] (RMB[**REDACTED**]) which consist of fees and expenses of legal advisers and Reporting Accountants of approximately HK$[**REDACTED**] (RMB[**REDACTED**]) and other fees and expenses of approximately HK$[**REDACTED**] (RMB[**REDACTED**])), representing approximately [**REDACTED**]% of the gross [**REDACTED**] received by our Company from the [**REDACTED**] (based on the mid-point of the indicative [**REDACTED**]), of which HK$[**REDACTED**] (RMB[**REDACTED**]) will be directly attributable to the issue of our Shares, which is expected to be accounted for as a deduction from equity upon completion of the [**REDACTED**]. The remaining fees and expenses of HK$[**REDACTED**] (RMB[**REDACTED**]) were or are expected to be charged to our profit or loss, of which (i) HK$[**REDACTED**] (RMB[**REDACTED**]) has been charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2021; and (ii) approximately HK$[**REDACTED**] (RMB[**REDACTED**]) is expected to be charged to our consolidated statements of profit or loss and other comprehensive income after the Track Record Period. The professional fees and other expenses if any related to the preparation of [**REDACTED**] are currently in estimates for reference only and the actual amount to be recognized is subject to adjustment based on audit and the then changes in variables and assumptions. Our Directors do not expect that our [**REDACTED**] Expenses will have a material adverse impact on our financial performance for the year ending December 31, 2022.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorized into: (i) risks related to our business and industry; (ii) risks related to doing business in China; and (iii) risks related to the [**REDACTED**]. Some of the risks generally associated with our business and industry include the following: (i) our future growth may not materialize as planned, and any failure to manage our future growth effectively may have a material adverse effect on our business, financial position and results of operations; (ii) we cannot assure you that we can secure new or renew our existing property management service contracts with property developers, including Lushang Development Group and Shandong Commercial Remaining Group, or other relevant entities, on favorable terms, or at all; (iii) we may not be able to collect property management fees from property owners, residents and property developers which could incur impairment losses on our trade receivables; (iv) a substantial portion of our operations is concentrated in the Shandong Province and our business could be adversely affected in the event of any adverse development in government policies or business environment in these regions; and (v) we may not be able to maintain our historical growth rate and our results of operations during the Track Record Period may not be indicative of our future prospects and results of operations.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this document and, in particular, should evaluate the specific risks set forth in "Risk Factors" in deciding whether to invest in our Shares.

DEFINITIONS

In this document, unless the context otherwise requires, the following words and expressions have the following meanings. Certain technical terms are explained in "Glossary" in this document.

"Accountants' Report"	the accountants' report prepared by the Reporting Accountants, the text of which is set out in Appendix I to this document
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on May 31, 2021 which will come into effect upon [**REDACTED**], as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix VI to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business

[**REDACTED**]

"China" or "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, excluding Taiwan, the Macau Special Administrative Region and Hong Kong
"CIA"	China Index Academy, our industry consultant and an Independent Third Party
"CIA Report"	an independent market research report prepared by CIA, which was commissioned by our Company for the purpose of this document
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Lushang Life Services Co., Ltd. (魯商生活服務股份有限公司) (formerly known as Shandong Lushang Property Services Co., Ltd. (山東魯商物業服務有限公司)), a company established in the PRC with limited liability on March 24, 2006 and converted into a joint stock company with limited liability on March 12, 2021
"Company Law" or "PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented and otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context requires otherwise, refers to Shandong Commercial, Lushang Development and Lushang Innovation, and a Controlling Shareholder shall mean any one of them
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules

"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus
"Deed of Indemnity"	the deed of indemnity dated [●], 2022 and executed by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries), details of which are set out in "Statutory and General Information—D. Other information—2. Tax and other indemnities" in Appendix VII to this document
"Deed of Non-competition"	the deed of non-competition dated [●], 2022 and executed by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries), details of which are set out in "Relationship with Our Controlling Shareholders—Deed of Non-competition" in this document
"Director(s)" or "our Directors"	the director(s) of our Company
"Domestic Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in Renminbi
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"FRC"	Financial Reporting Council

[**REDACTED**]

"Group", "our Group", "our", "we" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)

DEFINITIONS

"H Share(s)"	overseas [**REDACTED**] share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for [**REDACTED**] and permission to trade on the Stock Exchange
"H Share Registrar"	[**REDACTED**]
"HKICPA"	Hong Kong Institute of Certified Public Accountants

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

DEFINITIONS

[**REDACTED**]

"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual or a company who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules

[**REDACTED**]

"Lan'an Landscape"	Shandong Lan'an Landscape Engineering Co., Ltd. (山東藍岸園林工程有限公司) (formerly known as Jinan Lushang Real Estate Co., Ltd. (濟南魯商地產有限公司)), a company established in the PRC with limited liability on December 11, 2008 and a wholly-owned subsidiary of our Company
"Latest Practicable Date"	June 19, 2022, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Lushang Design"	Shandong Lushang Architectural Design Co., Ltd. (山東省魯商建築設計有限公司), a company established in the PRC with limited liability on May 9, 2011 and a wholly-owned subsidiary of our Company
"Lushang Development"	Lushang Health Industry Development Co., Ltd. (魯商健康產業發展股份有限公司) (formerly known as Shandong Zibo Wanjie Industry Co., Ltd. (山東淄博萬傑實業股份有限公司), Shandong Wanjie High-tech Co., Ltd. (山東萬傑高科技股份有限公司) and Lushang Real Estate Co., Ltd. (魯商置業股份有限公司)), a joint stock company established in the PRC with limited liability on April 21, 1993, listed on the Shanghai Stock Exchange (stock code: 600223) and one of our Controlling Shareholders
"Lushang Development Group"	Lushang Development and its subsidiaries which, for the purpose of this document and unless the context otherwise requires, excludes our Group

"Lushang Innovation"	Shandong Lushang Innovation Development Co., Ltd. (山東魯商創新發展有限公司) (formerly known as Shandong Anjie Electromechanical Engineering Co., Ltd. (山東安捷機電工程有限公司) and Shandong Lushang Anjie Engineering Management Consulting Co., Ltd. (山東魯商安捷工程管理諮詢有限公司)), a company established in the PRC with limited liability on May 4, 2014 and one of our Controlling Shareholders, which is a wholly-owned subsidiary of Lushang Development
"Lushang Property"	Shandong Lushang Property Co., Ltd. (山東省魯商置業有限公司), a company established in the PRC with limited liability on June 19, 1998, which is a wholly-owned subsidiary of Lushang Development
"Lushang Tang'an"	Shandong Lushang Tang'an Property Co., Ltd. (山東魯商唐安物業有限公司), a company established in the PRC with limited liability on December 2, 2020 and a non-wholly owned subsidiary of our Company, which is owned as to 41% by our Company, 49% by Jinan Tang'an Hengye Holdings Co., Ltd. (濟南唐安恒業控股有限責任公司), an Independent Third Party, and 10% by Jinan Shangxin Investment Partnership (Limited Partnership) (濟南尚信投資合夥企業(有限合夥)), our employee stock ownership platform
"Lushang Group"	Lushang Group Co., Ltd. (魯商集團有限公司), a company established in the PRC with limited liability on October 26, 2005, which is owned as to approximately 68.2% by Shandong Commercial and 31.8% by Shandong World Trade Center (山東世界貿易中心)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

"MOHURD" or "Ministry of Construction"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them

DEFINITIONS

"PRC Legal Advisors"	Commerce & Finance Law Offices, the legal advisors to our Company as to PRC law

[**REDACTED**]

"Project(s) Developed by Independent Third-party Property Developers"	projects solely developed by third-party property developers independent from Lushang Development Group, as well as projects jointly developed by Lushang Development Group and other property developers for which Lushang Development Group did not hold a controlling interest
"Province" or "province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC Government
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganization"	the reorganization of the Group in preparation of the [**REDACTED**], details of which are set out in "History, Reorganization and Corporate Structure—Reorganization" in this document
"Reporting Accountants"	KPMG, the reporting accountants of our Company
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) or its predecessor the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SCNPC"	the Standing Committee of the NPC

"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong Commercial"	Shandong Commercial Group Co., Ltd. (山東省商業集團有限公司) (formerly known as Shandong Commercial Group General Corporation (山東省商業集團總公司)), a company established in the PRC with limited liability on November 26, 1992, which is controlled by the Shandong SASAC and one of our Controlling Shareholders
"Shandong Commercial Group"	Shandong Commercial and its subsidiaries which, for the purpose of this document and unless the context otherwise requires, excludes our Group
"Shandong Commercial Remaining Group"	Shandong Commercial Group, other than Lushang Development Group and our Group
"Shandong Guohui"	Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司), a company established in the PRC with limited liability on January 12, 2016, which is a wholly-owned subsidiary of the Shandong SASAC
"Shandong SASAC"	State-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會)
"Shandong SSF"	Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會)
"Share(s)"	ordinary share(s) with nominal value of RMB1.00 each in the share capital of our Company, comprising H shares and Domestic Shares
"Shareholder(s)"	holder(s) of the Share(s)

[**REDACTED**]

"Sole Sponsor"	ABCI Capital Limited

"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
"Spin-off Circular"	the Circular on Issues Relevant to Regulating the Overseas Listing of Enterprises Subordinate to Domestic Listed Companies (關於規範境內上市公司所屬企業到境外上市有關問題的通知) promulgated by the CSRC on July 21, 2004

[**REDACTED**]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of our Company
"Supervisory Committee"	the board of Supervisors
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the years ended December 31, 2019, 2020 and 2021
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

[**REDACTED**]

"United States", "USA" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"US$", "USD" or "$"	U.S. dollars, the lawful currency of the United States
"VAT"	the PRC value-added tax

[**REDACTED**]

For ease of reference, the names of the PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of official Chinese names are for identification purpose only.

GLOSSARY

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"average property management fee(s)"	calculated based on the property management fees specified under each of the property management services contracts adjusted proportionately by the revenue-bearing GFA under each of the corresponding property management service contracts
"CAGR"	compound annual growth rate
"commercial property(ies)"	for purposes of this document, property(ies) designated for commercial use
"commission basis"	a revenue-generating modal whereby we collect a percentage of the total amount of property management fees that our customers pay on a monthly basis
"common area(s)"	shared areas in residential properties such as lobbies, hallways, stairways, car parks, elevators and gardens, among other things
"contracted GFA"	GFA managed or to be managed by our Group under our operating property management service agreements, including both GFA under management and undelivered GFA
"GDP"	gross domestic product
"GFA"	gross floor area
"GFA under management"	GFA of properties that have been delivered, by property developers, to property owners, for which we are already collecting property management fees in relation to contractual obligations to provide our services
"ISO"	The International Organization of Standardization, worldwide federation of rational standard system

"lump sum basis"	a revenue-generating model for our property management business line whereby we charge a pre-determined property management fee per sq.m. for all units (whether sold or unsold) on a monthly basis which represents the "all-inclusive" fees for all of the property management services provided by our employees and subcontractors. Property developers, property owners and residents will be responsible for paying our property management fees for the sold and unsold units respectively on a monthly basis
"overall strength"	CIA ranks the overall strength of the property management companies by evaluating the following aspects: • property management scale, taking into account total assets, number of properties under management, GFA under management and number of cities where the company operates; • operational performance, taking into account the total revenue, net profit, revenue per employee and operating costs as a percentage to total revenue service quality, taking into account customer satisfaction rate, property management fee collection rate, property management contract retention rate and number of star-level communities; • growth potential, taking into account revenue growth, growth of GFA under management, contracted GFA of reserved projects and number and composition of employees; and • social responsibility, taking into account the amount of tax paid, number of job opportunities created, total GFA under management of affordable housing and amount of enterprise donation
"properties developed by third-party property developers"	properties solely developed by third-party property developers independent from Lushang Development Group, as well as properties jointly developed by Lushang Development Group and other property developers for which Lushang Development Group did not hold a controlling interest

"residential communities" or "residential properties"	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are nonresidential in nature such as commercial or office units but excluding pure commercial properties
"retention rate"	the aggregate number of our contracted projects as of the end of the period divided by the aggregate number of our contracted projects plus the number of projects we ceased to manage during the same period
"revenue-bearing GFA"	the portion of our GFA under management for which we charge property management fees, which equals our GFA under management excluding the GFA of common areas, such as public facilities, visitor parking lots and swimming pools
"sq.m."	square meter(s)
"Top 100 Property Management Companies"	an annual ranking of China-based property management companies by overall strength published by CIA solely or jointly with other institution(s) based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility of such companies in the preceding year, which comprised 100, 210, 200, 200, 220, 244 and 264 companies respectively, for rankings published in 2015, 2016, 2017, 2018, 2019, 2020 and 2021, respectively. The number of companies for each of 2016, 2017, 2018, 2019, 2020 and 2021 exceeded 100 as multiple companies with the same or very close scores were assigned the same ranking
"undelivered GFA"	the total GFA of properties which have not be delivered to us for management and we have not begun collecting property management fees in relation to contractual obligations to provide property management services
"%"	percent

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains certain forward-looking statements and information relating to the Company and its subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "can", "continue", "could", "forecast", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- our ability to identify and integrate suitable acquisition targets;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;

- capital market developments;
- the actions and developments of our competitors;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices in the industry and markets in which we operate;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this document that are not historical facts.

This document also contains market data and projects that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the PRC economy and the property management industry, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in the section entitled "Risk Factors" in this document. You should read this document in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this document relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks or uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

An investment in our H Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to purchase our H Shares. If any of the circumstances or events described below actually arises or occurs, our business, financial position, results of operations, and prospects would likely suffer. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which may differ from those prevailing in other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed below, please refer to "Regulatory Overview" and "Appendix V—Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" in this document.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our future growth may not materialize as planned, and any failure to manage our future growth effectively may have a material adverse effect on our business, financial position and results of operations.

We have been seeking to expand our existing business through scaling and organic growth as well as acquisitions of other property management companies to expand our project portfolio and obtain larger market shares. As of December 31, 2019, 2020 and 2021, our projects had an aggregate GFA under management of approximately 10.7 million sq.m., 15.4 million sq.m. and 22.9 million sq.m. respectively, covering three provinces, namely Shandong Province, Beijing and Harbin. See "Business—Property Management Services—Our Geographical Presence" for more information. However, we base our expansion plans on our assessment of multiple factors, such as market prospects in different regions, and we cannot assure you that our assessment will prove to be correct or that our business will grow as planned. Our expansion plans may be affected by a number of factors, most of which are beyond our control. Such factors include but are not limited to:

- changes in China's economic conditions in general and the real estate market and property management industry in particular;

- changes in disposable personal income in the PRC;
- changes in government policies and regulations;
- changes in the supply of and demand for property management services, value-added services to non-property owners and community value-added services;
- natural disasters, epidemics and pandemics, including the COVID-19;
- our ability to generate sufficient liquidity internally and obtain external financing;
- our ability to recruit and train competent employees;
- our ability to select and work with suitable and reliable subcontractors and suppliers;
- our ability to understand the needs of property owners and residents in properties where we provide property management services, value-added services to non-property owners and community value-added services;
- our ability to adapt to new markets where we have no prior experience and in particular, whether we can adapt to the administrative, regulatory, cultural and tax environments in such markets;
- our ability to leverage our brand name and to compete successfully in new markets, particularly against the incumbent players in such markets who might have more resources and experience than us; and
- our ability to improve our administrative, technical, operational and financial infrastructure.

Subject to uncertainties and risks which are mostly beyond our control, we cannot assure you that our future growth will materialize or that we will be able to manage our future growth effectively. Our business, financial condition, results of operations and growth prospects could be materially and adversely affected if our future plans fail to achieve positive results.

We cannot assure you that we can secure new or renew our existing property management service contracts with property developers, including Lushang Development Group and Shandong Commercial Remaining Group, or other relevant entities, on favorable terms, or at all.

We believe that our ability to expand our portfolio of property management service agreements is key to the sustainable growth of our business. During the Track Record Period, we generally obtained new property management service agreements by participating in tenders. During the Track Record Period, our bidding success rate for properties developed or owned by Shandong Commercial Group was 100.0%, 90.0% and 100.0%, respectively. In particular, during the Track Record Period, our bidding success rate for properties developed by Lushang Development Group was 100.0%. During the Track Record Period, we only submitted seven bid for properties owned by Shandong Commercial Remaining Group in 2020, and our relevant bidding success rate was 85.7%. During the Track Record Period, our bidding success rate for properties developed by Independent Third Parties was 20.0%, 26.3% and 44.7%, respectively. In 2019, 2020 and 2021, our retention rate was 92.3%, 100.0% and 98.8%, respectively. The selection of a property management company depends on a number of factors, including but not limited to, service quality, pricing level and operational history of the property management company. We cannot assure you that we will be able to procure new property management service agreements on favorable terms, or at all. Our efforts may be hindered by factors beyond our control, which may include, among others, changes in general economic conditions, evolving government regulations as well as supply and demand dynamics within the property management industry.

During the Track Record Period, we entered into preliminary management service agreements with property developers during later stages of property development. During the Track Record Period, a substantial portion of our revenue was derived from property management services provided to properties developed by Lushang Development Group. In 2019, 2020 and 2021, our revenue generated from our property management services provided in relation to properties developed by Lushang Development Group accounted for approximately 98.7%, 97.0% and 87.7%, respectively, of our revenue from property management services for the same years. The total GFA under management from the properties developed by Lushang Development Group accounted for approximately 99.8%, 76.6% and 54.3% of our total GFA under management as of December 31, 2019, 2020 and 2021 respectively. In 2019, 2020 and 2021, we managed almost all properties developed by Lushang Development Group. See "Relationship with Our Controlling Shareholder—Independence from Our Controlling Shareholders—Operational Independence" for more details.

We do not have control over the management strategy of Lushang Development Group, or the macroeconomic or other factors that affect its business operations and financial positions. There is no assurance that we will be able to maintain the high bidding success rate in the future. Any adverse development in the business or financial positions of Lushang Development Group, or its ability to develop and maintain properties may materially and adversely affect our ability to procure new property management services. Our property management service agreements with Lushang Development Group are also subject to expiration and may not be renewed successfully. We may also fail to diversify our customer base. As a result, we cannot assure you that we will be able to procure service agreements from alternative sources to make up the shortfall in a timely manner or on favorable terms, or at all, which could materially and adversely affect our business, financial conditions and results of operations.

Moreover, preliminary management service agreements are transitional in nature and facilitate the transfer of legal and actual control of the properties from property developers to property owners. Preliminary property management service agreements typically expire when property owners' associations are established and new property management service agreements are entered into. See "Business—Property Management Services—Property Management Service Agreements—Key Terms of Dealing with Property Developers" for more information. To continue managing the property, we would have to enter into a new property management service agreements with the property owners' associations. There is no guarantee that property owners' associations will enter into a new property management service agreements with us instead of our competitors. We may therefore bear the risk of termination of rendering services of the existing projects as a result of the set-up of property owners' associations. Our customers select us based on parameters such as quality and cost, and we cannot assure you that we will always be able to balance them on favorable terms for both sides.

Even where we succeed in entering into property management service agreements with property owners' associations, we cannot guarantee that they will be renewed upon expiration. It is also possible that they may be terminated for cause. In such cases, we would no longer be able to provide property management services and community value-added services to the residential communities that have terminated our engagements.

Further, we cannot guarantee that all of our contracted GFA will be timely or ultimately delivered pursuant to the relevant contracts we entered into with our potential customers, including property developers, due to reasons beyond our control, including, among others, termination of projects and bankruptcy of the counterparties.

There is no guarantee that we would be able to find other business opportunities on favorable terms, or at all. Moreover, as both termination and non-renewal may be detrimental to our reputation, we may experience material adverse effects on our brand value, which we believe is essential to our ability to procure new property management service agreements. Failure to cultivate our brand value may diminish our competitiveness within the industry and lead to an adverse effect on our growth prospects and results of operations.

We may not be able to collect property management fees from property owners, residents and property developers which could incur impairment losses on our trade receivables.

We may encounter difficulties in collecting property management fees from property owners and residents especially in communities with relatively high vacancy rate. We cannot assure you that our collection measures will be effective or enable us to accurately predict our future collection rate. As of December 31, 2021, our outstanding trade receivables amounted to approximately RMB185.5 million. In 2019, 2020 and 2021, we recorded average trade receivable turnover days of 89 days, 93 days and 96 days, respectively. See "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Trade and Bills Receivables" for more details. In 2019, 2020 and 2021, our collection rate of property management fees, calculated by dividing the property management fees we actually received during a period by the total property management fees payable to us accumulated during the same years, was 83.7%, 85.6% and 87.4%, respectively. Even though we seek to collect overdue property management fees through a number of collection measures, we cannot assure you that such measures will be effective or enable us to accurately predict our future collection rates.

As of December 31, 2019, 2020 and 2021, our allowance for impairment of trade receivables amounted to approximately RMB1.7 million, RMB1.9 million and RMB5.7 million, respectively. Although our management's estimates and the related assumptions have been made in accordance with information available to us, such estimates or assumptions are subject to further adjustment if new information becomes known. See "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Trade and Bills Receivables" for more information. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of any new information, we may need to provide for an additional allowance for impairment of trade receivables, which may adversely affect our cash flow position and our ability to meet our working capital requirements, and therefore materially and adversely affect our business, financial position and results of operations. In particular, we recorded material amount of trade receivables due from related parties during the Track Record Period. As of December 31, 2019, 2020 and 2021, we recorded trade receivables from related parties of RMB48.1 million, RMB85.1 million and RMB106.0 million, respectively. The turnover days of trade receivables from related parties are longer than the granted credit term during the Track Record Period. We have endeavored to collect the outstanding trade receivables from related parties and shorten the corresponding turnover days. However, we cannot assure you our efforts will be effective. Should our related parties encounter financial difficulty and fails to repay trade receivables to us, our financial condition and results of operation will be materially adversely impacted.

We are susceptible to changes in regulatory landscapes of the PRC property management and PRC real estate industries.

The PRC property management industry and our operations are affected by the relevant regulatory environment and measures. In particular, the fees that property management companies may charge in connection with property management services are strictly regulated and supervised by relevant PRC authorities. We seek to comply with the regulatory regime of the property management service in conducting our business operations. In December 2014, the NDRC issued the Circular of NDRC on the Opinion on Liberalizing Price Controls in Certain Services (《國家發展改革委員會關於放開部分服務價格意見的通知》)(改發價格[2014]2755號), which requires the relevant provincial authorities to relax the price control policies in relation to the property management services for non-affordable housing. Property management fees for affordable housing, housing-reform properties and properties in older residential areas and management fees under preliminary property management service agreements remain subject to price guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. The

PRC Government may also promulgate new laws and regulations in relation to property management fees from time to time. See "Regulatory Overview—Legal Supervision over Property Management Services—Fees Charged by Property Management Enterprises" for more information.

At present, no uniform standard for the government guidance price of fees for property management services has been established at the national level. Pursuant to the above-mentioned circular issued by NDRC on the Opinion on Liberalizing Price controls in Certain Services, the price control on property services of non-government-supported houses was cancelled. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for property management fees for government-supported houses, houses under housing reform, old residence communities and preliminary property management service in light of the actual situation. The benchmark and floating range of these government guidance prices vary from region to region. We expect that price controls on residential properties will be relaxed over time. For now, our property management fees of residential projects are subject to the existing local regulations passed by the relevant authorities to implement the above-mentioned circular issued by NDRC on the Opinion on Liberalizing Price controls in Certain Services. As advised by our PRC Legal Advisors, as of December 31, 2021, we had approximately 38 residential projects located in Shandong and Heilongjiang provinces with a total GFA under management accounting for approximately 53.5% of our total GFA under management as of the same date that were subject to price control under the relevant local regulations. Revenue generated from projects subject to the government guidance price amounted to RMB116.4 million, RMB135.7 million and RMB157.3 million, respectively, in 2019, 2020 and 2021, accounting for 36.3%, 33.7% and 27.0% of our total revenue during the same periods. The government-imposed limits on fees, coupled with rising labor and other operating costs, could have a negative impact on our revenue. If a property is managed on a lump sum basis, we may experience a decrease in profit margin. If a property is managed on a commission basis, in the event that the collected fees, after deducting the commission, are insufficient to cover property management expenses, the property owners are legally responsible for making up for such shortage. Although our property management fees for residential properties in the regions subject to price control were in general slightly below the upper limits of the local governments' guidance prices of the property management fees for residential properties and our business operation and financial performance did not suffer from the impact of the price control during the Track Record Period, we cannot assure you that the PRC Government will not reverse its policy and re-impose limits on property management fees. In such event, our profit margins may reduce as our labor, subcontracting and other associated costs increase. We also cannot assure you that we would be able to respond to such changes in a timely manner and effectively by implementing our cost-saving measures, nor that we would be able to pass the additional costs to our customers. The PRC Government may also unexpectedly promulgate new laws and regulations that have potential adverse impact on our business, which could increase our compliance and operational costs, thereby materially and adversely affect our business, financial condition and results of operations.

In addition, the majority of our revenue are generated from our property management services. Therefore, our results of operations depend largely on the total GFA and number of communities we manage. As such, the growth potential of our property management services will be indirectly affected by the PRC real estate industry. The PRC Government has implemented a series of measures with a view to control real estate industry in recent years. In particular, the PRC Government has continued to introduce various restrictive measures to discourage speculation in the real estate market. The government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. As a result, the PRC Government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we serve.

For example, in 2020, the Ministry of Housing and Urban-Rural Development, together with the People's Bank of China, proposed to issue the "three red-line" regulation for real estate companies, with intention to accelerate the deleveraging process of real estate companies and facilitate the healthy development of China's real estate industry. The "three red-line" regulation refers to: (i) the gearing ratio (excluding prepayments) of a real estate company which shall not exceed 70%; (ii) the net gearing ratio of a real estate company which shall not exceed 100%; and (iii) cash over short-term interest-bearing loans which shall not be lower than 1.0. In particular, if a real estate company complies with all of the above-mentioned three limits (also known as green real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 15%; if a real estate company fails to comply with one of the above-mentioned three limits (also known as the yellow real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 10%; if a real estate company fails to comply with with two of the above-mentioned three limits (also known as the orange real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 5%; and if a real estate company fails to comply with all of the above-mentioned three limits (also known as the red real estate companies), it will not be allowed to increase its interest-bearing liabilities.

In the event that the above-mentioned standard comes into effect, given that, as of March 31, 2022, based on the 2022 first quarterly report of Lushang Development Group and using the above-mentioned calculation methods, Lushang Development Group's the gearing ratio (excluding prepayments) and cash over short-term interest-bearing loans amounted to 83.5% and 0.5, respectively, Lushang Development Group may fail to comply with the above-mentioned limits on the gearing ratio (excluding prepayments) and cash over short-term interest-bearing loans. As a result, in the event that the "three red-line" regulation comes into effect, Lushang Development Group's annual increase in interest-bearing liabilities may not exceed the 5% cap, and Lushang Development Group's ability to obtain additional financing may be materially adversely affected. Failure to secure sufficient external financing may hinder Lushang Development Group's ability to implement its business strategies, acquire land parcels and complete the development of our property projects. In addition, if Lushang

Development Group were to be prohibited from increasing the aggregate size of interest-bearing liabilities, it may not be able to draw down on credit facilities before it repays existing debts, and may need to slow down its land acquisition activities to ensure it would have sufficient cash to complete the existing property projects. If this risk materializes, Lushang Development Group's business, financial condition and results of operations may be materially adversely affected. Given that a vast majority portion of our revenue from property management services and from value-added services to non-property owners during the Track Record Period was generated from services we provided to properties developed by Lushang Development Group, our business, financial condition and results of operations may be materially adversely affected as well.

The PRC Government will also, from time to time, promulgate new laws and regulations in relation to the PRC real estate industry based on macroeconomic considerations. Therefore, the overall demand for properties may decrease and in turn decelerate the overall growth of property management services and commercial services, which could in turn affect our growth potential and our business expansion.

Any deterioration of or potential adverse impact to the financial position of Lushang Development Group may adversely affect our business, financial condition and results of operation.

During the Track Record Period, a substantial portion of our revenue was derived from property management services provided to properties developed by Lushang Development Group. In 2019, 2020 and 2021, our revenue generated from our property management services provided in relation to properties developed by Lushang Development Group accounted for approximately 98.7%, 97.0% and 87.7%, respectively, of our revenue from property management services for the same periods. Changes in the regulatory environment of real estate industry could have material adverse impact to the business operation of Lushang Development Group.

In 2020, the Ministry of Housing and Urban-Rural Development, together with the People's Bank of China, proposed to restrict financing available to property developers by reference to leverage ratios such as liabilities to assets ratio, net gearing ratio and cash to short-term borrowings ratio. In particular, under such new standard, for a property developer, (i) the gearing ratio (excluding prepayments) shall not exceed 70%; (ii) the net gearing ratio shall not exceed 100%; and (iii) the cash to short-term borrowing ratio shall not be lower than 1.0. In addition, on July 13, 2021, the Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission, the Ministry of Public Security, the Ministry of Natural Resources, the State Taxation Administration, the State Administration for Market Regulation, the China Banking and Insurance Regulatory Commission and the Cyberspace Administration of China jointly promulgated the Notice on the Continuous Rectification and Regulation of the Real Estate Market Order (《關於持續整治規範房地產市場秩序的通知》) to further regulate real estate and its related industries. See "Regulatory Overview" for details. There are no assurances that the PRC government will relax existing restrictive measures, or not to impose or enhance restrictive measures, other restrictive policies, regulations or measures on real estate and its related industries in the future. The existing and other future restrictive measures may limit Lushang Development Group's access to capital and increase its finance costs. In the event that the PRC government promulgates new restrictive regulations on real estate and its related industries, Lushang Development Group's business operation and financial positions may be adversely affected. As a result, our business, financial condition and results of operation may be adversely affected.

A substantial portion of our operations is concentrated in Shandong Province and our business could be adversely affected in the event of any adverse development in government policies or business environment in these regions.

The substantial portion of our operations are concentrated in Shandong Province. As of December 31, 2021, we managed an aggregate GFA of approximately 20.3 million sq.m. of properties in Shandong Province, which accounted for approximately 88.6% of our total GFA of properties under management as of such dates. Our revenue generated from property management services in Shandong Province accounted for approximately 82.0%, 82.5% and 82.5% of our revenue from property management services in 2019, 2020 and 2021, respectively. Given such concentration, any material adverse social, economic or political development in or any natural disaster, epidemic or pandemic affecting Shandong Province will materially and adversely affect our business, financial position and results of operations.

We may not be able to maintain our historical growth rate and our results of operations during the Track Record Period may not be indicative of our future prospects and results of operations.

Although we experienced revenue and profit growth during the Track Record Period, we cannot assure you that we can sustain such growth in the future. Our profitability depends partially on our ability to control costs and operating expenses, which may increase as we expand our business. In addition, we may continue to devote significant resources to expand our value-added services to non-property owners and community value-added services, which may require personnel and technological support. Such expansion could negatively impact our short-term profitability and cash flows. If our business expansion prove ineffective, and we fail to increase revenue, or if our cost and operating expense grow faster than our revenue, our business, financial position and results of operations may be negatively affected.

We may face fluctuations in our labor costs, and the increase in labor costs could harm our business and reduce our profitability.

The property management industry in the PRC is labor intensive. Since our labor costs together accounted for a majority portion of our cost of sales, we believe that controlling and reducing our labor costs is crucial for us to improve our profit margins as well as maintain other operating costs. For 2019, 2020 and 2021, our labor costs of our total cost of sales were RMB116.3 million, RMB120.6 million and RMB140.6 million, respectively.

We face pressure from rising labor and subcontracting costs due to various factors, including but not limited to:

- *increases in minimum wages*. The minimum wage in the regions where we operate has generally increased in recent years, which has a direct impact on our employee benefit costs as well as the fees we pay to our third-party subcontractors.

- *increases in headcount*. As we expand our operations, the headcount of our property management staff, sales and marketing staff and administrative staff may increase. We may also need to retain and continuously recruit qualified employees to meet our growing demand for talent, which might further increase our total headcount. Any increases in headcount would also increase our costs in relation to, among others, recruiting, salaries, employee benefits, training, social insurance and housing provident fund contributions.

We cannot assure you that we will be able to control our costs or improve our efficiency. Any failure in effectively controlling our costs may have a material and adverse impact on our business, financial position and results of operations.

We are exposed to risks associated with third-party subcontractors to perform certain services to our customers.

We delegate certain property management services, such as cleaning services, greening services and repair and maintenance services, to independent third-party subcontractors. In 2019, 2020 and 2021, our subcontracting costs amounted to approximately RMB58.5 million, RMB101.2 million and RMB175.6 million, respectively, representing approximately 22.1%, 31.3% and 40.4% of our total cost of sales for the same periods, respectively. We select our third-party subcontractors based on factors such as their qualifications, industry reputation, credit, service quality and price competitiveness. We also impose internal quality control measures on our subcontractors such as routine internal examination, independent third-party assessment and customer feedback assessment. See "Business—Quality Control—Quality Control of Subcontractors" for more information. However, we cannot assure you that they will always perform in accordance with our expectations. They may act in ways contrary to our or our customers' instructions, their contractual obligations and our quality standards and operational procedures. We may also fail to monitor their performance as directly and effectively as with our own employees. As a result, we are subject to risks associated with being responsible for any sub-standard performance by our third-party subcontractors, including but not limited to litigation, reputational damage, disruptions to our business, termination or non-renewal of our service agreements and monetary claims from our customers. We may also incur extra costs in order to monitor or replace third-party subcontractors which do not perform in accordance with our expectations, or mitigate or compensate damages incurred by such third-party subcontractors.

In addition, we may be unable to renew our existing subcontracting contracts upon expiration, or fail to seek suitable replacement in a timely manner, or on favorable terms, or at all. We also do not have control over our subcontractors to maintain qualified, experienced and sizable teams, or renew their qualifications. In any event that our independent third-party subcontractors fail to perform their contractual obligations properly and in a timely manner, our work process could be interrupted which could potentially result in a breach of contract between our customers and us. Any of such events could materially and adversely affect our service quality, reputation and performance, as well as our business, financial condition and results of operations.

We may be subject to losses and decreased profit margins if we fail to effectively anticipate or control our costs in providing our property management services, as we generally charge our customers on a lump sum basis.

During the Track Record Period, we generated substantially all revenue from our property management services under the lump sum fee model. On a lump sum basis, we charge property management fees at a monthly, quarterly, semiannually or annually pre-determined fixed lump sum price per sq.m., representing "all-inclusive" fees for the property management services provided. These management fees do not necessarily correspond with the actual amount of property management costs we incur. The amount we recognize as revenue is the full amount of property management fees we charge to the property owners or property developers, and the amount we recognize as our cost of sales is the actual costs we incur in connection with rendering our services. See "Business—Property Management Services—Property Management Fees" and "Financial Information—Significant Accounting Policies, Judgments and Estimates—Revenue recognition" for more information on our fee model and relevant accounting policy.

In the event that we fail to accurately anticipate our actual costs prior to negotiating and entering into our property management service agreements, and our fees are insufficient to sustain our profit margins, we would not be entitled to collect additional amounts from our customers. We also cannot guarantee that we will be able to adequately control our costs in the course of providing our property management services. Any losses we incur may materially and adversely affect our results of operations.

If we are unable to raise property management fee rates and there is a shortfall of working capital after deducting the property management costs, we would cut costs to reduce the shortfall. However, our ability to mitigate against such losses through cost-saving initiatives, such as automation measures aimed at reducing labor costs and energy-saving measures aimed at reducing energy costs, may not be successful, and our cost-saving efforts may adversely affect the quality of our property management services, which in turn would further reduce the owners' willingness to pay us higher property management fees. Such events could adversely impact our reputation, profitability, results of operations and financial position.

We had amounts due to and due from related parties during the Track Record Period, which may have adverse impact to our business operation and financial condition.

During the Track Record Period, we entered into certain financing transactions with our related parties. Such transactions include: (i) interest-bearing borrowings with related parties; (ii) cash advances due from related parties; and (iii) cash advances due to related parties. We entered into these financing transactions with related parties primarily due to our involvement in Lushang Development Group's centralized fund management mechanism prior to 2021. In 2019, 2020 and 2021, we recorded advances to related parties, namely to Lushang Development Group, in the amount of RMB82.4 million, RMB371.2 million and RMB116.5 million, respectively. See "Financial Information—Related Party Transaction—Advances to Related Parties" for details. The relatively large amounts of advances to related parties may affect our cash in hand and available working capital, which may constrain our operational flexibility and adversely affect our ability to expand our business. We cannot assure you that we will have sufficient financial resources to meet our anticipated cash needs, including capital requirements, capital expenditure, or fulfilment of our various contractual obligations. In addition, we cannot assure you that our related parties will settle these advances promptly according to our request. Should our related parties delay such settlement, our financial resources would be limited to fulfill our capital requirement. In the event that we are unable to maintain adequate cash inflows from our operating activities, or if we fail to obtain financing when needed, or fail to obtain them on reasonable terms, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations may be materially and adversely affected by the non-recurring interest income from related parties.

During the Track Record Period, we recorded interest income from related parties in the amount of RMB4.8 million, RMB5.6 million and RMB5.2 million in 2019, 2020 and 2021, respectively. The interest income from related parties was in connection with certain financing transactions, some of which are non-recurring in nature. See "Financial Information—Related Party Transactions—Interest Income from Related Parties" for details. For purpose of financial independence, we discontinued our participation in Lushang Development Group's centralized fund management mechanism in early 2021 as part of the Reorganization. We therefore do not expect to receive additional interest income from such non-recurring transactions with related parties going forward.

We have had net operating cash outflow from our operating activities in the past, and our business and financial condition could be materially and adversely affected if we fail to maintain effective cash flow management.

We have had net cash outflow of operating activities in the past. While we have in the past financed our working capital needs primarily with net cash generated from operating activities, we cannot assure you that we will always be able to generate net cash from operating activities. Negative operating cash flow may require us to obtain additional financing, such as bank and other borrowings, to meet our operating needs and obligations and to support our expansion plans. In the event that we are unable to generate sufficient cash flow from our operations or otherwise unable to obtain sufficient external funds to finance our business, our liquidity and financial condition as well as our ability to grow our business may be materially and adversely affected. If we resort to other financing activities, we may incur additional financing costs, and we cannot assure you that we will be able to obtain the financing on terms acceptable to us, or at all. Such limitations could reduce our competitiveness and increase our exposure and sensitivity to adverse economic and industry conditions, which could materially adversely affect our financial condition and results of operations.

Our profitability may be negatively affected in the future as we increase the proportion of property management services provided to properties developed by Independent Third Parties to the property management services provided to the projects under our management overall.

Our average property management fee from property management services charged to properties developed by Lushang Development Group was generally higher than that of average property management fee charged to properties developed by Shandong Commercial Remaining Group and Independent Third Parties during the Track Record Period. See "Business—Property Management Services—Property Management Fees" in this document for more details. Our gross profit margins from property management services provided to properties developed by Lushang Development Group was generally slightly higher than those of property management services provided to properties developed by Shandong Commercial Remaining Group and Independent Third Parties during the Track Record Period. See "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Gross Profit and Gross Profit Margin" in this document for more details. There is no guarantee that the average property management fee charged by us for property management services provided for properties developed by Shandong Commercial Remaining Group and Independent Third Parties or our gross profit margin from property management services provided to properties developed by Shandong Commercial Remaining Group and Independent Third Parties will increase in the future.

As we expand our business operations and further grow and diversify our customer base by, among others, broadening our existing business relationships or establishing new business relationships with Shandong Commercial Remaining Group and Independent Third Parties, we may become less reliant on revenue generated from property management services provided to properties developed by Lushang Development Group. This may lead to an increase in the proportion of property management services provided to properties developed by Shandong Commercial Remaining Group and Independent Third Parties to our total property management services. If we cannot maintain or increase the property management fees charged for and/or gross profit margin from property management services provided to properties developed by Shandong Commercial Remaining Group and Independent Third Parties, then our total gross profit margin may decrease. This may materially and adversely affect our financial conditions and results of operations.

We may be exposed to risks of obsolete and slow-moving inventories, which may adversely affect our financial position and results of operation.

In 2019, 2020 and 2021, we had inventories of approximately RMB0.2 million, RMB50.6 million and RMB42.2 million, respectively. Our average inventory turnover days were nil, 29 days and 39 days for the same periods, respectively. See "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Inventories" for details. Our inventories mainly consist of raw material, consumable and merchandized goods for sale and car parks. The sales cycle of car parks may be affected by various factors, such as general economic conditions, availability of financing to buyers, supply and demand, location and other condition of car parks, many of which are beyond our control. If we cannot promptly adapt to the changing economic condition, supply and demand or other factors, we may incur additional costs or even suffer loss when selling our car park inventories. In addition, we cannot assure you that our average inventory turnover days will not continue to increase in the future. If we incur significant additional costs in connection with our sale or disposal of inventories, our business, financial condition and results of operations could be materially and adversely affected.

Our cash and liquidity position may be adversely affected as we may be required to refund property management fees collected in advance due to our inability to honor obligations with respect to our contract liabilities.

As of December 31, 2019, 2020 and 2021, our contract liabilities amounted to RMB62.1 million, RMB80.9 million and RMB60.8 million, respectively, which primarily represent advance payments made by the customers of our property management services and other services. See "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Contract Liabilities" in this document for more details.

We may not be able to honor obligations with respect to our contract liabilities when the relevant service contracts are unexpectedly terminated, since property owners' association may vote to engage other property management service providers or non-property owners may terminate the service contracts under certain terms and conditions. In the event that we are unable to honor obligations to provide property management services or value-added services to non-property owners due to the aforementioned scenarios, we may be required to refund a portion of our service fees and our cash position may be materially and adversely affected.

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

As of December 31, 2019, 2020 and 2021, we recorded deferred tax assets amounted to RMB5.4 million and RMB5.9 million and RMB9.6 million, respectively, which mainly represent temporary differences arising from between the carrying amounts of assets for financial reporting purposes and their tax bases, unused tax losses and unused tax credits. See "Financial Information—Description of Certain Consolidated Statements of Financial Position Items" and Note 22 to the Accountants' Report in Appendix I to this document for details.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. We cannot guarantee the recoverability or predict the movement of our deferred tax assets. If we fail to recover our deferred tax assets, this may adversely affect our financial position in the future.

Our diversified business may not develop and succeed as planned, and therefore our overall growth strategy may not work as expected.

We have diversified our services by providing various value-added services to meet the evolving needs of our customers, whether they are property owners or non-property owners. See "Business—Our Business Model" for more information. We aim to further expand our business coverage under our three main business lines, namely, property management services, value-added services to non-property owners and community value-added services.

However, our diversified services are still expanding and evolving depending on the circumstances of the project and our accumulated experiences in the relevant local market. With a relatively limited operating history and experience in certain regions, we may face unknown risks, rising expenses and fierce competition in the market. We cannot assure you that we will be able to grow our business as planned. The potential growth of our diversified services depends on our ability to continue to attract new users as well as to increase the spending and repeat purchase rate of existing users. We may fail to cater for various consumer preferences, or anticipate product trends that will appeal to existing potential customers. We may also be unfamiliar with the new business operations in new markets, and fail to effectively promote our new services to new markets. New services, or entrance into new markets, may also require substantial time, resources and capital, and profitability targets. We also may not have the same level of familiarity with the practices for provision of new services or relationships with our strategic partners, third-party subcontractors and other suppliers as we do in the property management industry. We may not be able to recruit sufficient qualified personnel to support the growth of our diversified services. In addition, we may have limited ability to leverage our brand name in the relevant industries in the way that we have done so in the property management industry, which could put us in a less competitive position in the new market.

Furthermore, we cannot assure you that our investment in our diversified business can be recovered in a timely manner, or at all, or our results of return would be more competitive than that of other comparable companies. Our development of and investment in our diversified service platform may be subject to PRC laws and regulations governing license approval and renewal. See "Regulatory Overview—Regulations on Other Businesses" for more information. We cannot assure you that we can obtain or renew our license on time, if at all. We cannot guarantee that our future strategic development plan, which is based upon our forward-looking assessment of market prospect and customer preference, will always turn out to be successfully. A number of factors beyond our control may also affect our plan for the diversified services, which include changes in the PRC's economic conditions in general, government policies and regulations on relevant industries and changes in supply and demand for our services. Any of the foregoing could adversely affect our reputation, business, cash flows, financial position and results of operations.

Our profitability, finance condition and results of operation may be affected by the promulgation of real estate tax regulation in PRC.

As we are a property management service provider, our operation and growth are, and will likely continue to be, affected by developments in the PRC real estate industry. The PRC Government promulgates new laws and regulations from time to time in relation to the PRC real estate industry. On October 23, 2021, the Standing Committee of the National People's Congress adopted a decision to authorize the State Council to pilot property tax reform in certain regions. While more details are yet to be announced, it is expected that real estate tax will be levied on all types of properties in pilot areas. Such measures aim to prudently guide the rational housing consumption and the use of land resources. The adoption of such measures may hit housing demand and cause price to drop in the real estate market, which may negatively affect the results of operation of real estate developers. In the event that they decelerate the overall growth of property development in the PRC, we may experience slower expansion of our property management services, which could in turn limit our growth potential. Should there be fewer new property development projects, or a decline in the purchasing power of residents, we may experience lower demand for our service and therefore generate lower revenue. As such, our business, financial condition and results of operations could be materially and adversely affected.

We may be subject to fines for any failure to issue value-added tax invoices to our customers.

We typically issue value-added tax invoices to corporate customers of property management services upon receipt of payment from the corporate customers and individual customers of property management services upon their request. While we have fully paid value-added tax during the Track Record Period, we did not issue value-added tax invoices to certain customers as we did not receive their request. Our revenue without value-added tax invoices accounted for approximately 49.1%, 48.3% and 44.8% of our total revenue in 2019, 2020 and 2021, respectively. According to CIA, issuing value-added tax invoices to individual customers upon request is in line with the market practice in the property management industry, as companies need customers to specify an individual or an entity to bear its name on the invoices. Without such information, companies are not able to issue official invoices.

However, failure to issue value-added tax invoices in the correct amount and on time may result in administrative penalties. Pursuant to the Invoice Management Measures of PRC, entities who fail to issue an invoice as required or who use vouchers to substitute issuance of invoices may be subject to a fine of no more than RMB10,000. Any illegal income generated from failure to comply with the Invoice Management Measures of PRC shall be confiscated.

During the Track Record Record, we did not issue value-added tax invoices to all of our customers of property management services, because certain customers did not request value-added tax invoices from us.

Considering that (i) the Group had paid all taxes, including value-added taxes, with respect to revenue without value-added tax invoices; (ii) the Group has obtained confirmation from the competent tax authorities that the Group has no outstanding tax payment and is in compliance with the relevant tax laws and regulations. The competent tax authorities are aware of the Group's revenue without invoices when issuing such confirmation, as the Group explicitly stated its revenue without invoices in the annual tax filings; (iii) the Group confirms that it will issue value-added tax invoices in due course upon customers' request; (iv) the Group's had not received any notice or order from the relevant tax authorities for penalties during the Track Record Period and up to the Latest Practicable Date on any non-issuance of VAT invoices; and (v) based on consultation with the service platform of the State Taxation Administration, the official platform established by the State Taxation Administration of the PRC, which, as advised by our PRC Legal Advisors, is the competent national tax authority, it is verbally confirmed that no administrative penalty will be imposed in connection with the non-issuance of value-added tax invoices if the Company issue value-added tax invoices upon customers' request, our Directors, and our PRC Legal Advisors, are of the view that the risks that we would be penalized for such non-compliance by the relevant authorities is remote. In addition, we will endeavor to issue VAT invoices to individual customers after receiving their payment in accordance with information available to us in the future. We will also endeavor to ensure compliance with VAT laws and regulations by duly submitting annual tax filings and making tax payments in the future. Notwithstanding the foregoing, should there be any penalties in the future, such penalties may disrupt our business operations and adversely affect our business operation, financial condition and results of operation.

Risks relating to natural disasters, epidemics, pandemics, acts of terrorism or war in the PRC and globally may materially and adversely affect our business.

Natural disasters, epidemics, pandemics, acts of terrorism or war or other factors that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of people in the areas where we have or plan to have business operations. In particular, due to their geographic regions, some of these areas are susceptible to the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts, power shortages or failures, as well as potential wars, terrorist attacks or epidemics such as Ebola, SARS, H1N1, H5N1, H7N9 or, most recently, the novel coronavirus named COVID-19 by the WHO. Any of such events could result in tremendous proprietary damages and losses, personnel injuries and live losses, as well as disruption or destruction of our business operations.

An outbreak of respiratory illness caused by a novel coronavirus, namely COVID-19, was reported in December 2019 and continues to spread globally. In March 2020, the World Health Organization characterized the outbreak of COVID-19 a pandemic. To prevent further transmission of COVID-19, the PRC Government has adopted a series of measures nationwide, including among others, locking down some of the cities in the PRC, temporary shutdown of public facilities, traffic control, travel bans, and mandatory quarantine requirements on infected individuals and anyone deemed potentially infected. See "Business—Effects of the COVID-19 Outbreak" for more information of the COVID-19 outbreak's impact on our business. Therefore, we are subject to certain risks, which include among others:

- we may not be able to collect property management fees from property developers, public entities, property owners and residents in the cities subject to lockdown or other containment measures due to COVID-19;

- we may not be able to provide certain services to non-property owners such as our sales assistance services at property sales venue in cities where the PRC Government imposed lockdown or other containment measures may be affected;

- we may not be able to provide some of our community value-added services effectively due to limited personnel and resources as a result of containment measures;

- we may not be able to further expand in cities subject to lockdown or other containment measures due to COVID-19 in the near future as planned and our tender or bidding process may be postponed which may adversely affect our business expansion;

- any transmission within the community under our management may harm our reputation;

- we have incurred costs in relation to our precautionary measures and disinfection works carried out by us which may result in additional costs and losses under our lump sum charge;

- the delivery of properties for which we have been contracted to provide property management services may be delayed; and

- we may be required to quarantine some or all of our employees, or disinfect the community to prevent the spread of the disease if any of our employees were suspected of contracting or contracted an epidemic disease.

The occurrence of any of the above event may adversely affect our operations and results of operations. Furthermore, notwithstanding the availability of vaccines, such adverse epidemics or pandemics may severely affect and restrict the level of economic activity in China as the government in each region we operate may impose regulatory or administrative measures quarantining affected areas or other measures to control the outbreak of the infectious disease, which together with the disruption of business in major industries may adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth in China and the world. In particularly, the COVID-19 pandemic has resulted in a negative impact on the growth of China's GDP in 2020. According to the data released on February 28, 2021 by the National Bureau of Statistics of China, or the National Statistics Bureau, China's GDP of 2020 increased by 2.3% in 2020 compared with 6.1% in the year of 2019, which is lower than the market expectation. As a result, unemployment rate in the PRC could rise, and the financial condition of certain customers worsen. The unfolding pandemic may significantly reduce domestic market liquidity and depress economic activities. In addition, in response to the COVID-19 pandemic, governments across the world have imposed travel restrictions and/or lockdown to contain its transmission. As the pandemic continue to spread worldwide and is far from over especially with the emergency of new variants such as the Delta and Omicron strains, more countries may impose similar or more severe containment measures. There is no assurance that the current containment measures will be effective in halting the pandemic. The current containment measures and any future containment measure may, however, adversely and materially affect the manufacturing, exports and imports and consumption of goods and services globally. The reduction in demand and supply may adversely and materially affect economic growth globally. Any contraction or slowdown in the economic growth of China and the world could adversely affect our business, financial condition, results of operations and growth prospects.

We face intense competition in the property management market and if we fail to compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected.

According to CIA, the PRC property management industry is intensely competitive and highly fragmented. See "Industry Overview—Competition" for more information on the competitive landscape. Our major competitors include large national, regional and local property management companies that may have stronger capital resources, longer operating histories, better track records, greater brand or better name recognition, greater expertize and experience in regional and local markets than we do. We believe that we compete with our competitors on a number of factors, primarily including business scale, brand recognition, financial resources, service price and service quality. Such competitors may be able to devote more resources to the development, promotion, sale, and support of their services, and therefore they may be better positioned than we are to compete for customers, financing, skilled management and labor resources. In addition to competition from established companies, emerging companies may enter our existing or new markets. Property developers may also develop their own in-house property management business or engage their affiliated service providers, which could reduce the availability of business opportunities. If we fail to improve and evolve ourselves among the competitors, we may not be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

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

We have, in limited circumstances, expanded our business through acquisitions during the Track Record Period, and plan to continue to evaluate opportunities to acquire other property management companies and/or other businesses and integrate their operations into our business to further expand our business scale and service and geographical coverage. However, there can be no assurance that we will be able to identify suitable opportunities. The PRC property management market is highly fragmented and intensely competitive with numerous market participants. See "Industry Overview—Competition" for more details. Accordingly, a number of property management companies with similar resources and strategies could be competing for high quality acquisition targets. As such, even if we manage to identify suitable opportunities, we may not be able to complete the acquisitions on terms favorable or acceptable to us, in a timely manner, or at all. Acquisitions are time-consuming and costly affairs and therefore our management's attention may be diverted during the process. There are also a number of uncertainties in acquiring such property management companies, including but not limited to difficulties in identifying all the risks relating to potential acquisitions during the due diligence process as there may be additional business risks that are different from those we have historically experienced. The inability to identify suitable acquisition targets or successfully complete acquisitions could materially and adversely affect our competitiveness and growth prospects.

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

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

Approximately [**REDACTED**]%, or HK$[**REDACTED**], of the [**REDACTED**] raised from the [**REDACTED**] will be used to pursue selective strategic investment and acquisition opportunities and further develop strategic partnerships. See "Future Plans and Use of [**REDACTED**]" in this document for more details. If we fail to identify suitable acquisition opportunities or our future acquisition transactions fail to consummate for other reasons which may be beyond our control, our [**REDACTED**] from the [**REDACTED**] may not be effectively used.

We are exposed to liabilities from disputes involving losses or damages incurred by our services as well as other incidents in our business that may expose us to liability and reputational risk.

We may encounter different incidents during the course of our business which may materially and adversely affect our business operation. Claims may arise due to employees' or third-party subcontractors' negligence or recklessness when performing services. In addition, liability may arise from selling the services under the Laws on the Protection and Rights and Interests of Consumers of the PRC (《中華人民共和國消費者權益保護法》), the Civil Code of the PRC (《中華人民共和國民法典》) and other relevant PRC laws and regulations. For instance, claims may be brought against us by purchasers, regulatory authorities or other third parties alleging, among others, that: (i) the quality of the services provided by or through us fail to conform to required quality; (ii) advertisements made at service centers we established for the communities we serve with respect to such services are false, deceptive, misleading, libelous, injurious to the public welfare otherwise offensive; (iii) such services may be harmful to others; and (iv) such marketing, communication or advertising infringe on the proprietary rights of other third parties. These occurrences could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability. Violation of service quality and safety requirements by third-party vendors may subject us to confiscation of related earnings, penalties or an order to cease provision of services. If the offense is determined to be serious, our business license to sell these services could be suspended or revoked and we could be ordered to cease operations pending rectification.

We may be held liable for the personal injuries or property losses of our customers due to the foregoing incidents that may occur during the course of our service. Any of these incidents could materially harm our brand and reputation and marketability of such products or service, which could materially and adversely affect our business, results of operations and financial position.

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

We cannot assure you that the PRC policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated. According to the applicable PRC tax regulations, the statutory corporate income tax rate in the PRC is 25%. During the Track Record Period, certain members of our Group are small scale taxpayers and enjoyed deductions of value-added tax, and one of our subsidiaries, Lushang Design, enjoys corporate income tax benefit at a discounted income tax rate of 15% as a new high-tech enterprise. In 2021, we had tax savings of RMB3.6 million as a result of preferential tax treatment. See "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Income Tax Expenses" for more information of our preferential tax treatments during the Track Record Period. We cannot assure you that we will continue to enjoy the aforementioned preferential tax treatments. If the applicable PRC tax regulations change, if we fail to renew any preferential tax treatment qualification in time or at all or if any change or termination of preferential tax treatment occurs, the increase in our tax charge or any other related tax liabilities could materially and adversely affect our results of operations and financial condition.

There is no assurance that we will receive government grants or subsidies in the future.

Our business benefits from government grants and subsidies, which are non-recurring in nature. In 2019, 2020 and 2021, the government grants and subsidies awarded to us amounted to RMB1.2 million, RMB2.1 million and RMB3.5 million, respectively. See "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Other Net Income/(Losses)" for more information.

The governments from which we had been granted grants or subsidies conduct their own assessments and sets their own policies over which we have no control or influence. As such, there is no assurance that we will receive any government grant in the future and we cannot guarantee you that we will be able to obtain any future government grant, or at all.

Negative publicity, including adverse information on the Internet may have a material adverse effect on our business, reputation and the trading price of our Shares.

There could be, from time to time, negative publicity about us, our Shareholders and affiliates, our brand, management, vendors as well as products and services provided by us. Negative reviews on the properties managed by us, products and services provided by us, our business operations and management may appear in the form of Internet postings and other media sources from time to time and we cannot assure you that other types of negative publicity will not arise in the future. For example, if our services fail to satisfy our customers, our customers may disseminate negative opinions about our services through popular social platforms. Partner vendors for our service may also be subject to negative publicity for quality of their products and services or other public relation incidents with respect to such vendors, which may adversely affect the sales of their products or services on us and indirectly affect our reputation. Any such negative publicity, regardless of veracity, could materially and adversely affect our business, our reputation and the trading price of our H Shares.

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

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

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

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

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

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

As the property management service provider, we may be viewed as responsible for restoring the common areas and assisting any investigative efforts. In the event that there is any shortfall in the special funds necessary to cover all the costs involved, we may have to compensate for the difference with our own resources first. We would need to collect the amount of the shortfall from the property owners later. See "Regulatory Overview—Legal Supervision over Property Management Services—Fees Charged by Property Management Enterprises" for more information. To the extent that our attempts are unsuccessful, we may experience material adverse effects on our business, financial position and results of operations. As we intend to continue growing our business, the likelihood of such occurrences may rise in proportion to any increases in the number of our managed properties.

We may be exposed to liabilities from disputes involving services offered and advertised through various off line channels.

To facilitate the development of our services, we provide various services through various off line channels. We may therefore be subject to product liability arising from providing services under the Laws on the Protection and Rights and Interests of Consumers of the PRC, the Civil Code of the PRC, the Advertising Law of the PRC and other relevant PRC laws and regulations. For instance, claims may be brought against us by purchasers, regulatory authorities or other third parties alleging, among other things, that: (i) the quality of services provided by or through us fail to conform to required quality; or (ii) such services are defective or injurious and may be harmful to others.

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

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

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

Our success depends, in part, on our ability to attract and retain qualified management members and employees.

Our continued success is partially dependent upon the efforts of our Directors, senior management and other qualified employees who are experienced in property management and related industries. For example, Mr. Wang Zhongwu and Mr. Liu Jiapeng have extensive experience and deep industry knowledge. We believe their professional skills and in-depth understanding of the industry will make us more competent and outstanding. If a material number of our qualified employees leaves and we are unable to promptly hire and integrate a suitable replacement, our business, financial position and results of operations may be materially and adversely affected. In addition, the future growth of our business will depend, in part, on our ability to attract and retain qualified personnel in all aspects of our business, including corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial position and operating results could be materially and adversely affected. See "Directors, Supervisors and Senior Management" for more information.

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

Our intellectual properties are our important business assets. The success of our business depends substantially upon our continued ability to use our trade names and trademarks to increase brand recognition and to develop our business brands. See "Business—Intellectual Property" for further information. Unauthorized reproduction or infringement of our trade names or trademarks could diminish the value of our brands as well as our market reputation and competitive advantages. The unauthorized third party may use our intellectual property in ways that damage our reputation and brand names, such as providing services that are at lower standards or handling customer relationship in bad manner.

We rely on a combination of confidentiality procedures and contractual provisions as well as legal registration to protect our intellectual property rights. Nevertheless, we cannot guarantee that such measures provide full protection. Policing unauthorized use of proprietary information can be difficult and expensive. In addition, the intellectual property laws and regulations are still immature as compared with most developed countries, and therefore the enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, which could involve substantial risks to us. If we fail to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, results of operations and financial position.

We may fail to obtain or renew required permits, licenses, certificates or other relevant PRC Governmental approvals and filings necessary for our business operations, which may materially and adversely affect our business and results of operations.

We are required to obtain certain governmental approvals in the form of permits, licenses and certificates or other approvals and filings in order to provide our services, and the material permits, licenses and/or certificates include Food Business License (食品經營許可證), Sanitary License (衛生許可證), License for the Commercial Service of Clearing, Collection and Transport of Urban Living Garbage (城市生活垃圾經營性清掃、收集、運輸服務許可證), Filing for Company's Self-recruiting Security Guards (自行招用保安員單位備案). Generally, they are only issued or renewed after certain conditions have been satisfied. We cannot assure you that we will not encounter obstacles toward fulfilling such conditions that delay us in obtaining or renewing, or result in our failure to obtain or renew, the required governmental approvals. Moreover, we anticipate that the PRC Government and relevant authorities will promulgate new policies in relation to the conditions for issuance or renewal from time to time.

We cannot guarantee that such new policies will not present unexpected obstacles toward our ability to obtain or renew the required permits, licenses and certificates or that we will be able to overcome these obstacles in a timely manner, or at all. Loss of or failure to obtain or renew our permits, licenses and certificates may stall our business operations, possibly leading to material adverse effects on our business and results of operations.

Our property management agreements may have been obtained without the required tender and bidding process, which may affect our business and results of operations.

Under applicable PRC laws and regulations, residential property developers shall hire qualified property management service providers through a tender and bidding process. According to the applicable PRC laws and regulations, a residential property developer may be required to take rectification measures within a prescribed period and pay fines if it fails to comply with such tender and bidding requirement. During the Track Record Period, certain residential projects under our management had been engaged without the required tender and bidding process under applicable PRC laws and regulations. See "Business—Property Management Services—Property Management Service Agreements" for more details. The lack of a tender and bidding process for the selection of property management service provider for the aforementioned projects was not caused by us but by the relevant property developer. Our PRC Legal Advisors have advised that the lack of a tender and bidding process may lead to invalidity of the property management contract, depending on actual situations. Our PRC Legal Advisors advised us that at present, no specific laws or regulations in China provide that property management companies will be subject to administrative penalties for entering into preliminary property contracts with residential property developers without bidding procedures. If this occurs, we may lose a portion of our revenue accrued under such property management contracts. In addition, the relevant property developer may need to organize a tender and bidding process to select a property management service provider for their developed projects. In the case that we do not win the tender and bidding, we may not continue our property management services for the relevant projects and, as a result, our revenue and business may be negatively impacted. See "Business—Property Management Services—Property Management Service Agreements" for more details.

Some of our lease agreements were not registered with the relevant government authorities.

Pursuant to relevant PRC regulations, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. During the Track Record Period, we leased certain properties from independent third-party landlords mainly for our office premises and staff dormitory. As of December 31, 2021, we failed to register 22 lease agreements under which we are the tenants. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations, or our rights or entitlements to lease out the investment properties to tenants. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact our business, financial condition and results of operations. We cannot assure you that the other parties to our lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future. See "Business—Properties" for more information.

Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation.

We purchase and maintain insurance policies that we believe to be aligned with the standard commercial practice in our industry and as required under relevant laws and regulations. See "Business—Insurance" for more information. However, we cannot assure that our insurance coverage will be sufficient or available to cover damage, liabilities or losses we may incur in the ordinary course of our business. We do not carry any business interruption insurance or litigation insurance as aligned with the customary market practice in the PRC. In additional, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses and there is an insufficiency or unavailability of insurance, we could suffer significant costs and diversion of our resources, and thereby materially and adversely affect our business, financial condition and results of operation.

We have failed to register for and/or fully contribute to social insurance and housing provident funds for some of our employees.

In accordance with applicable PRC laws and regulations, we are obliged to contribute to social insurance and housing provident funds for our employees. During the Track Record Period, we did not register and/or fully contribute to certain social insurance and housing provident funds for some of our employees. We have made provisions in the amounts of RMB2.2 million, RMB0.3 million and RMB2.2 million to our consolidated statements of profit or loss and other comprehensive income in respect of such potential liabilities in 2019, 2020 and 2021, respectively, for certain of our PRC subsidiaries. As advised by our PRC Legal Advisors, under the Regulations on Administration of Housing Provident Fund (《住房公積金管理條例》), (i) if we fail to complete housing provident fund registration before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch and (ii) if we fail to pay housing provident fund contributions within the prescribed deadlines, we may be subject to an order by the relevant people's court to make such payments. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), for outstanding social insurance fund contributions that we did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the outstanding contribution amount. See "Business—Employees—Social Insurance and Housing Provident Fund Contributions" for more information.

We may be involved in legal and other disputes and claims from time to time during the ordinary course of operation.

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

Any claims by third parties alleging possible infringement of their intellectual property rights would have an adverse effect on our business, brand value and reputation.

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

We may be subject to fines for any inability to comply with national environmental, health and safety standards.

We are subject to increasingly stringent environmental protection, health and labor safety laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees. In addition, there is a growing awareness of environmental, health and labor safety issues, and we may sometimes be expected to meet a standard which is higher than the compulsory requirements. We cannot guarantee that more stringent environmental protection, health and labor safety requirements or standards will not be imposed in the future. We cannot assure you that our procedures and training will be completely effective in satisfying all relevant environmental and safety requirements. If we are unable to comply with existing or future environmental, health and labor safety laws and regulations or are unable to meet public expectations in relation to relevant matters, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions and our operations may be suspended, any of which may adversely impact our business, financial position, results of operations and growth prospects.

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

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

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

We have established risk management and internal control systems consisting of policies and procedures that we believe will contribute to the continued success of our business. See "Business—Internal Control and Risk Management" for more information. However, we cannot guarantee that they will always enable us to detect, prevent and take remedial measures in relation to fraud, negligence or other misconduct (accidental or otherwise) committed by our employees, subcontractors or third parties in a timely and effective manner. Examples of such behavior include crimes such as theft, vandalism and bribery during tenders.

Although we have limited control over the behavior of any of these parties, we may be viewed as at least partially responsible for their conduct on contractual or tortious grounds. We may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by our customers or third parties. To the extent that we cannot recover related costs from the employees, subcontractors or third parties involved, we may experience material adverse effects on our business, financial position and results of operations. We may also attract negative publicity and incur damages to our reputation and brand value.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The PRC economic, political and social conditions as well as government policies could affect our business, results of operation, financial position and prospects.

Our major business, assets and operations are located in the PRC. Therefore, our business, results of operation, financial position and prospects are, to a large extent, subject to the economic, political, social and legal conditions in the PRC.

The development of Chinese economy is unique in many respects, including its structure, level of development, and growth rate. Although the PRC Government has implemented measures emphasizing the utilization of market forces in the development of the Chinese economy, it still exercises macroeconomic control through means including allocation of resources and setting monetary policy. The PRC Government also continues to play a significant role in regulating industries by imposing industrial policies. There is no assurance that the economic, foreign currency or legal systems of China will not develop in a way that is detrimental to our business operations. For example, our financial position and results of operations may be affected by the PRC Government's control over capital investment, price controls, inflation or deflation, or any changes in tax regulations or foreign exchange controls that are applicable to us. Our results of operations, financial condition and prospects may also be adversely affected by changes in foreign currency, social policies, political stability as well as other conditions in the PRC.

In addition, while the PRC Government has undergone various economic reforms in the last few decades, many of such reforms are expected to be refined, adjusted and modified from time to time based on economic and social conditions. In addition, the scope, application and interpretation of the laws and regulations relating to such reforms may not be entirely clear. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Such refinement, adjustment or modification may impact our business operations in ways that we cannot predict, and any uncertainty in the scope, application and interpretation of the relevant laws and regulations may materially and adversely affect our results of operations and financial condition.

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

In addition, since September 2021, there has been negative news relating to certain Chinese property companies including defaults on their indebtedness. Such recent defaults make it difficult for certain Chinese property developers, management companies and potential property purchasers to obtain onshore and offshore financing. There is no guarantee that such situation will improve, and the property market may not continue to grow and may even experience significant contraction. Any such changes in the the overall deteriorating real estate market in the PRC could have a material adverse effect on our business, financial condition and results of operations.

Holders of our H Shares who are foreign individuals are subject to PRC income tax, and there are uncertainties as to the PRC tax obligations of holders of our H Shares who are foreign enterprises.

Under applicable PRC tax laws, regulations and rules, non-PRC resident individuals and non-PRC resident enterprises who are holders of our H Shares are subject to different tax obligations.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) and its implementation regulations, non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for dividends received from us and the gains realized upon the sale or other disposition of the H Shares held by them. We are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdictions in which the foreign individuals reside, reduce or provide an exemption for the relevant tax obligations. Generally, a tax rate of 10% shall apply to the dividends paid by companies listed in Hong Kong to non-PRC resident individuals, pursuant to Circular of the State Administration of Taxation on Individual Income Tax Collection Issues upon Abolishment of Document Guoshuifa [1993] No. 045 (《國家税務總局關於國税法[1993]045號文件廢止後有關個人所得税徵管問題的通知》). Where the 10% tax rate is not applicable, the withholding company shall: (i) return the excessive tax amount pursuant to the relevant procedures if the applicable tax rate is below 10%; (ii) withhold such income tax payable by the foreign individual at the applicable tax rate if the applicable tax rate is between 10% and 20%; and (iii) withhold such foreign individual income tax at a rate of 20% if no double tax treaty is applicable.

In addition, although under the Individual Income Tax Law of the PRC and its implementation regulations, non-PRC resident individuals are subject to individual income tax at a rate of 20% on gains realized upon sale or other disposition of H Shares, pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the MOF and the SAT, income of individuals derived from the transfer of shares in listed companies continued to be temporarily exempt from individual income tax. There is no assurance that such tax exemption will continue in the future. If such tax is collected in the future, the value of non-PRC resident individuals' investments in our H Shares may be materially and adversely affected.

For non-PRC resident enterprises that do not have establishments or premises in China, or have establishments or premises in China but their income is not related to such establishments or premises, under the EIT Law, dividends paid by us and the gains realized by such non-PRC resident enterprises from the sales or other disposition of H Shares are subject to PRC enterprise income tax at a rate of 20%. In accordance with the EIT Law Implementation Rules and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to Shareholders Which are Overseas Nonresident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) issued by the SAT, such tax rate has been reduced to 10%, which is subject to a further reduction under an applicable treaty or a special arrangement between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise. On August 21, 2006, China and Hong Kong entered into the Arrangements between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), pursuant to which any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay enterprise income tax for the dividends declared and paid by us at a tax rate of 5% subject to the satisfaction of certain conditions such as approval by the relevant PRC tax authority.

There are significant uncertainties as to the interpretation and enforcement of the relevant PRC tax laws, regulations and rules, including whether the reductions, exemptions and other beneficial tax treatments mentioned above will be revoked in the future such that all non-PRC resident individual holders of our H Shares will be subject to PRC individual income tax at a flat rate of 20%. There are also significant uncertainties as to how the PRC tax authorities interpret the relevant PRC tax laws, regulations and rules, such as the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends paid to non-PRC resident individual holders of our H Shares and on gains realized on sale or other disposition of our H Shares. PRC's tax laws, rules and regulations may also change. Any ambiguities relating to, or any change to, applicable PRC tax laws, regulations and rules as well as their interpretations and enforcement could materially and adversely affect the value of your investment in our H Shares.

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

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. See "Regulatory Overview—Laws and Regulations on Foreign Exchange Control" for more information. We receive all our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. The foreign exchange control system may prevent us from obtaining sufficient foreign currency to satisfy our currency demands. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments to our shareholders, or otherwise satisfy our foreign currency denominated obligations, if any.

The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends can only be paid out of distributable profit of a PRC company. Distributable profit is our profit, less any recovery of accumulated losses and appropriations to statutory and other statutory funds we are required to make. As a result, we may not have sufficient or any distributable profit that allows us to make dividend distributions to our Shareholders, especially during the years for which our financial statements indicate that out operations have been unprofitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Fluctuation in the value of the Renminbi may have a material adverse effect on our business.

All of our business is conducted in Renminbi. However, following the [**REDACTED**], we may also maintain a significant portion of the [**REDACTED**] in Hong Kong dollars before they are used in our PRC operations. The value of the Renminbi against the US dollar, Hong Kong dollar and other currencies may be affected by changes in the PRC's policies and international economic and political developments. As a result of these and any future changes in currency policy, the exchange rate may become volatile, the Renminbi may be revalued further against the US dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars, which are pegged to the US dollar, of our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. An appreciation of the Renminbi against the US dollar or the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert US dollars or Hong Kong dollars into Renminbi for such purposes.

Changes with respect to the PRC legal system could adversely affect our business and may limit the legal protection available to you.

As we are incorporated, our businesses are conducted, and our assets are located, in the PRC, our operations are governed principally by the PRC laws and regulations. The legal system in the PRC has been developing continuously. Currently effective laws and regulations may not sufficiently cover all aspects of economic activities in the PRC, and there is much uncertainty in their application, interpretation and enforcement. In particular, since the property management industry is in its early developmental stage in the PRC, the laws and regulations relating to this industry are evolving and may not be comprehensive. The PRC legal system is also partly based on government policies and administrative rules that may take effect retrospectively. As a result, we may not be aware of our violation of these policies and rules in a timely manner. In addition, the PRC legal system is based on written statutes and may differs from other jurisdictions in many ways. Prior court decisions may be cited for reference but have limited precedential value. Accordingly, the outcome of dispute resolutions may not be consistent or predictable, and it may be difficult to enforce judgments and arbitration awards in the PRC. Any litigation or regulatory enforcement action in the PRC may also be protracted, which may result in the diversion of our resources and management attention. These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions may limit the legal remedies and protections available to us under the PRC laws, rules and regulations.

It may be difficult to effect service of process on our Directors or executive officers who reside in the PRC or to enforce against us or them in the PRC any foreign judgments.

All of our senior management members reside in the PRC, and all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any foreign judgments. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or even impossible. On July 14, 2006, the Supreme People's Court of China and the Government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not agree to enter into a choice of court agreement in writing. It may be also difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in the PRC.

RISKS RELATING TO THE [REDACTED]

Purchasers of our H Shares in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of our H Shares in the [**REDACTED**] will experience an immediate dilution.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our H Shares may experience dilution in the net tangible assets value per Share of their investments in the H Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares.

There has been no prior public market for our H Shares and the liquidity and market price of our H Shares may be volatile.

Prior to the [**REDACTED**], there was no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations among us and the [**REDACTED**] Representatives on behalf of the [**REDACTED**], and the [**REDACTED**] may differ significantly from the market price for our H Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of, and permission to deal in, our H Shares on the Stock Exchange. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active trading. The market for our H Shares will develop, or if it does develop, will be sustained following the [**REDACTED**] or that the market price of our H Shares will not decline following the [**REDACTED**].

The liquidity and market price of our H Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our H Shares pursuant to the [REDACTED].

The price and trading volume of our H Shares may be volatile as a result of the following factors, as well as others, which are discussed in this "Risk Factors" section or elsewhere in this document, some of which are beyond our control:

- variations in our financial position and/or results of operations;
- unexpected business interruptions resulting from, among others, natural disasters or power shortage;
- our inability to compete effectively in the market;
- major changes in our key personnel or senior management;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- changes in laws and regulations in China;
- changes in securities analysts' estimates of our financial condition and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- our inability to maintain regulatory approval for the operations of our business;
- fluctuations in stock market price and volume;

- announcement made by us or our competitors;
- changes in pricing adopted by our competitors;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and
- involvement in material litigation.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. For instance, during the global economic downturn and financial market crisis begun around the middle of 2008, the global stock markets witnessed drastic price drops with heavy unprecedented selling pressure. Many stocks fell significantly from their peaks in 2007 and there were similar stock price movements were observed in the second half of 2011 as certain recent adverse financial developments have affected the global securities and financial markets. In addition, the United Kingdom ceased to be a member of the European Union on January 31, 2020 ("**Brexit**"). During a prescribed period ended on December 31, 2020 (the "**Transition Period**"), certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the United Kingdom and European Union reached an agreement in principle on the terms of certain agreements and declarations governing their ongoing relationship, including the EU-UK Trade and Cooperation Agreement (the "**TCA**"); and, on December 29, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application for a limited period between January 1, 2021 to February 28, 2021, pending ratification of the TCA by the European Parliament (the "**Provisional Period**"), which may be extended by mutual agreement between the United Kingdom and European Union. The TCA was subsequently signed on behalf of the EU on December 30, 2020. Legislation to implement the TCA in the United Kingdom came into effect beginning on December 31, 2020. The Transition Period ended on December 31, 2020 and the Provisional Period is now in effect. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. In addition, it is possible that the TCA may not be ratified by the European Parliament prior to the end of the Provisional Period, or at all, which would lead to further uncertainty as to the nature and terms of any subsequent relationships between the EU and the UK, and disruption may arise as a result. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the United Kingdom, the European Union and its member states and elsewhere, and could contribute to instability in global financial markets. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market. These developments include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, in interest expense on our bank borrowings, or reduction of the amount of banking facilities currently available to us. If we experience such fluctuations, results of operations and financial position could be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the market price of our H Shares.

Future issues, offers or sales of our Shares may adversely affect the prevailing market price of our H Shares, and future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

Future issues of the Shares by our Company or the disposal of the Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of the H Shares. Moreover, future sales or perceived sales of a substantial amount of our H Shares or other securities relating to our H Shares in the public market may cause a decrease in the market price of our H Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings.

Upon the completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised, there will be [**REDACTED**] Domestic Shares, representing approximately [**REDACTED**]% of the total share capital of the Company; pursuant to the [**REDACTED**], there will be [**REDACTED**] H Shares, representing approximately [**REDACTED**]% of the total share capital of the Company; In addition, our Domestic Shares may be converted into H Shares, and such converted H Shares may be [**REDACTED**] or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant regulatory authorities, including CSRC, shall have been obtained in accordance with the regulations of the State Council's securities regulatory authorities as well as regulations, requirements and procedures of relevant overseas stock exchanges. No class shareholder vote is required for the conversion of such Shares and the [**REDACTED**] and trading of the converted Shares on an overseas stock exchange. Future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

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

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

Certain facts and other statistics with respect to China, the PRC economy, the PRC property management industry in this document are derived from various official government sources and third-party sources which may not be reliable.

Certain facts and other statistics in this document relating to China, the PRC economy, the PRC property management industry have been derived from various official government publications, from CIA and publicly available sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

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

During the Track Record Period, we did not have any declared or paid dividend. The payment and amount of dividends (if any) will depend upon our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. We cannot guarantee that dividends of any amount will be declared or distributed in any year. See "Financial Information—Dividend Policy" and "Financial Information—Distributable Reserves" in this document.

Our Controlling Shareholder has substantial control over the Company and its interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the [**REDACTED**], our Controlling Shareholder will remain having substantial control over its interests in the share capital of our Company. Subject to the Articles of Association and the Companies Ordinance and the Listing Rules, the Controlling Shareholder by virtue of their controlling beneficial ownership of the share capital of the Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholder may differ from the interests of other Shareholders and the Shareholders are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholder conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

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

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

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

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

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

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

Investors should read the entire document carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this document.

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

Forward-looking information is subject to risks and uncertainties.

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words "anticipate," "believe," "estimate," "expect," "plans," "prospects," "going forward," "intend" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 and Rule 19A.15 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Currently, all of our executive Directors reside in the PRC.

Our core business and operations are substantially based and conducted in the PRC. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong. We have applied to the Stock Exchange for and the Stock Exchange [has granted] a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. The following measures have been adopted by us:

(1) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that our Group complies with the Listing Rules at all times. The two authorized representatives appointed are Mr. Wang Zhongwu (王忠武) and Mr. Wong Wai Chiu (黃偉超) ("**Mr. Wong**"). Mr. Wong is ordinarily resident in Hong Kong. Although Mr. Wang resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire to travel to Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or email. Each of our authorized representatives is authorized to communicate on our behalf with the Stock Exchange. Our Company has been registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance and Mr. Wong has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company;

(2) both of our authorized representatives have means to contact all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication among the Stock Exchange, our authorized representatives and our Directors, (a) each of our Directors has provided his/her respective mobile phone number, office phone number and email address to our authorized representatives; (b) in the event that a Director expects to travel or is otherwise out of office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives or maintain an open line of communication via his/her mobile phone; and (c) each of our Directors and our authorized representatives has provided his/her respective mobile phone number, office phone number, fax number and/or email address to the Stock Exchange;

(3) in compliance with Rules 3A.19 and 19A.05 of the Listing Rules, we have appointed Zhongtai International Capital Limited as our compliance advisor (the "**Compliance Advisor**"), which has access at all times to our authorized representatives, Directors and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange. Our Company will keep the Stock Exchange up to date in respect of any change to such details. Our authorized representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Advisor may reasonably require in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A and Rule 19A.06 of the Listing Rules. There will be adequate and efficient means of communication between our Company, the authorized representatives, our Directors and other officers and the Compliance Advisor, and to the extent reasonably practicable and legally permissible, our Company will keep the Compliance Advisor informed of all communications and dealings between our Company and the Stock Exchange; and

(4) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change of our authorized representatives and/or the Compliance Advisor.

JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules and the Guidance letter HKEx-GL108-20 issued by the Stock Exchange, the secretary of an issuer must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong), or (ii) an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. According to the Guidance Letter HKEX-GL108-20, the waiver under Rules 3.28 of the Listing Rules will be granted for a fixed period of time, but in any case, will not exceed three years from the [**REDACTED**] (the "**Waiver Period**") and on the conditions that (i) the company secretary in question must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company.

We have appointed Mr. Yang Zhen (楊振) ("**Mr. Yang**") and Mr. Wong as our joint company secretaries. Mr. Yang joined our Group in May 2014 and has been serving as a manager of the securities department since May 2021, where he has been primarily responsible for the management of capital markets affairs and daily business operations of our Group. He is also serving as the secretary of our Board, responsible for corporate secretarial matters of our Group. Given Mr. Yang's thorough understanding of the overall operations and corporate governance matters of our Group, he is considered as a suitable person to act as a company secretary of our Company. In addition, as our core business and operations are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Mr. Yang as a company secretary whose presence in the headquarters of our Group enables him to attend the day-to-day corporate secretarial matters concerning our Group. However, given Mr. Yang does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a [**REDACTED**] issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Yang on the condition that Mr. Yang will be assisted by Mr. Wong who possesses the qualifications or experience as required under Rule 3.28 throughout the Waiver Period. In order to provide support to Mr. Yang, we have appointed Mr. Wong, a member of The Hong Kong Chartered Governance Institute, who possessed the qualifications and experience as required under Rules 3.28 and 8.17 of the Listing Rules, as a joint company secretary to provide assistance to Mr. Yang, for the Waiver Period so as to enable Mr. Yang to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties.

Such waiver will be revoked immediately if and when Mr. Wong ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company during the Waiver Period. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Yang, having had the benefit of Mr. Wong's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See "Directors, Supervisors and Senior Management" for the biographical information of Mr. Yang and Mr. Wong.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after [**REDACTED**]. We have applied for, and the Stock Exchange [has granted] us, waivers from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions—(B) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements". Please see "Connected Transactions" for further information.

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Wang Zhongwu (王忠武)	Room 501, Unit 2, Block 5 Yinzuo Yijing Garden Lixia District Jinan, Shandong PRC	Chinese
Mr. Zhang Tiebo (張鐵波)	Room 202, Unit 2, Block 6 Xinlong Garden Licheng District Jinan, Shandong PRC	Chinese
Mr. Shao Meng (邵萌)	7-2-2802 Lushang Phoenix City Licheng District Jinan, Shandong PRC	Chinese
Non-executive Directors		
Mr. Zhao Yanfeng (趙衍峰)	1-1-1202, Zone 2 Rongjian Fortune Garden 6 Zhuanshan West Road Lixia District Jinan, Shandong PRC	Chinese
Ms. Li Lu (李璐)	Room 802, Unit 1, Block 4 Guoxitai Jiefang Road Lixia District Jinan, Shandong PRC	Chinese

Name	Residential address	Nationality
Independent non-executive Directors		
Ms. Leung Bik San (梁碧珊)	Flat B, 19/F, Tower 2A Oceanaire 18 Po Tai Street Ma On Shan, New Territories Hong Kong	Chinese
Ms. Chen Xiaojing (陳曉靜)	Room 1505, Block 1 Jiezheng Center No. 12477 Lvyou Road Jinan, Shandong PRC	Chinese
Mr. Ma Tao (馬濤)	Room 401, Unit 120 Lane 288 Shuangyang North Road Shanghai, PRC	Chinese
SUPERVISORS		
Mr. Wang Hongtao (王洪濤)	6-1-802 Evergrande Longao Yuyuan No. 926 Longyao Road Lixia District Jinan, Shandong PRC	Chinese
Mr. Zhang Xiangqian (張向乾)	Room 501, Unit 3, Block 13 Yinzuo Yijing Garden Lixia District Jinan, Shandong PRC	Chinese
Ms. Wang Pin (王品)	Room 312, Unit 1 Block 4, Qinyuanxinju Lixia District Jinan, Shandong PRC	Chinese

For further information regarding our Directors, Supervisors and senior management members, please see "Directors, Supervisors and Senior Management" of this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong

[REDACTED]

Legal advisors to our Company	*As to Hong Kong laws:* **Sidley Austin** Level 39, Two International Finance Centre 8 Finance Street Central Hong Kong *As to PRC laws:* **Commerce & Finance Law Offices** 12-14th Floor, China World Office 2 No.1 Jianguomenwai Avenue Beijing 100004 PRC

Legal advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong laws:* **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road Central Hong Kong *As to PRC laws:* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District, Beijing PRC
Auditors and reporting accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Compliance advisor	**Zhongtai International Capital Limited** 19th Floor Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong
Industry consultant	**China Index Academy** Tower A No. 20 Guogongzhuang Middle Street Fengtai District Beijing PRC
Independent Property Valuer	**Cushman & Wakefield Limited** 27th Floor One Island East 18 Westlands Road Quarry Bay Hong Kong

[REDACTED]

CORPORATE INFORMATION

Headquarters in the PRC	Room 202, Block 2, Lushang Guo'ao City No. 9777 Jingshi Road Lixia District, Jinan Shandong, PRC
Registered office in the PRC	Room 202, Block 2, Lushang Guo'ao City No. 9777 Jingshi Road Lixia District, Jinan Shandong, PRC
Principal place of business in Hong Kong	40/F, Dah Sing Financial Centre 248 Queen's Road East, Wanchai Hong Kong
Company's website address	**www.lushangfuwu.com** *(information on this website does not form part of this document)*
Joint company secretaries	**Mr. Yang Zhen (楊振)** Room 2401, Unit 2, Block 1, Lushang Phoenix City 1000 Youan Street Licheng District, Jinan Shandong, PRC **Mr. Wong Wai Chiu (黃偉超)** (*FCG, FCS*) 40/F, Dah Sing Financial Centre 248 Queen's Road East, Wanchai Hong Kong
Authorized representatives	**Mr. Wang Zhongwu (王忠武)** Room 501, Unit 2, Block 5 Yinzuo Yijing Garden Lixia District, Jinan Shandong, PRC **Mr. Wong Wai Chiu (黃偉超)** (*FCG, FCS*) 40/F, Dah Sing Financial Centre 248 Queen's Road East, Wanchai Hong Kong

CORPORATE INFORMATION

Audit committee	Ms. Leung Bik San (梁碧珊) *(Chairlady)* Ms. Li Lu (李璐) Ms. Chen Xiaojing (陳曉靜)
Remuneration committee	Mr. Ma Tao (馬濤) *(Chairman)* Mr. Wang Zhongwu (王忠武) Ms. Chen Xiaojing (陳曉靜)
Nomination committee	Ms. Chen Xiaojing (陳曉靜) *(Chairlady)* Mr. Ma Tao (馬濤) Ms. Li Lu (李璐).
Strategy committee	Mr. Zhao Yanfeng (趙衍峰) *(Chairman)* Mr. Wang Zhongwu (王忠武) Ms. Chen Xiaojing (陳曉靜)
H Share Registrar	[**REDACTED**]
Principal banks	**China Citic Bank Jinan Lixia Branch** 1/F, Taishan Technology Tower Lixia District, Jinan Shandong PRC **Agricultural Bank of China Kaiyuan Branch** No. 15579, Jingshi Road Lixia District, Jinan Shandong PRC

The information in this section is derived from an independent report prepared by CIA. The industry report prepared by CIA is based on information from its database, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [**REDACTED**]*, the* [**REDACTED**]*, any of its directors, officers, affiliates, advisors or representatives, or any other party (other than CIA) involved in the* [**REDACTED**]*. We, the Sole Sponsor, the* [**REDACTED**]*, the* [**REDACTED**]*, any of its directors, officers, affiliates, advisors or representatives, and any other party (other than CIA) involved in the* [**REDACTED**] *make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.*

BACKGROUND AND METHODOLOGIES OF CIA

We purchased the right to use and quote various data from publications of CIA at a total cost of RMB600,000. CIA is an independent research institute who has extensive experiences researching and tracking the PRC property management industry, and has conducted research on the top 100 property management companies in the PRC, or Top 100 Property Management Companies since 2008. In conducting its research, CIA primarily evaluates property management companies that have managed at least ten properties or have an aggregate GFA of 500,000 sq.m. or more in the past three years. CIA uses research parameters and assumptions and gathers data from multiple primary and secondary sources, including (i) published statistics, websites and marketing materials of property management companies; (ii) surveys and data from the China Real Estate Index System and the China Real Estate Statistics Yearbooks; (iii) public data from governmental authorities and (iv) data previously gathered from the property management companies. In addition, since 2008, CIA has published the ranking of China's Top 100 Property Management Companies in terms of overall strength, primarily by evaluating data from the previous year in relation to management scale, operational performance, service quality, growth potential and social responsibility of the property management companies under consideration. In determining such ranking, CIA may assign the same ranking to multiple companies with the same or very close scores, and therefore it is possible that more than 100 companies may be classified as being among the Top 100 Property Management Companies in the industry. CIA may, upon specific request, prepare further rankings within the Top 100 Property Management Companies for certain indices. CIA also assesses the growth potential of property management companies primarily in terms of growth rate of revenue, growth rate of total GFA under management, contracted but undelivered GFA, the total number of employees and employee composition. Data analysis in this section includes data and information on the Top 100 Property Management Companies as ranked by CIA. We requested CIA to assess us for the Top 100 Property Management Companies based on proportion of value-added services revenue, net profit, gross profit, revenue and GFA under management from 2017 to 2021 for the purpose of the [**REDACTED**].

In preparing the CIA Report, CIA assumed that: (i) the social, economic and political conditions in China and the world will remain stable during the forecast period; (ii) government policies on the property management industry in China will remain unchanged during the forecast period; (iii) all published data by the relevant statistics bureaus are accurate and (iv) all collected information relating to residential sales transactions from the relevant local housing administrative bureaus are accurate.

Our Directors confirmed that, after making reasonable inquiries, there is no material adverse change in the market information since the date of the CIA Report which may qualify, contradict, misrepresent or otherwise adversely affect the accuracy and completeness of the information in this section in material respects.

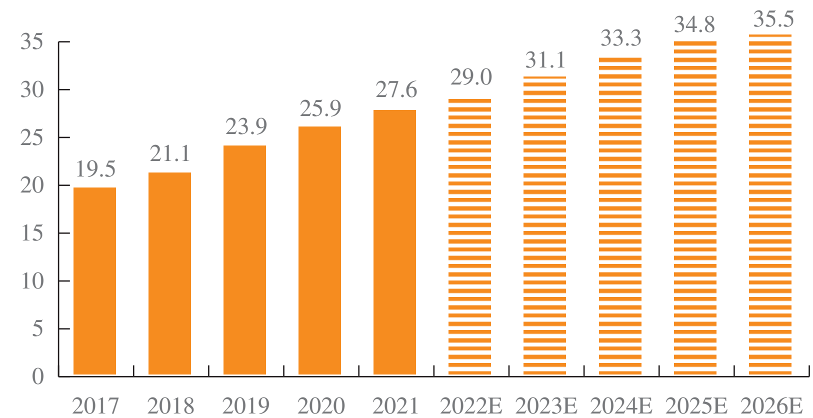
THE PRC PROPERTY MANAGEMENT INDUSTRY

Overview of the Property Management Industry

The PRC property management industry is intensely competitive and highly fragmented. The history of the PRC property management industry could be traced back to the early 1980s with the establishment of the first property management company in Shenzhen, Guangdong province. Since then, the PRC Government has sought to construct and update a regulatory framework for the PRC property management industry in parallel with its growth. The PRC Government promulgated an increasing number of regulations over the years, with the aim to establish an open market system for the property management industry that served to promote its rapid growth and standardized operation. PRC property management companies now provide services in relation to a wide range of properties including residential properties, commercial properties, office buildings, public properties, industrial parks, schools and hospitals, among others.

As of December 31, 2021, there were over 200,000 property management companies in China. The total GFA under management of the property management companies in the PRC increased from 19.5 billion sq.m. in 2017 to 27.6 billion sq.m. in 2021, representing a CAGR of 9.1%. According to the forecast of CIA, the expected total GFA under management of property management companies in the PRC is expected to increase from 29.0 billion sq.m. in 2022 to 35.5 billion sq.m. in 2026, representing a CAGR of 5.2%.

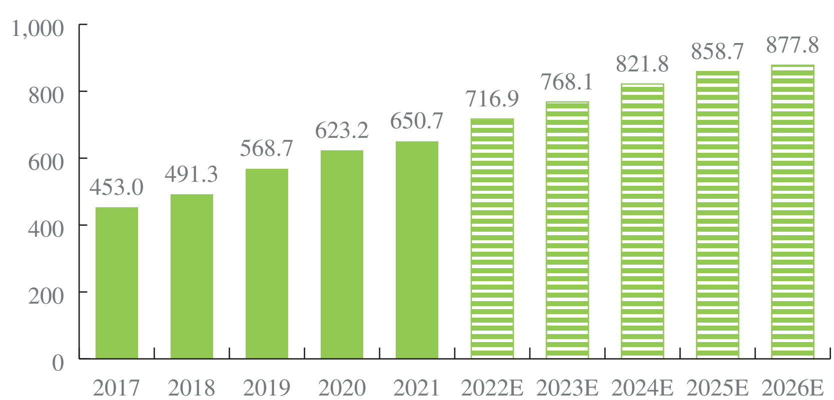
The Overall Market Size of the Property Management Industry in China, 2017-2026E (Unit: billion sq.m.)



Source: CIA

According to the CIA, the total revenue of property management companies in China increased from RMB453.0 billion in 2017 to RMB650.7 billion in 2021, representing a CAGR of 9.5%. According to the CIA, the expected total revenue of property management companies in China is expected to increase from RMB716.9 billion in 2022 to RMB877.8 billion in 2026, representing a CAGR of 5.2%. The table below sets for the total revenue of property management companies in China for the years indicated:

Total Revenue of Property Management Companies in China 2017-2026(E) (Unit: in billion)



Source:CIA

The table below sets forth the details of the Top five largest property management companies in the PRC in terms of GFA under management in 2021:

Rank	Company	Background	GFA under Management	Market Share	Revenue	Listing Status
			(sq.m.'000)	*(%)*	*(RMB'000)*	
1. . . .	Onewo Space-Tech Service Co., Ltd. (萬物雲空間科技服務股份有限公司)	A property management service provider established in 1990, principally engaged in providing property management services, asset services and facility services, and had over 2,800 residential properties under management in over 120 cities as of December 31, 2021.	Over 780,000	Over 2.80	Over 23,000,000	No
2. . . .	Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司)	A property management service provider established in 1992, principally engaged in providing services to properties including residential, commercial, office buildings, industrial parks, schools, parks and public buildings.	Over 760,000	Over 2.75	Over 28,000,000	Yes
3. . . .	A-Living Smart City Services Co., Ltd. (雅生活智慧城市服務股份有限公司)	A property management service provider established in 1997, principally engaged in providing property management services, value-added services to property owners, city services and extended value-added services.	Over 480,000	Over 1.75	Over 14,000,000	Yes
4. . . .	Poly Property Services Co., Ltd. (保利物業服務股份有限公司)	A property management service provider established in 1996, principally engaged in providing services to properties including residential buildings, office buildings, commercial complexes, among others.	Over 460,000	Over 1.65	Over 10,000,000	Yes
5. . . .	Greentown Service Group Co. Ltd. (綠城服務集團有限公司)	A property management service provider established in 1998, principally engaged in providing services to properties including municipal construction projects, office buildings, apartments and schools, among others.	Over 300,000	Over 1.10	Over 12,000,000	Yes

Source: CIA

Major Fee Models in the PRC Property Management Industry

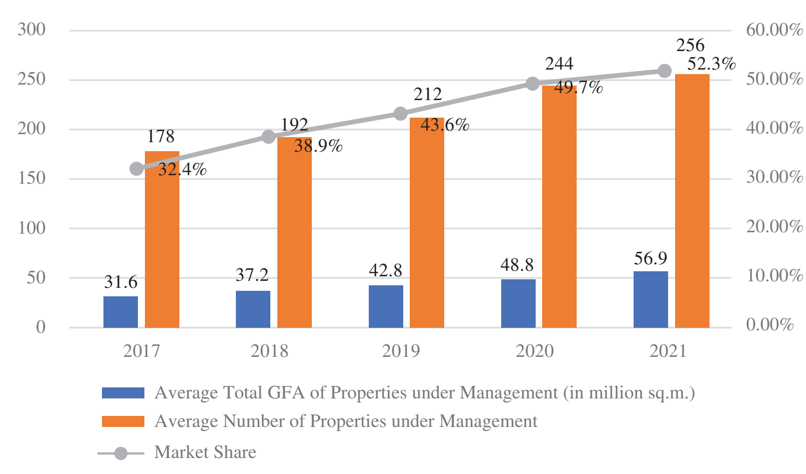
In the PRC, property management companies generate revenue from property management services. In addition, property management companies may also generate revenue from value-added services to non-property owners, including, among others, sales assistance services, advisory services and construction services, and community value-added services such as community space and resource management services, community house agency services, community housekeeping services and community elderly care services.

In the PRC, property management fees may be charged either on a lump sum basis or a commission basis. The lump sum fee model for property management fees is the dominant fee model in the property management industry in China, especially for residential properties. The lump sum fee model can bring efficiency by dispensing certain collective decision-making procedures for large expenditures by property owners and residents and incentivizing property management service providers to optimize their operations to enhance profitability. Besides, the commission model is increasingly adopted for nonresidential properties, allowing property owners to become more involved in their property management and service providers to be more closely supervised.

Overview of the Top 100 Property Management Companies

In recent years, following rapid urbanization and continuous growth in per capita disposable income, the GFA and number of properties managed by the Top 100 Property Management Companies have increased rapidly. The average total GFA under management by the Top 100 Property Management Companies increased from approximately 31.6 million sq.m. in 2017 to approximately 56.9 million sq.m. in 2021, representing a CAGR of approximately 15.8%. The average number of properties managed by the Top 100 Property Management Companies increased from 178 as of December 31, 2017 to 256 as of December 31, 2021, representing a CAGR of approximately 9.5%. The following chart sets forth the rise in average GFA under management and average number of properties, and market share for the Top 100 Property Management Companies in the years indicated:

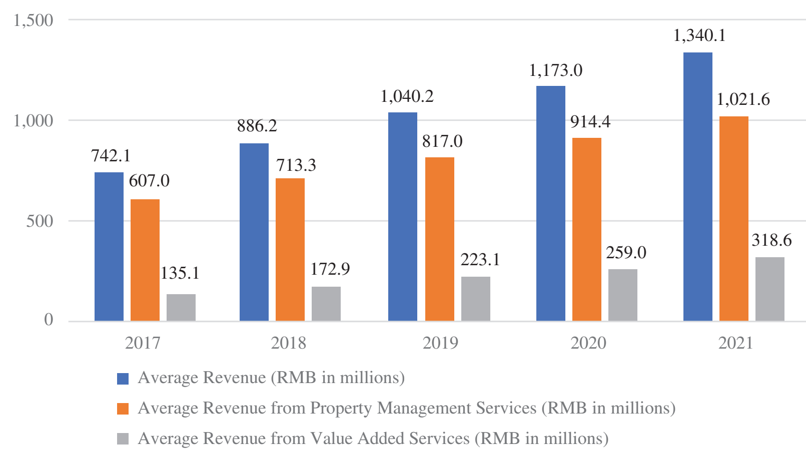
Average GFA under Management, Average Number of Properties, and Market Share for the Top 100 Property Management Companies, 2017-2021



Source: CIA

As a result of the growth in GFA and number of properties under management, the average revenue of the Top 100 Property Management Companies increased from approximately RMB742.1 million in 2017 to approximately RMB1,340.1 million in 2021, representing a CAGR of approximately 15.9%. According to CIA, the Top 100 Property Management Companies have expanded their presence in the PRC, from the average number of cities in which the Top 100 Property Management Companies had operations increased from 28 as of December 31, 2017 to 35 as of December 31, 2021. The following chart sets forth the rise in average revenue of the Top 100 Property Management Companies in the years indicated:

Average Revenue of the Top 100 Property Management Companies, 2017-2021

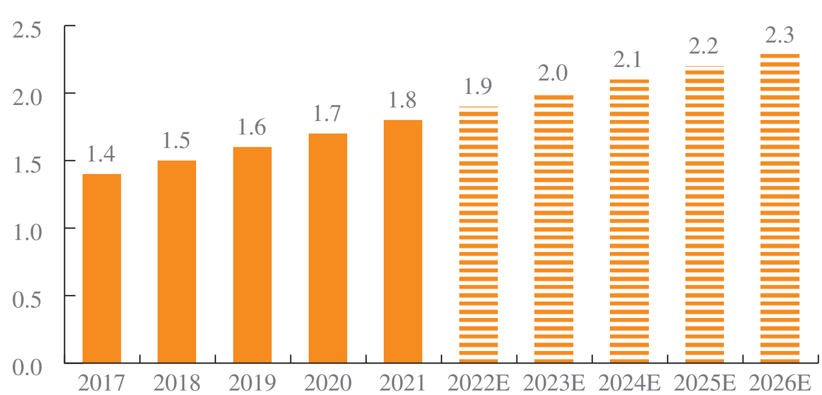


Source: CIA

THE PROPERTY MANAGEMENT INDUSTRY IN SHANDONG PROVINCE

As of December 31, 2021, the total GFA under management of the property management companies in Shandong Province increased from 1.4 billion sq.m. in 2017 to 1.8 billion sq.m. in 2021, representing a CAGR of 6.5%, which is lower than in the PRC. According to the forecast of CIA, the expected total GFA under management of property management companies in Shandong Province is expected to increase from 1.9 billion sq.m. in 2022 to 2.3 billion sq.m. in 2026, representing a CAGR of 4.9%, which is lower than in the PRC.

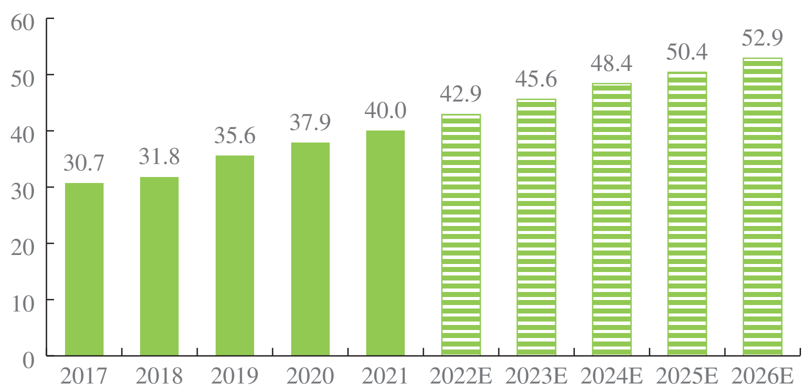
The Overall Market Size of the Property Management Industry in Shandong Province, 2017-2026E (Unit: billion sq.m.)



Source: CIA

According to the CIA, the total revenue of property management companies in Shandong Province increased from RMB30.7 billion in 2017 to RMB40.0 billion in 2021, representing a CAGR of 6.8%. According to the CIA, the expected total revenue of property management companies in Shandong Province is expected to increase from RMB42.9 billion in 2022 to RMB52.9 billion in 2026, representing a CAGR of 5.4%. The table below sets for the total revenue of property management companies in Shandong Province for the years indicated:

Total Revenue of Property Management Companies in Shandong Province 2017-2026(E) (Unit: in billion)



Source: CIA

According to CIA, there were 11 property management companies headquartered in Shandong Province recognised as the Top 100 Property Management Companies in 2022. In term of GFA under management in 2021, the Company was ranked seventh among the 2022 Top 100 Property Management Companies headquartered in Shandong Province. The Company's market share in Shandong Province in terms of GFA under management as of December 31, 2021 was approximately 1.0%. The table below sets forth the details of the five largest property management companies of Top 100 Property Management Companies headquartered in Shandong Province in terms of GFA under management in 2021:

Rank	Company	Background	GFA under Management	Market Share in PRC	Revenue	Listing Status
			(sq.m.'000)	*(%)*	*(RMB'000)*	
1. . . .	Company B	A property management service provider established in 2000, principally engaged in providing property management services, marketing planning services and investment operation services, among others, and provided services to approximately 60,000 enterprises across 22 provinces as of December 31, 2021.	Over 130,000	Over 0.48	Over 3,000,000	No
2. . . .	Company C	A property management service provider established in 2004, principally engaged in providing services to properties including universities, hospitals, industrial parks, among others, and had 600 projects under management across 28 provinces as of December 31, 2021.	Over 120,000	Over 0.46	Over 2,500,000	No

Rank	Company	Background	GFA under Management	Market Share in PRC	Revenue	Listing Status
			(sq.m.'000)	*(%)*	*(RMB'000)*	
3. . . .	Company D	A property management service provider established in 1993 principally engaged in providing property management and operation services to properties including large residential quarters, commercial office buildings, scenic spots, schools and hospitals, among others, and had over 50 projects under management in 20 cities as of December 31, 2021.	Over 70,000	Over 0.26	Over 1,500,000	No
4. . . .	Company E	A property management service provider established in 2005, principally engaged in providing basic property management services, value-added services for property owners, valued-added services for non-property owners, intelligent technology services, among others, and had approximately 100 projects under management in 11 cities as of December 31, 2021.	Over 50,000	Over 0.20	Over 2,000,000	No
5. . . .	Company F	A property management service provider established in 2008, principally engaged in providing property management services, property consulting services and commercial property operation services, among others, and had approximately 300 projects under management in 21 cities as of December 31, 2021.	Over 40,000	Over 0.15	Over 350,000	No

Source: CIA

GROWTH DRIVERS OF PRC AND SHANDONG PROVINCE PROPERTY MANAGEMENT INDUSTRY

Growth in the Economy, Per Capita Disposable Income, Urbanization Rate and Commercial Residential Building in the PRC and Shandong Province

China's economy has experienced steady growth from 2017 to 2021, demonstrated by the increase of nominal GDP from RMB83,203.6 billion in 2017 to RMB114,367.0 billion in 2021, representing a CAGR of 8.3%. During the same period, per capita disposable income of urban residents in China increased from RMB36,396 in 2017 to RMB47,412 in 2021, representing a CAGR of 6.8%, which indicates a significant increase of purchasing power of urban residents in China that has, in turn, led to a growing demand for property upgrades. The rapid economic growth of Shandong Province has promoted the continuous increase in the per capita disposable income of residents. The per capita disposable income of urban residents in Shandong Province has increased from RMB36,789 in 2017 to RMB47,066 in 2021, representing a CAGR of 6.4%. We expect that, backed with increasing per capita disposable income, the consumers will be increasingly sophisticated and willing to pay premiums for quality services and have more discretions on spending in goods and services beyond basic necessity.

In line with steady growth of macro-economy and per capita disposable income of urban residents, the real estate industry in the PRC and Shandong Province maintained stable growth. The national investment in real estate industry increased from RMB10,979.9 billion in 2017 to RMB14,760.2 billion in 2021, representing a CAGR of 7.7%. The total properties sold increased from RMB13,370.1 billion in 2017 to RMB18,193.0 billion in 2021, representing a CAGR of 8.0%. The total GFA of contract sales in Shandong Province has increased from 112 million sq.m. in 2017 to 126 million sq.m. in 2021, representing a CAGR of 3.1%.

Further, China's urbanization rate continue to rise with support of favorable policies such as the New National Urbanization Plan (2014-2020) (《國家新型城鎮化規劃(2014-2020)》). The urbanization rate (being the projected average rate of change of the size of the urban population over the given period of time) in China increased from 58.5% as of December 31, 2017 to 64.7% as of December 31, 2021. The urbanization rate of Shandong Province has increased from 60.6% in 2017 to 63.9% in 2021, representing an average annual growth rate of 0.7%. The growing urbanization produce a high demand for property management service and the PRC property management industry is expected to continue to grow in tandem with a rising level of urbanization of the country.

Increased Demand in Quality Property Management Service

According to the CIA, China's significant growth in urbanization and per capita disposable income has been the principal driver for the growth of the property management industry. Chinese consumers increasingly demand better living conditions and quality property management services, which is another underlying reason for the growth of the PRC property management industry. In addition, we believe the emerging middle-to high-income class in the PRC and their growing spending power will have a significant influence on the development of mid-to high-end property management services in the PRC through their demand for more quality products and services.

Driven by customer demand and intense competition, property management companies have invested to improve their service quality and paid more attention to their customers' demands. The Top 100 Property Management Companies have responded to this trend by, among other steps optimizing their traditional property management services and upgrading the quality of their services by applying technological solutions. According to the CIA, property management companies with enhanced service quality can charge higher service fee.

Favorable Policies for the Property Management Industry

In June 2003, the PRC Government promulgated the Regulations on Property Management (《物業管理條例》), establishing a regulatory framework for the property management industry in China. Since then, a number of laws and rules have come into effect regulating various aspects of the property management industry and numerous policies enacted to promote its development. These include, but are not limited to, the Circular of the NDRC on the Opinions of Relaxing Price Controls in Certain Services (《國家發展和改革委關於放開部分服務價格意見的通知》), the Guidance on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《關於加快發展生活性服務業促進消費結構升級的指導意見》) and the Announcement on Preferential Taxation for the Elderly Care, Child Care, Housekeeping and Other Community Living Services (《關於養老、托育、家政等社區家庭服務業稅費優惠政策的公告》). Furthermore, various provincial and municipal governments have issued their own laws and rules to construct the regulatory frameworks for the local property management industries. We expect that the PRC property management industry will continue to grow on a national scale through government encouragement under the various regulatory frameworks.

In September 2020, the Shandong Provincial Department of Housing and Urban-Rural Development, together with the Provincial Civilization Office and other 18 departments, jointly issued the Notice on Implementing Normalized Epidemic Prevention and Control Measures to Support the Healthy Development of the Property Service Industry (《關於落實常態化疫情防控舉措支持物業服務行業健康發展的通知》) to incorporate property management companies into the epidemic prevention and control system, and provide subsidies to property management companies participating in epidemic prevention and control.

On October 29, 2020, the National Development and Reform Commission and 14 other ministries jointly issued the Work Program on The Promotional Fees for The Recent Expansion of Domestic Demand (《近期擴內需促消費的工作方案》), which provides external protection for the diversification of the property industry and is conducive to promoting the construction of intelligent communities and community life services for property management companies.

In April 2021, the Shandong Provincial Government issued the Fourteenth Five-Year Plan for National Economic and Social Development of Shandong Province and the Outline of Long-Term Goals for 2035 (《山東省國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), proposing the development of smart property management services, increasing the coverage and standardization of property management services, and exploring the collaboration of the community neighborhood committees, the property owner committees and the property management companies to build modern communities.

On January 5, 2021, the Ministry of Housing and Urban-Rural Development of the PRC issued the Notice on Strengthening and Improving the Management of Residential Property (《關於加強和改進住宅物業管理工作的通知》), which clearly improves the pricing mechanism of property services, emphasizes the market-oriented pricing tone of residential property management and establishes a dynamic adjustment mechanism based on the implementation of government-directed prices. This policy encourages the property management companies to enhance service quality by applying technologies such as IoT, cloud computing, big data and artificial intelligence. Qualified property management companies are encouraged to turn to areas such as elderly care, child care, household services, health services, and real estate brokerage, and to explore the "property services plus living services" mode.

On May 28, 2021, the Ministry of Commerce and other 12 departments jointly issued the Opinions on Promoting the Construction of a Quarter-hour Convenient Living Circle in Cities (《關於推進城市一刻鐘便民生活圈建設的意見》) to promote the construction of quarter-hour convenient living circles in cities, which encourages qualified property service companies to extend their business to the fields of elderly care, childcare, housekeeping, postal express delivery, front warehouse, etc., and promote "property service plus living service" to improve the level of convenience and quality of consumption.

On December 28, 2021, the National Development and Reform Commission and 20 other departments jointly issued the 14th Five-Year Plan for Public Service (《十四五公共服務規劃》), which explicitly provides that by 2025, the public service system will be more complete, the government will guarantee basic, diverse social participation, and the whole people will build together. The shared public service supply pattern has generally in shape, and people's livelihood and well-being have reached a new level.

On February 18, 2022, the National Development and Reform Commission and 13 other departments issued the Several Policies for Promoting the Recovery and Development of Difficult Industries in the Service Industry (《關於促進服務業領域困難行業恢復發展的若干政策》), promoting the coordination effect of fiscal and taxation, finance, industry, employment and precise prevention and control policies on the COVID-19 pandemic, and actively help the service industry recover and develop.

The PRC Government has formulated and implemented a number of policies intended to further support and promote the growth of the property management industry. The policies have set forth a regulatory framework under which the property management companies are encourage to, among others, expand their services to keep up with the evolving needs of customers by staying technologically innovative through investment and development in Internet of Things platforms and technology-related services, and continue to broaden the business scope of traditional property management services to improve the living standards of customers. In response to these policies, the property management companies are strategically expanding and diversifying the value-added services to non-property developers and communities.

New Opportunities in Property Management Services

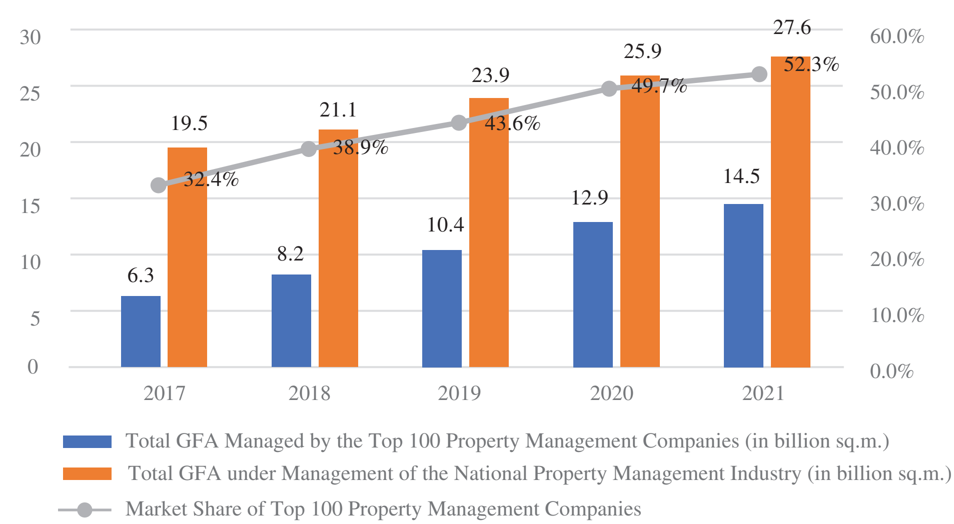
In February 2020, the WHO named a highly infectious and novel coronavirus as COVID-19. On March 11, 2020, the WHO declared COVID-19 outbreak a pandemic. See "Risk Factors—Risks Relating to Our Business and Industry—Risks relating to natural disasters, epidemics, pandemics, acts of terrorism or war in the PRC and globally may materially and adversely affect our business" for more information. While the COVID-19 outbreak may have resulted in certain risks in operations of property management companies, it also presented certain opportunities. In early 2020, to curb the spread of COVID-19, the PRC Government imposed lockdown and various quarantine and travel restriction measures. Property management companies that are capable of providing quality services and meet the residents' demands during the COVID-19 outbreak can enhance customer satisfaction and loyalty. In addition, due to the quarantine restrictions, property management companies are encouraged to accelerate the development of mobile applications, internet platforms and smart community technologies to provide online products and services to their residents. Further, driven by the need of community services, old residential communities without a property management company will seek and entrust property management companies to provide necessary community services.

TRENDS IN THE PRC PROPERTY MANAGEMENT INDUSTRY

Increased Market Concentration and Competition

After decades of development, the Top 100 Property Management Companies have accelerated their service innovation and business expansion. In addition, the market continues to become more concentrated, and the players in the PRC property management industry are facing increasingly intense market competition. In the competitive PRC property management industry, large-scale property management companies actively improve their strategic layout and accelerate their expansion in order to increase their respective market shares and achieve better results of operations. Their organic growth, as well as mergers and acquisitions, may expose property management companies to challenges arising from the difficulties in integrating acquired operations with existing businesses. The total GFA under management by the Top 100 Property Management Companies increased from approximately 6.3 billion sq.m. in 2017 to approximately 14.5 billion sq.m. in 2021, representing a CAGR of approximately 23.1%. The aggregate market share of the Top 100 Property Management Companies increased from 32.4% in 2017 to 52.3% in 2021. The chart below sets forth the total GFA managed by the Top 100 Property Management Companies, the total GFA under Management of the national property management industry and the aggregate market share of the total GFA managed by the Top 100 Property Management Companies in the national property management industry in the years indicated:

Total GFA under Management by the Top 100 Property Management Companies, Total GFA under Management of the National Property Management Industry and Market Share of the Top 100 Property Management Companies, 2017-2021



Source: CIA

Property management companies expanded their business through mergers and acquisitions. According to CIA, there will be approximately 100 potential targets available in the property management industry in Shandong Province, Beijing and Harbin, based on our criteria for strategic acquisitions and investments. However, due to the competition for acquiring property management companies in the PRC by large-scale property management companies, we may not be able to materialize our acquisitions as planned. See "Risk Factors—Risks Relating to Our Business and Industry—Our future growth may not materialize as planned, and any failure to manage our future growth effectively may have a material adverse effect on our business, financial position and results of operations" for more information.

Increasing Labor and Operation Cost

Property management services market is labor-intensive and labor cost is the largest component of property management services companies' cost of services. The daily operation of property management services, such as security, cleaning, repair and maintenance services relies heavily on the manual labors. From 2017 to 2021, the labor cost of the Top 100 Property Management Companies accounted for 55.8%, 57.8%, 59.1%, 58.3% and 58.4% of their total cost of sales, respectively. The minimum wage in China is mainly set according to the standards issued by governments at provincial and local levels. In recent years, the minimum wage has increased significantly in various regions, which directly increased the labor costs. In addition, the utility fees such as electricity and water have also increased in the last few years. The lump sum fee model for property management fees is the dominant fee model in the property management industry in China and according to CIA, and the ever-rising labor costs in recent years poses a major challenge to the companies in the labor intensive property management industry to maintain sustainable development.

Increasing Demand for and Shortage of Professional Staff

With the rapid development of technology, the property management companies need to recruit and retain more qualified professional talents with management and technological skills. Property management companies also increasingly outsource labor-intensive aspects of their operations such as cleaning, landscaping and security to subcontractors while placing greater emphasis on recruiting and training professional and skilled employees to facilitate the implementation of smart management and information technologies, promote innovations to maintain their leading market positions and improve the level of property owner's satisfaction.

The property management industry also faces challenges such as difficulty with recruiting competent professional staff, while at the same time property management industry lacks well trained staff to provide quality services and expand business development. Should the property management companies fail to recruit competent professional staff, the business development of properties management companies may be adversely affected.

Increasing Standardization of Services

Standardization allows property management companies to improve their service quality, which is the foundation for the sustainable expansion of business operations across regions. The PRC Government has issued Guidelines for Accelerating the Development of Consumer Services and Promoting the Upgrading of Consumption Structure (《關於加快發展生活性服務業促進消費結構升級的指導意見》). According to CIA, such policy is to introduce the idea of standardizing the quality of property management services. Many of the Top 100 Property Management Companies in China have established internal standardized operating procedures to guide their provision of services. Information technology has played an increasingly important role in property management services in recent years. Property management companies use information technology to implement technological solutions for automating key business operations. Technological solutions minimize human error and allow property management companies to consistently apply their standardized procedures and quality standards. In turn, this reduces their reliance on manual labor and therefore reduces the costs involved in hiring employees and subcontractors as well. Furthermore, centralized information technology enables property management companies to monitor the administrative and financial business operations of their branches, subsidiaries and offices, as well as ensures that they are consistently applying their policies, procedures and quality standards.

Increasing Support from Capital Markets

The development of capital markets continues to intensify. A number of property management companies has participated in capital markets to expand their financing channels. As of December 31, 2021, there were 56 property management companies listed on the stock exchanges, one property management company listed on the Shanghai Stock Exchange (上海證券交易所上市), three property management companies listed on the Shenzhen Stock Exchange (深圳證券交易所上市), and 52 property management companies listed on the Hong Kong Stock Exchange (香港證券交易所上市). By doing so, such listed property management companies are able to increase investment in technology innovation, build up intelligent platforms, strengthen the cooperation with other property management companies, improve service quality and increase operational efficiency. In addition, diversified capital sources enable the property management companies to accelerate selective and strategic mergers and acquisitions, and to further expand the scale of business.

New Opportunities in Diversified Services and Revenue Sources

In response to the general demand for diversified and high-quality property management services, a growing number of property management companies have been improving the quality of existing services and providing diversified services. Such demands, coupled with the increasing operational pressure driven by cost increases for property management companies, have required property management companies to adjust their traditional business model in order to remain profitable and competitive by consolidating their resources and transforming their operations to achieve sustainable profitability growth. These property management companies have been expanding their scope of services by effectively utilizing the possibilities of the internet and information technology, offering value-added services to their customers. According to CIA, there is vast market potential for community value-added services as they cater to the needs of property owners and residents.

COMPETITION

Competitive Landscape

According to CIA, the PRC property management industry is fragmented and competitive, with approximately 200,000 property management service providers operating in the industry in 2021. The property management market in China is becoming increasingly concentrated. Our property management services primarily compete against both national and regional property management companies. According to CIA, the market share of the Top 100 Property Management Companies was approximately 52.3% in terms of GFA under management in 2021.

Major property management companies in China experienced stable growth in GFA under management in the past years. Large-scale property management companies gained more advantages in the recent years as they experience fast growth in GFA under management. Major property management companies in China have also experienced steady improvement in profitability due to the increase in GFA under management and effective cost control measures.

We are a comprehensive property management service provider with a leading market position in Shandong Province. According to CIA, we were ranked 41st among the 2022 Top 100 Property Management Companies of China in terms of over strength and were recognized as an "Outstanding Enterprise in the Property Management Industry with Diversified Operations in 2021" (2021物業管理行業多元化運營優秀企業) and one of the "Leading Property Management Brands in Specialized Operations in 2021" (2021物業服務專業化運營領先品牌企業). According to CIA, our Group's market share among the Top 100 Property Management Companies in the PRC in terms of GFA under management as of December 31, 2021 was approximately 0.16% and our market share in Shandong Province in terms of GFA under management as of the same date was approximately 1.0%.

Entry Barriers

According to CIA, there are a few barriers to enter into the property management industry, including:

- *Brand.* The Top 100 Property Management Companies, including ourselves, have built up their brand reputation through decades of services and operations. In contrast, new participants, without any established brand or cultivated business relationship with industry participants, face increasing difficulty in penetrating the market.

- *Capital requirement*. Capital investment is required as the property management companies adopt automation and intelligent technologies to improve their management efficiency through equipment purchase, smart community management and information technology system. Capital availability possesses high barriers to new participants with limited financing ability.

- *Quality of management.* According to CIA, the expertize and experience of management teams may significantly contribute to the competitiveness of property management companies. Property management companies now have to seamlessly implement technological solutions, management systems, service quality standards and internal policies and procedures across networks of subsidiaries, branches and offices.

- *Availability of talent and technical expertizes.* Property management depends on manual labor, not only for the performance of property management services but also for implementing and innovating technological solutions. It is increasingly difficult for property management companies to recruit and retain talented individuals who are up to date with the technological advances in the industry. New market entrants may find it difficult to compete against larger property management companies with better brand value and recognition for talent.

REGULATORY OVERVIEW

Our business activities are primarily conducted in the PRC. We are therefore required to comply with a number of the PRC laws and regulations to carry out our operating activities. This section sets out a summary of the main laws and regulations applicable to our business in the PRC.

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES

On May 28, 2020, the National People's Congress approved the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which came into effect on January 1, 2021 and replace the Property Law of the PRC (《中華人民共和國物權法》), the Contract Law of the PRC (《中華人民共和國合同法》) and several other basic civil laws in the PRC. The Civil Code, which basically follows the current regulatory principles of property management industry, will form the legal foundation for the property management services in the PRC in the future. Prior to the effectiveness of the Civil Code, the Provisions on Property Management (《物業管理條例》) and the Property Law of the PRC (《中華人民共和國物權法》) have laid down the basic legal framework for the property management industry in China.

Regulations of Foreign Investment Properties

On March 15, 2019, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) was adopted at the 2nd Session of the 13th National People's Congress and came into effect on January 1, 2020. The Foreign Investment Law of the PRC has replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Law on Wholly Foreign-Invested Enterprise of the PRC (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list.

The Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002, and came into effect on April 1, 2002, categorizes all foreign-invested projects into encouraged, permitted, restricted, and prohibited projects. The Special Administrative Measures for the Access of Foreign Investment (Negative List) (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020年版)》) and the Special Administrative Measures for Foreign Investment Access to Pilot Free Trade Zones (Negative List) (2020 Version) (《自由貿易試驗區外商投資准入特別管理措施(負面清單)(2020年版)》), which were promulgated by the NDRC and the MOFCOM on June 23, 2020 and came into effect on July 23, 2020, and the Catalogue of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》), which was promulgated by the NDRC and the MOFCOM on December 27, 2020, and came into effect on January 27, 2021, list the categories of encouraged, restricted, and prohibited foreign-invested projects. Those not listed are permitted foreign-invested projects. According to the Negative List and the Encouraging Catalogue, the property management service does not fall into such encouraged, restricted, or prohibited categories and therefore it shall be classified as permitted foreign-invested projects.

Pursuant to the Implementing Regulation for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which was promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, provides implementing measures and detailed rules to ensure the effective implementation of the Foreign Investment Law of the PRC. The Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) was jointly promulgated by MOFCOM and SAMR on December 30, 2019, which came into effect on January 1, 2020 and replaced the Interim Administrative Measures for the Record-filling of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to such measures.

Qualification of Property Management Enterprises

Pursuant to the Regulations on Property Management (《物業管理條例》), which was promulgated by the State Council on June 8, 2003, came into effect on September 1, 2003, and amended on August 26, 2007 and February 6, 2016, the State implements a qualification scheme for the administration of property management enterprises. On March 19, 2018, the State Council promulgated the Decision of the State Council to Amend and Repeal Certain Administrative Regulations (Order of the State Council No. 698) (《國務院關於修改和廢止部分行政法規的決定》(國務院令第698號)), according to which the Regulations on Property Management was further amended. The Regulations on Property Management (2018 Revision) (《物業管理條例》 (2018年修正)) has removed all the qualification requirements for property management enterprises. Pursuant to these regulations, enterprises engaged in property management activities shall have an independent legal person capacity. A system of joint incentive for honesty and joint punishment for dishonesty shall be improved under the supervision of property management enterprises by administrative department for construction of the State Council together with other relevant departments, to strengthen the credit management of the industry.

Pursuant to the Measures for the Administration on Qualifications of Property Management Enterprises (《物業服務企業資質管理辦法》) (formerly known as《物業管理企業資質管理辦法》, which was promulgated by the Ministry of Housing and Urban-Rural Development on March 17, 2004, came into effect on May 1, 2004; amended on November 26, 2007 and May 4, 2015; abolished by the Ministry of Housing and Urban-Rural Development on March 8, 2018), property management enterprises shall be classified into Level 1, Level 2 and Level 3 by qualifications based on relevant specific conditions.

Pursuant to the Decision of the State Council on Cancelling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》), which was promulgated by the State Council on January 12, 2017 and came into effect on the same day, the examination and approval of Level 2 and Level 3 qualifications of property management enterprises were cancelled. Pursuant to the Decision of the State Council on Cancelling a Batch of Administrative Licensing Items (《國務院關於取消一批行政許可事項的決定》), which was promulgated by the State Council on September 22, 2017 and came into effect on the same day, the examination and approval of Level 1 qualification of property management enterprises was cancelled.

Pursuant to the Notice of the General Office of Ministry of Housing and Urban-Rural Development on Effectively Implementing the Work of Cancelling the Qualification Accreditation for Property Management Enterprises (Jian Ban Fang [2017] No. 75) (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》(建辦房[2017]第75號)) (issued on December 15, 2017 and came into effect on the same day), application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement in any way for property management enterprises to undertake new property management projects. The real estate administration department at and above the county level shall instruct and supervise the property management work, and the integrity management system of the property management industry will be established, the supervision of property management enterprises will be based on credit appraisal.

Appointment of Property Management Enterprises

Pursuant to the Civil Code, to appoint or dismiss a property management companies should be co-determined by property owners in a property management area. Property owners can either manage the buildings and ancillary facilities by themselves, or engage a property management enterprises or other management personnel to manage the buildings and ancillary facilities. Property owners are entitled to change property management enterprises or other management managers appointed by the property developer. A quorum for the general meeting of the property owners to engage or dismiss a property management enterprise, to change the usage of common space or to conduct operating activities in common space or to decide on other matters that should be jointly decided by the owners shall consist of the property owners who hold no less than two-thirds of the total GFA of the exclusive area of the community and represent no less than two-thirds of the total number of property owners. A general meeting of the property owners of a community can engage or dismiss a property management enterprise with affirmative votes of property owners who participate in the voting and hold more than half of the total GFA of the exclusive area owned by the voting owners and who represent more than half of the total number of property owners participating in the voting. For other matters, such as changing the usage of common space or conducting operating activities in common space, the approvals require the affirmative votes of property owners who participate in the voting and hold more than 75% of the total GFA of the exclusive area owned by the voting owners and who represent more than 75% of the total number of property owners participating in the voting. In addition, the Civil Code explicitly requires that any income generated from the usage of common space in properties under management, net of any reasonable operating costs, shall belong to the property owners. Under the Civil Code, the income from the buildings and ancillary facilities shall be distributed according to the property owners' agreement or based on their respective proportion of the total GFA of the exclusive area of the community if there is no agreement or the agreement is ambiguous.

Pursuant to the Regulations on Property Management (《物業管理條例》(2018 Revision)), a general meeting of the property owners of a community can engage or dismiss the property management enterprise with affirmative votes of owners who own exclusive area accounting for more than half of the total GFA of the community and who account for more than half of the total number of the property owners. Property owners' committee, on behalf of the property owners, can sign property management contract with property management enterprises engaged at the general meeting. Where a developer selects and engages any property management enterprise before it is selected by owners and their general meeting, such developer shall conclude a written preliminary property management contract with the property management enterprise. A sales contract concluded by the developer and the realty buyer shall include the contents stipulated in the preliminary service contract. The preliminary property management contract may stipulate the contract duration. If the property management contract signed by the property owners' committee and the property management enterprise comes into force within the term of the preliminary property management contract, the preliminary property management contract automatically terminates.

Pursuant to the Regulations on Property Management (2018 Revision) and the Interim Measures on Administration of Bid-Invitation and Bidding for Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》(2018年修正)), which was promulgated by the Ministry of Construction on June 26, 2003 and came into effect on September 1, 2003, developer of residential buildings and nonresidential buildings in the same property management area shall engage property management enterprises by bidding and tendering. In case where there are less than three bidders or for small-scale properties, the developer can hire property management enterprises by agreement with the approval of the real estate administrative department of the local government of the place where the property is located. For projects of newly built and currently marketable commodity housing, the bidding and tendering shall be completed within 30 days before they are put on sale. For projects of presale commodity housing, the bidding and tendering shall be completed before the acquisition of License for Presale of Commodity Housing (《商品房預售許可證》). For projects of newly built real estates that are not for sale, the bidding and tendering shall be completed within 90 days before they are delivered for use. Where the developer fails to hire the property management enterprise through a bidding and tendering process or hire the property management enterprise by agreement without the approval of relevant government authority, the competent real estate administrative department of the local government at the county level or above shall order it to rectify the situation within a prescribed time limit, issue a warning and impose a penalty of no more than RMB100,000.

Bid assessment shall be the responsibility of the bid assessment committee established by the developer in accordance with relevant laws and regulations. The bid assessment committee shall be composed of the representatives of the developer and experts in the property management fields. The number of members shall be an odd number at or above five, of which the expert members other than the representatives of the developer shall represent at least two-thirds of the total member. Expert members in the bid assessment committee shall be determined by random select from the panel of experts established by the competent real estate administrative department. A person having an interest with a bidder may not join the bid assessment committee of the related project.

The Interpretation of the Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Cases of Disputes over Property Management Service (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》), which was promulgated by the Supreme People's Court on May 15, 2009, came into effect on October 1, 2009, and most recently amended on December 29, 2020, and came into effect on January 1, 2021, stipulates the judicial interpretation principles applied by the court when hearing relevant disputes between property owners and property management enterprises.

Fees Charged by Property Management Enterprises

Pursuant to the Regulations on Property Management (2018 Revision) (《物業管理條例》)(2018年修正), the property owners shall pay property management fee based on the property management service contract. As for the properties which have been completed but have not been sold or delivered to the purchasers of the properties, property management fee shall be paid by the developer.

Pursuant to the Measures on the Charges for Property Management Services (Fa Gai Jia Ge [2003] No. 1864) (《物業服務收費管理辦法》(發改價格[2003]第1864號)) (jointly promulgated by the NDRC and the Ministry of Construction on November 13, 2003 and came into effect on January 1, 2004), property management enterprises are allowed to charge fees from property owners for repairing, maintaining and managing the houses and supporting facilities, equipment and relevant sites and maintain the sanitation and order in relevant regions in accordance with related property management contracts.

As agreed between the property owners and property management enterprises, the fees for the property management services can be charged either on a lump sum basis or a commission basis. Fees on a lump sum basis means the property owners pay the property management enterprise a fixed amount of property management fees, and the property management enterprise enjoys the profits and assumes the losses at its own risk. Fees on a commission basis means an agreed percentage or amount of the property management fees collected by the property management enterprise in advance is a commission paid to the property management enterprise, while the rest of such fees is exclusively used for expenses agreed in the property management contract, and the property owners enjoy the surplus or assume the shortage. Property management enterprises shall, pursuant to the applicable rules of the competent price administration departments under governments, clearly mark the prices of property services, and publish in a prominent position in areas under their management information about services, criteria of services, charging items, charging criteria, etc.

Property service fees shall be reasonable, transparent, and suitable for the level of services offered, and shall consider the nature and characteristics of different properties and be priced under the government's guidance or on market basis respectively. The specific method of pricing shall be determined by competent price administration departments under the people's governments of all provinces, autonomous regions and municipalities directly under the Central Government, in concert with the competent departments of real estate administration. The fees charged by property management companies nationwide are regulated by the price administration department and administrative department for construction of the State Council. The competent price administration department of the local people's governments at or above the county level and the competent property administration departments at the same level are responsible for supervising and regulating the fees charged by property management enterprises in their respective administrative regions.

Pursuant to the Measures on the Charges, except the circumstance where the government guidance price shall be implemented, the market-based price applies to the property management fees. The standard of such fees is determined by the property management enterprise or/and the developer and property owners through negotiation.

Pursuant to the Regulations on Property Management Fees with Clear Price Tag (Fa Gai Jia Jian [2004] No. 1428) (《物業服務收費明碼標價規定》(發改價檢[2004]1428號)), which was promulgated jointly by the NDRC and the Ministry of Construction on July 19, 2004 and came into effect on October 1, 2004, property management enterprises, during their provision of services to the property owners (inclusive of the property service as stipulated in the property management contract as well as other services (other than agreed in the property management contract) entrusted by property owners), shall charge service fees at expressly marked prices, and display their service items, pricing standards and other related contents. In case there's any change to the pricing standard, the property management enterprise shall adjust the related contents displayed and indicate the execution date of new standards at least one month prior to the implementation of the new standards. Property management enterprises shall neither use any false or misleading price items or mark prices in a false or misleading manner to commit price fraud, nor charge any fees not clearly specified, other than those expressly marked. If property management enterprises fail to charge according to the marked price or mark false price, they will be ordered to surrender all illegal incomes obtained therefrom, pay the penalty and even terminate the business until irregularities are corrected.

At present, no uniform standard for the government guidance price of fees for property management services has been established at the national level. Pursuant to the Circular of NDRC on the Opinions for Decontrolling the Prices of Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》) (the "**Decontrolling Service Price Opinions**"), the price control on property services of non-government-supported houses was cancelled. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for property management fees for government-supported houses, houses under housing reform, old residence communities and preliminary property management service in light of the actual situation. The benchmark and floating range of these government guidance prices vary from region to region. In decontrolling the charges of property services for government-supported houses and implementing market-regulated prices, the affordability of the supported subjects shall be considered and a subsidy mechanism shall be established. Fees charged by property management service providers or parking service companies from property owners or residents of residential areas for the management of parking spaces and parking facilities.

The management of property service charges in the areas where we manage property projects are as follows:

- According to the Administrative Measures of Shandong Province for Property Service Charges (Shandong Provincial People's Government Order No. 317) (《山東省物業服務收費管理辦法》(山東省人民政府令第317號)), which was adopted at the 6th Executive Meeting of Shandong Provincial People's Government, promulgated on May 29, 2018, and implemented on July 1, 2018, property service fees shall be legal, reasonable, transparent, equitable, and suitable for the level of services offered, and shall take into account the unique nature and characteristics of different property and be priced under the government's guidance and market regulation respectively. If subject to market-based prices, property service charges shall be agreed by the owners and the property service providers in the property service agreement. Preliminary property public service charges of ordinary housing are subject to government-guided prices, other property public service charges are subject to market-based prices. Parking rental fees and preliminary property parking service charges of ordinary housing and parking site use fees are subject to government-guided prices, other properties of motor vehicle parking fees are subject to market-based prices.

- According to the Regulations of Heilongjiang Province on Residential Property Management (《黑龍江省住宅物業管理條例》), which was considered and adopted by the 22nd meeting of the Standing Committee of the 13th People's Congress of Heilongjiang Province on December 24, 2020, and came into effect on March 1, 2021, property management service fees shall be subject to government-guided prices and market-based prices in accordance with the relevant regulations. If subject to government-guided prices, the municipal (local) and county (city) price authorities, together with the real estate administrative authorities, formulate the corresponding benchmark price and fluctuation range of property service charges based on the property service items, service content, service grade standards, etc., and announce it to the public in accordance with the law, and carry out an assessment every three years and adjust it in due course according to the assessment results. If subject to market-based prices, in accordance with the principles of reasonable, transparent, and suitable for the level of services offered, high quality and good price, property service charges shall be agreed by the owners and the property service providers in the property service agreement with reference to the list of basic property service items and the benchmark prices of property service charges and their fluctuation rates.

- In Beijing, property service fees are charged by market and adjusted in due course pursuant to the Regulations of Beijing on Property Management (《北京市物業管理條例》), which was adopted at the 20th meeting of the Standing Committee of the 15th Beijing Municipal People's Congress on March 27, 2020, and implemented on May 1, 2020.

Pursuant to Interpretation of the Supreme People's Court on Several Issues concerning the Specific Application of Law in Hearing Cases of Property Management Service Disputes (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》), the court shall support when property owner raises a plea on the ground of illicit charges because the property service provider, in breach of the property service agreement or in violation of laws, regulations or departmental rules, extends the scope of charging, raises the charging rate, or makes repeated charging on its own accord.

Property Management Service Outsourcing

Pursuant to the Regulations on Property Management (2018 Revision) (《物業管理條例》(2018年修正)), a property management enterprise may outsource a specific service within the property management area to a specialised service enterprise, but it shall not outsource all the property management business within such area to third parties.

Property Management Reform

Notice on Reinforcement and Improvement of Residential Property Management (Jian Fang Gui [2020] No. 10) (《關於加強和改進住宅物業管理工作的通知》(建房規[2020]10號)), which was promulgated by the MOHURD, the Political and Legal Committee of the CPC Central Committee, the Central Steering Committee for the Construction of Spiritual Civilization, the NDRC, the MOF, the MOHRSS, the Ministry of Emergency Management, the State Administration of Market Supervision and Administration, and the China Banking and Insurance Regulatory Commission and came into effect on December 25, 2020, the main points are as follows:

Property service fee is mainly formed through market competition, agreed by the owners and property management enterprises in the property service agreement. Property service price can be dynamically adjusted according to service standards and price indices and other factors. Guide property owners and property management enterprises to adjust the property service price through the contract. If the property service fee is guided by the government, the price department with pricing authority and the housing and urban-rural construction departments shall formulate and publish the benchmark prices and their fluctuations, and establish a dynamic adjustment mechanism.

Encourage property service enterprises to use the Internet of Things, cloud computing, big data, blockchain and artificial intelligence and other technologies to build a smart property management service platform to improve the intelligent property management services.

It encourages qualified property service enterprises to expand to elderly care, childcare, housekeeping, culture, health, housing brokerage, express delivery and other services and explore the "Property Services + Life Services" model to meet the diversified level-living and life demands of residents.

Establish a credit evaluation system for property services, develop unified credit evaluation standards, and build a national credit information management platform. Collect relevant credit information and implement comprehensive credit evaluation based on the contract performance, complaint handling, daily inspection and sub-district office's opinion, etc., and disclose corporate credit records and evaluation results in accordance with laws and regulations. The urban housing and urban-rural construction departments will award the credit star mark based on the credit status of the enterprise. Implement credit classification and supervision, and strengthen the application of credit information in the preliminary property management tendering and bidding, the selection of property service enterprises by the owners' meeting, and government procurement.

Improve the property management tendering and bidding system and strengthen the supervision of tendering and bidding agencies, bidding professionals and tendering and bidding activities. Guide property owners' committees to select and hire property management enterprises through public bidding.

Fire Protection

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on April 29, 1998, and was amended on October 28, 2008, April 23, 2019, and April 29, 2021, property management enterprises of residential areas shall carry out maintenance and administration of common firefighting facilities within the area under their management, and provide fire safety prevention services.

REGULATIONS ON OTHER BUSINESSES

The Real Estate Business

In 2020, the Ministry of Housing and Urban-Rural Development, together with the People's Bank of China, proposed to restrict financing available to property developers by reference to leverage ratios such as liabilities to assets ratio, net gearing ratio and cash to short-term borrowings ratio, with intention to accelerate the deleveraging process of real estate companies and facilitate the healthy development of China's real estate industry. Detailed requirements of leverage ratios include: (i) the gearing ratio (excluding prepayments) of a real estate company shall not exceed 70%; (ii) the net gearing ratio of a real estate company shall not exceed 100%; and (iii) cash over short-term interest-bearing loans shall not be lower than 1.0.

On July 13, 2021, the Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission, the Ministry of Public Security, the Ministry of Natural Resources, the State Taxation Administration, the State Administration for Market Regulation, the China Banking and Insurance Regulatory Commission and the Cyberspace Administration of China jointly promulgated the Notice on the Continuous Rectification and Regulation of the Real Estate Market Order (《關於持續整治規範房地產市場秩序的通知》) (the "Regulatory Notice"). The Regulatory Notice implements policies to regulate the real estate industry and highlights key fields to be regulated including property management services, such as (i) failure to provide services pursuant to the contents and standards agreed in property management contracts; (ii) failure to publish information pursuant to relevant provisions, such as fee rate for property management services, business operations and earnings of owners' common area, usage of maintenance and repair funds; (iii) collecting fees exceeding the standards agreed in contracts or published in notices; or (iv) making use of owners' common area to carry out business activities without authorization. Local authorities may implement measures to rectify the above violations pursuant to laws and regulations. For real estate development companies, property agencies or property leasing companies that violate laws and regulations, competent authorities may impose measures including but not limited to warnings, suspension of business operation, or revocation of business license.

The Real Estate Brokerage Business

Pursuant to the Urban Real Estate Administration Law of the PRC (Decree of the President of the PRC No. 29) (《中華人民共和國城市房地產管理法》(中華人民共和國主席令第29號)), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and amended on August 30, 2007, August 27, 2009 and August 26, 2019, real estate intermediate service agencies include real estate consultants, real estate evaluation agencies, real estate brokerage agencies, etc. A real estate intermediate agency shall meet the following conditions (i) has their own name and organization; (ii) has a fixed business site; (iii) has the necessary assets and funds; (iv) has a sufficient number of professionals; and (v) has other conditions specified by laws and administrative regulations.

Pursuant to the Administrative Measures for Real Estate Brokerage (《房地產經紀管理辦法》) promulgated by the MOHURD, the NDRC and the MOHRSS on January 20, 2011, came into effect on April 1, 2011, and amended on March 1, 2016, a real estate brokerage agency and its branches shall go to the competent housing and urban-rural development (real estate) authority for filing formalities within 30 days from the date of receiving the business license. The real estate brokerage services shall be subject to a marked price system. A real estate brokerage institution shall abide by the price laws, regulations and rules, and indicate real estate brokerage service items, service details, fee rate, prices of relevant properties and other information at an eye-catching place in its premise. According to the Decontrolling Service Price Opinions, price control on real estate brokerage services was cancelled since December 17, 2014.

Regulations On Security and Guarding Services

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

Advertising

Pursuant to the Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994, came into effect on February 1, 1995 and amended on April 24, 2015, October 26, 2018, and April 29, 2021, advertisements shall be true and legitimate, and advertisement contents shall be expressed in a healthy form, and shall comply with the requirements of civilized development of socialism and promotion of fine traditional Chinese culture. Advertisements shall not contain false or misleading contents, and shall not deceive or mislead consumers. Advertizers, advertising agencies and advertising publishers engaging in advertising activities shall comply with laws and regulations, act with honesty and integrity, and engage in fair competition. The administration for market regulation of county level and above shall be in charge of supervision and administration of advertisements within their administrative region, and the relevant departments of local People's Governments of county level and above shall be responsible for the relevant tasks of administration of advertisements within the scope of their respective duties.

Commercial Services Of Clearing, Collection and Transport Of Urban Living Garbage

Pursuant to Administrative Measures for Urban Living Garbage (《城市生活垃圾管理辦法》), which was promulgated on April 28, 2007 and amended on May 4, 2015, an enterprise shall obtain a license for the commercial service of clearing, collection and transport of urban living garbage to engage in urban living garbage cleaning, collection and transportation businesses. An enterprise which fails to acquire a license to engage in aforesaid commercial services regarding urban living garbage may be ordered to stop such service and confronted with a fine under RMB30,000.

Catering Services

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法(2018修正)》), which was promulgated by the SCNPC on February 28, 2009, came into effect on June 1, 2009, and amended on April 24, 2015, December 29, 2018 and April 29, 2021, and the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was promulgated by the China Food and Drug Administration on August 31, 2015, came into effect on October 1, 2015 and amended on November 17, 2017, food sales and catering business in the PRC are subject to obtaining the food operation license in accordance with the laws. Food operation entities include food sale operator, catering services operator and staff canteen. The principle of one license for one place shall apply to the licensing for food operation, that is, a food business operator shall obtain a food operation license for each operation site at which it carries out the food business. The food business operators shall meet food safety standards, establish and improve food safety management systems, provide employees with training on food safety knowledge, strengthen food inspections, establish and implement employee's health management systems and raw materials control requirements, and be responsible for the safety of the food they sell.

LABOUR AND SOCIAL SECURITY RELATED LAWS AND REGULATIONS

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and amended on August 27, 2009 and December 29, 2018), employers shall establish and improve their rules and policies in accordance with the law so as to ensure that employees enjoy labour rights and perform their labour obligations.

Pursuant to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and amended on December 28, 2012 and came into effect on July 1, 2013) and the Regulations on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on September 18, 2008 and came into effect on the same day, labour contracts in written form shall be executed to establish labour relationships between employers and employees. The wage paid to employees shall not be lower than the local minimum wage standard and shall be paid to employees on time. Employers are required to provide employees with safe and sanitary work conditions satisfying State rules. Upon reaching an agreement after due negotiation with employees or under other circumstances in line with prescribed conditions, an employer may legally terminate a labour contract and dismiss an employee.

Pursuant to the Interim Provisions on Secondment of Employees (《勞務派遣暫行規定》) promulgated by the MOHRSS on January 24, 2014, came into effect on March 1, 2014, employers may only use seconded employees for temporary, ancillary or substitute positions, and the number of seconded employees shall not exceed 10% of the employers' total employees.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010, came into effect on July 1, 2011, and amended on December 29, 2018, and other relevant PRC laws and regulations such as the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), Regulations on Work Injury Insurance (《工傷保險條例》), Regulations on Unemployment Insurance (《失業保險條例》) and Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), China establishes a social insurance system including basic pension insurance, basic medical insurance, work related injury insurance, unemployment insurance and maternity insurance. An employer shall pay the social insurances for its employees in full and on time in accordance with the prescribed base and ratio, and shall withhold and pay the social insurances that should be assumed by the employees. Employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the prescribed time limit, the relevant administrative authorities shall impose a fine ranging from one to three times the outstanding contribution amount.

Pursuant to Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and came into effect on the same day, and was amended on March 24, 2002 and March 24, 2019, employers shall undertake registration at the competent managing centre for housing provident funds and upon the examination by such centre, the employers shall complete procedures for opening an account at the bank for the deposit housing provident funds on behalf of their employees. The employers are also required to pay and deposit housing provident funds in full and in a timely manner, where late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration centre. With respect to employers who fail to process housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration centre to complete such procedures within a prescribed time limit; where failing to process their registrations within the designated period shall be subject to fine ranging from RMB10,000 to RMB50,000. When employers fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration centre shall order such employers to pay up within a prescribed time limit; where the payment and deposit has not been paid up within a designated period, may further apply to the People's Court for mandatory enforcement against those who fail to comply after the expiry of such period.

Pursuant to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council of the PRC on July 20, 2018, from January 1, 2019, all the social insurance premiums, including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, are collected by the tax authorities. In addition, according to the Notice by the General Office of the SAT on Conducing the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady and Orderly Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》), which was promulgated by the SAT on September 13, 2018, and the Urgent Notice of the General Office of the MOHRSS on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》), which was promulgated by the MOHRSS on September 21, 2018, all the local authorities responsible for the collection of social insurance premiums are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. The Notice of the SAT on Implementing Measures on Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》), which was promulgated by the SAT on November 16, 2018, repeats that tax authorities at all levels shall not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

INTELLECTUAL PROPERTY RIGHTS RELATED LAWS AND REGULATIONS

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on August 23, 1982, and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, and the Implementing Regulations of the Trademark Law of the PRC (Order of the State Council No. 358) (《中華人民共和國商標法實施條例》(國務院令第358號)), which was promulgated by the State Council on August 3, 2002, and amended on April 29, 2014, came into effect on May 1, 2014, trademarks approved for registration by the Trademark Office of National Intellectual Property Administration are registered trademarks. Trademark registrants shall enjoy the exclusive right in relation to the trademarks for which they are approved for registration and the goods for which they are approved for use, and shall be protected by law. A trademark registrant may authorise others to use its registered trademark by signing a trademark license contract. The licensor shall supervise the quality of the goods on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods on which the registered trademark is used. For licensed use of a registered trademark, the licensor shall file record of the licensing of the said trademark with the trademark bureau, while non-filing of the licensing of a trademark shall not be contested against a good faith third party. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark shall not prejudice the existing right of others obtained by priority, nor shall any person register in advance a trademark that has already been used by another person and has already gained "sufficient degree of reputation" through that person's use.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017, and came into effect on November 1, 2017, MIIT is responsible for the administration of the internet domain names of China. The ".CN" and the ".中國" are China's national top-level domains. The principle of "first-to-file" is adopted for domain name services. A domain name registration agency that provides domain name registration services shall require the applicant to provide the true, accurate and complete information about the domain name holder's identity for the registration purpose. Any organisation or individual who believes that the domain name registered or used by others infringes its legitimate rights and interests may apply to the domain name dispute resolution institution for arbitration or file a lawsuit with a people's court in accordance with the law.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the SCNPC on March 12, 1984, came into effect on April 1, 1985, and amended on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020, and came into effect on June 1, 2021, the inventions, utility models and designs can be protected by the patent right. The State Intellectual Property Office is responsible for uniformly accepting and examining patent applications and granting patent rights in accordance with law. The patent management departments of the people's governments of each province, autonomous region and municipality directly under the central government are responsible for the patent management in their respective administrative regions. Chinese patent system adopts the principle of "prior application", i.e., where two or more applicants file applications for patent for the identical invention or creation respectively, the patent right shall be granted to the applicant whose application was filed first. If one wishes to file application for patent, for invention or utility models, the following three standards must be met: novelty, creativity and practicability. The validity period of a patent for invention is 20 years, while the validity period of utility models and design is 10 years. The patentee has the exclusive right to its patented product or method. Any entity or individual other than the patentee who wants to implement another person's patent, unless otherwise provided by law, must obtain the patentee's permit or proper authorization, otherwise such behavior will constitute an infringing act of the patent right.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990, came into effect on June 1, 1991, amended on October 27, 2001, February 26, 2010 and November 1, 2020 and effective on June 1, 2021, Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction. The copyright owner may license others to exercise copyright-related rights, in return of royalties in accordance with the agreement or regulations. Unless otherwise stipulated by law, anyone who uses others' works shall enter into a licensing contract with the copyright owner.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the State Copyright Bureau on February 20, 2002, came into effect on the same day, regulates the registration of software copyrights and the registration of software copyright exclusive license contracts and transfer contracts. The State Copyright Bureau is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection (Order of the State Council No. 339) (《計算機軟件保護條例》(國務院令第339號)), which was promulgated by the State Council on December 20, 2001, came into effect on January 1, 2002 and amended on January 8, 2011 and January 30, 2013.

Pursuant to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in Hearing Cases of Civil Disputes of Information Network Transmission Right (Fa Shi [2012] No. 20) (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》(法釋[2012]第20號)), which was promulgated by the Supreme People's Court on December 17, 2012 and came into effect on January 1, 2013, and amended on December 29, 2020, stipulates where network users or network service providers provide, through information networks, any work, performance, or audio or video recording in which the right holders enjoy the transmission right of information network without due permission, they shall be regarded as infringing upon the transmission right of information network by the people's court, unless otherwise provided by laws and administrative regulations.

LAWS AND REGULATIONS ON TAXATION

Income Tax

Pursuant to the EIT Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC on March 16, 2007, came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation Regulations of EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007, came into effect on January 1, 2008 and was amended on April 23, 2019, the income tax rate of 25% applies to all enterprises in the PRC.

These enterprises are classified as either resident enterprises or non-resident enterprises. Enterprises established in the PRC in accordance with the PRC laws, or that are established in accordance with the law of foreign countries (regions) but whose "de facto management bodies" are located in the PRC are considered as resident enterprises, which are subject to enterprise income tax at the rate of 25% on their global income. The Implementation Regulations of EIT Law defines the term "de facto management bodies" as "establishments that carry out substantial and all-round management and control over the production, operations, personnel, accounting, properties, etc. of the enterprise."

Enterprises established in accordance with the law of foreign countries (regions) and whose "de facto management bodies" are not located in the PRC, but which have established institutions or premises in the PRC or which have not established institutions or premises in the PRC but have income earned in the PRC are non-resident enterprises. According to the Implementation Regulations of EIT Law, non-resident enterprises which have not established institutions or premises in the PRC or which have established institutions in the PRC but whose incomes have no actual connection to its institution or establishment within the PRC shall be subject to a reduced enterprise income tax rate of 10% on incomes derived from the PRC.

Income Tax relating to Dividend Distribution

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) and relevant protocols, which were promulgated by SAT on August 21, 2006, came into effect on December 8, 2006, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong company if such Hong Kong company directly holds at least 25% of the equity interests in a PRC company, otherwise the 10% withholding tax rate applies.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納税人享受協定待遇管理辦法》), which was promulgated by the SAT on October 14, 2019, came into effect on January 1, 2020, non-resident taxpayers are entitled to preferential treatment under tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and subject to subsequent administration by tax authorities.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, February 6, 2016, November 19, 2017, organisations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of Value-added Tax. The tax rate for taxpayers engaging in sale of services and intangible assets shall be 6% unless otherwise stipulated.

Pursuant to the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]第36號)), which was promulgated by the MOF and the SAT on March 23, 2016, came into effect on May 1, 2016, the state started to fully implement the pilot change from business tax to value-added tax on May 1, 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

Pursuant to the Announcement of the MOF, the SAT and the General Administration of Customs on Policies for Deepening the VAT Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), which was promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019, came into force as on April 1, 2019, the VAT rates were further adjusted, including for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rates shall be adjusted to 13% or 9%, respectively. Furthermore, from April 1, 2019 to December 31, 2021, a taxpayer engaged in production or livelihood services is allowed to have a 10% weighted deduction of creditable input VAT in the current period from the tax amount payable.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE CONTROL

Pursuant to the Regulations on the Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council of on January 29, 1996, came into effect since April 1, 1996 and was amended on January 14, 1997 and August 5, 2008, the PRC imposes no restrictions on regular international payments and transfers, such as trade and service-related foreign exchange transactions and dividend payments, but it shall be based on true and legitimate transactions and financial institutions engaging in conversion and sale of foreign currencies shall carry out reasonable examination, and the foreign exchange control authorities shall have the right to carry out supervision and inspection.

Pursuant to the Notice of SAFE on Reforming and Regulating the policies for the Administration of Foreign Exchange Settlement under the Capital Account (Hui Fa [2016] No. 16) (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》(匯發[2016] 第16號)), which was promulgated by the SAFE on June 9, 2016 and came into effect on the same day, the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, external debts, proceeds repatriated from overseas listing, etc.) entitled to discretionary settlement according to relevant policies, shall be conducted in the banks as actually needed for business operation. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The discretionary exchange settlement ratio of foreign exchange receipts under the capital account of domestic entities is tentatively set as 100%. The SAFE may adjust the above ratio in due course in accordance with the balance of payment status.

Pursuant to the Notice of the SAFE on Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was promulgated by the SAFE on October 23, 2019, non-investment foreign-invested enterprises are permitted to use their capital funds to make equity investments in the PRC, provided that such investments do not violate the Special Administrative Measures for the Access of Foreign Investment (Negative List) (外商投資准入特別管理措施(負面清單)) and the target investment projects in the PRC are genuine and in compliance with laws.

Regulations on the "Full Circulation" of H-share

"Full circulation" means listing and circulating on the Hong Kong Stock Exchange of the domestic unlisted shares of a domestic joint stock company ("**H-share listed company**"), including unlisted Domestic Shares held by domestic shareholders prior to overseas listing, unlisted Domestic Shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (Announcement of the CSRC [2019] No. 22) (《H股公司境內未上市股份申請「全流通」業務指引》(中國證監會公告[2019]22號)) ("**Guidelines for the 'Full Circulation**'").

Pursuant to the Guidelines for the "Full Circulation", shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "Full Circulation". To file an application for "Full Circulation", an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company". An H-share listed company may apply for "Full Circulation" separately or when applying for refinancing abroad. An unlisted domestic joint stock company may apply for "Full Circulation" when applying for an overseas initial public offering. After the application for "Full Circulation" has been approved by the CSRC, an H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with the CSDC of the shares related to the application has been completed. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

On December 31, 2019, CSDC and SZSE jointly announced the Measures for Implementation of H-share "Full Circulation" Business (《H股「全流通」業務實施細則》) ("**Measures for Implementation**"). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "Full Circulation business", are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and CSDC (Hong Kong) and SZSE.

Pursuant to the Measures for Implementation, after having completed relevant information disclosure, the H-share listed companies with the approval of the CSRC to engage in the H-share "Full Circulation" business shall apply to the CSDC for the deregistration of part or all of the non-foreign listed shares, and shall re-register the fully circulated H-share which are not pledged, frozen, restricted to transfer to the share register institutions in Hong Kong. Such shares shall become eligible for listing and circulation on the Stock Exchange. Relevant securities are centrally deposited in CSDC for settlement. As the nominal holder of the above-mentioned securities, CSDC handles the depository and holding details maintenance, cross-border clearing and settlement and other businesses involved in the "Full Circulation" of H-share, and provides nominal holder services for investors. The H-share listed company shall be authorized by "Full Circulation" shareholders to choose domestic securities companies that participate in the "Full Circulation" business of H-shares. "Full Circulation" shareholders submit trading instructions of H-share "Full Circulation" shares through domestic securities companies. Domestic securities companies shall select a Hong Kong Securities Company to submit trading instructions of their "Full Circulation" shareholders to Hong Kong Stock Exchange for trading. After the transaction is concluded, CSDC and CSDC (Hong Kong) shall handle the cross-border clearing and settlement of relevant shares and funds. The settlement currency of H-share "Full Circulation" transaction business is Hong Kong Dollars. Where an H-share listed company entrusts CSDC to distribute cash dividends, it shall file an application with CSDC. An H-share listed company distributing cash dividends may apply to the CSDC for the holding details of relevant shareholders on the securities registration date. The non-H-share "fully circulated" securities listed on the Stock Exchange obtained due to the distribution and conversion of H-share "fully circulated" securities may be sold but shall not be purchased. Where the right to subscribe for the shares listed on Hong Kong Stock Exchange is obtained and the subscription right is listed on Hong Kong Stock Exchange, it may be sold, but shall not be exercised.

In order to fully promote the reform of H-shares "Full Circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, CSDC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發佈<H股「全流通」業務指南>的通知》) in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. In February 2020, CSDC (Hong Kong) also promulgated the Guide to the Program for Full Circulation of H-shares (《中國證券登記結算(香港)有限公司H股「全流通」業務指南》) to specify the relevant escrow, custody, agent service of CSDC (Hong Kong), arrangement for settlement and delivery and other relevant matters.

REGULATIONS ON CYBERSECURITY AND DATA SECURITY

On July 30, 2021, the state council promulgated the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021. Pursuant to the Regulations on Security Protection of Critical Information Infrastructure, a critical information infrastructure refers to an important network facility or information system in important industries or fields, such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense, which may endanger national security, people's livelihood and public interest in case of damage, malfunctioning or data leakage. In addition, competent departments and administration departments of each important industry and field (the "Protection Departments") shall be responsible for formulating rules and determining the critical information infrastructure operator in the respective important industry or field, the result of which shall be communicated to the operator and the public security department of the State Council.

On November 14, 2021, the Cyberspace Administration of China (the "CAC") published the Regulations on the Management of Cyber Data Security (Consultation Draft) (《網絡數據安全管理條例(徵求意見稿)》) (the "Draft Management Regulations"), which stipulates that data processing entities should apply for cybersecurity review in the event of, among other things, their listing in Hong Kong that affects or may affect national security. The regulatory parameters for determining "affect or may affect national security" as stipulated in the Draft Management Regulations on Cyber Data Security Management remain undefined and are subject to further explanation and elaboration by the CAC. As of the Latest Practicable Date, the Draft Management Regulations on Cyber Data Security Management has not come into effect yet.

On December 28, 2021, the CAC and twelve other PRC regulatory authorities jointly revised and promulgated the Review Measures for Cybersecurity Review (《網絡安全審查辦法》 (2021)) (the "Review Measures", and collectively with the Draft Management Regulations, the "Cybersecurity Regulations"), which came into effect on February 15, 2022 and supersedes the Review Measures for Cybersecurity Review (《網絡安全審查辦法》 (2020)) that came into effect on June 1, 2020. Pursuant to the Review Measures, the procurement of network products and services by critical information infrastructure operators and any data processing activities by network platform operators that affect or may affect national security shall be subject to the cybersecurity review. In addition, online platform operators possessing personal information of more than one million users that seek public listing in a foreign country are obliged to apply for a cybersecurity review.

The Applicability of the Cybersecurity Regulations

The Review Measures provides circumstances under which a cybersecurity review shall be conducted, which are further enriched and clarified in Draft Management Regulations, including:

- The procurement of any network product or service by an operator of critical information infrastructure that affects or may affect national security;

- The conducting of data processing activities by an online platform operator, that affects or may affect national security;

- The listing in a foreign country of online platform operator or data processor possessing or processing personal information of more than one million users;

- A merger, reorganization, or division to be conducted by an online platform operator who has amassed a substantial amount of data resources that concern national security, economic development or the public interest, which affects or may affect national security; and

- The listing in Hong Kong to be conducted by a data processor, which will or may impact national security.

According to the Regulations on Security Protection of Critical Information Infrastructure, protection work departments are responsible for organizing the identification of critical information infrastructure within their industries and sectors and notifying operators about the identification results. As of the Latest Practicable Date, we had not received any notification from relevant regulatory authorities regarding our identification as an organizing of the critical information infrastructure (the "CIIO"). Therefore, the obligation for CIIO to apply for cybersecurity review shall not be applicable to us as of the date of this document.

With respect to the requirement that online platform operators possessing personal information of more than one million users that seek public listing in a foreign country are obliged to apply for a cybersecurity review. While the Review Measures provide that no further explanation or interpretation for "listing in a foreign country," as advised by our PRC legal advisors, Article 13 of the Draft Management Regulations by the CAC differentiates between listing in a foreign country and a listing in Hong Kong. Moreover, as of the Latest Practicable Date, we possessed personal information of approximately 90,000 users, which is substantially less than one million users. Accordingly, the obligations under the Cybersecurity Regulations to proactively apply for cybersecurity review by network platform operators seeking listing in a foreign country shall not be applicable to us.

With respect to circumstances that affect or may affect national security, the Review Measures lists seven factors for consideration but gives no explicit interpretation on such factors. Competent authorities may have wide discretion to interpret them. Theoretically, if we are deemed to be a data processor that "affects, or may affect, national security," we may be subject to a cybersecurity review or may be required to apply for a cybersecurity review.

The Notification to the CAC

As mentioned above, the obligation of the operators of critical information infrastructure to conduct cybersecurity review and the obligation of online platform operators or data processors possessing or processing personal information of more than one million users to conduct cybersecurity review for listing in a foreign country does not apply to us. In addition, we have conducted consultation through the official consultation contact number of China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "ISCCC"), which has been advised by our PRC Legal Advisors as the competent authority to consult with for cybersecurity related matters. We have informed the ISCCC that we are property management company who is seeking [**REDACTED**] on the Stock Exchange, and ISCCC confirmed that we are not required to conduct cybersecurity review for the proposed [**REDACTED**] in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, our Company did not receive any notification from relevant regulatory authorities regarding its identification as CIIO. As advised by our PRC Legal Advisors, Article 13 of the Draft Management Regulations has specified that listing in Hong Kong shall not be considered as listing in a foreign country. Therefore, our Company is not required to notify the CAC of its proposed [**REDACTED**] in Hong Kong under the Review Measures.

Compliance with the Cybersecurity Regulations

Assuming the Draft Management Regulations become effective in the current form, our PRC Legal Advisors are of the view that the Group would be able to comply with the Cybersecurity Regulations in all material aspects, based on the reasons below:

- In accordance with the online-searching results, our Company has not been punished by the relevant regulatory authorities for breaching any rules and regulations in respect of cybersecurity;

- As verified by our PRC Legal Advisors, as of the Latest Practicable Date, there had been no material cybersecurity, data and personal information protection incidents or infringement upon any third parties, or other administrative or legal proceedings, pending or, to the best of the knowledge of us, threatened against or relating to us;

- Our Company has taken appropriate and necessary measures, policies and procedures that include legal controls involved in cybersecurity, data and personal information risk management processes, such as documentation requirements, access control, security, and emergency response mechanism and preventive measures; and

- As of the Latest Practicable Date, our Company has not received any objection to the proposed [**REDACTED**] from relevant regulatory authorities, nor has been involved in any investigation, official inquiry, examination, warning, or similar notice in such respect.

Therefore, we are of the view that, assuming the Draft Management Regulations are implemented in their current form, we would be able to comply with the Cybersecurity Regulations in all material aspects.

The Impact of the Cybersecurity Regulations

As mentioned above, the obligation of the operators of critical information infrastructure to conduct cybersecurity review and the obligation of the online platform operators or data processors possessing or processing personal information of more than one million users to conduct cyber security review for listing in a foreign country does not apply to us as of the Latest Practicable Date. Theoretically, we may be subject to a cybersecurity review or may be required to apply for a cybersecurity review if we are deemed to be a data processor that "affects or may affect national security." However, as mentioned above, we are of the view that we would be able to comply with the Cybersecurity Regulations in all material aspects, assuming the Cybersecurity Regulations are implemented in their current form.

Meanwhile, the type and nature of the data that we had gathered were primarily related to our property management services, which have relatively low national security relevancy.

Therefore, our PRC Legal Advisors are of the view that the Cybersecurity Regulations would not have a material adverse impact on our business operations or proposed [**REDACTED**] in Hong Kong, assuming the Draft Management Regulations are implemented in their current form.

OUR HISTORY AND DEVELOPMENT

Overview

We were established in 2006 and have started to provide property management services in Shandong Province since then. We have, through our over 15 years of operations and development, expanded our coverage to nearly all prefecture-level cities in Shandong Province and to Beijing and Harbin. According to CIA, we ranked the second, sixth, sixth, sixth and seventh among the 2021 Top 100 Property Management Companies (2021中國物業服務百強企業) headquartered in Shandong Province in terms of revenue from proportion of value-added services revenue, net profit, gross profit, revenue and GFA under management in 2020. Deeply rooted in Shandong Province, as of December 31, 2021, we were contracted to manage 82 properties with an aggregate contracted GFA of over 26.2 million sq.m., covering 12 cities in China, and we had a total of 82 properties under management with a total GFA under our management of approximately 22.9 million sq.m., among which 75 contracted properties with contracted GFA of 23.9 million sq.m. and 75 managed properties with a total GFA under our management of approximately 20.3 million sq.m. were located in Shandong Province, serving nearly 80,000 households and business customers.

Corporate and Business Milestones

The table below sets out the key corporate and business development milestones of our Group:

Year	Events
2006	Our Company was established.
2009	We established branch office in and expanded our business to Beijing.
2011	We obtained the "Level One Qualification Certificate for Property Management Enterprise in the People's Republic of China" (中華人民共和國物業服務企業一級資質證書) from MOHURD.
	We were awarded the Vice President Company of Jinan Property Management Industry Association (濟南市物業管理行業協會副會長單位) and the Member of China Property Management Association (中國物業管理協會會員單位).
	We established branch office in Harbin and expanded our business to the northeast region.

Year	Events
2014	We became a standing director member of China Property Management Association (中國物業管理協會常務理事單位). Our property management project Lushang Yulongwan (魯商御龍灣) was awarded the "National Property Management Demonstration Residential Community" (全國物業管理示範住宅小區) by MOHURD.
2015	We were awarded the "2015 Property Services Characteristic Enterprise (Residential Property)" (2015物業服務特色企業(住宅物業)) by China Property Management Association (中國物業管理協會).
2016	We were awarded the certificate in environmental management system, the certificate in quality management system and the certificate in occupational health and safety by Beijing Zhongdahuayuan Certificate Authority (北京中大華遠認證中心).
2017	We were awarded the "Enterprise Credit Evaluation Certificate (AAA)" (企業信譽等級證書AAA級) by Shandong Enterprise Credit Appraisal Working Committee (山東省企業信用評價工作委員會) and Shandong Enterprise Confederation (山東省企業聯合會).
2018	We were awarded the "Outstanding Member of Jinan Property Management Industry Association" (濟南市物業管理行業協會優秀會員單位).
2019	We became the vice president company of Shandong Property Management Association (山東省物業管理協會副會長單位).
2021	Our Company was converted from a limited liability company into a joint stock company with limited liability.

OUR CORPORATE DEVELOPMENT

The major corporate developments of our Company and our major operating subsidiaries which were material to our performance during the Track Record Period are set out below.

Establishment and development of our Company

Our Company was established in the PRC as a limited liability company on March 24, 2006 with an initial registered capital of RMB0.5 million which was fully paid up in cash. As of the date of its establishment, our Company was owned as to 90% by Shandong Yinzuo Jiuxin Real Estate Development Co., Ltd. (山東銀座久信房地產開發有限公司) (formerly known as Jinan Yinzuo Jiuxin Real Estate Development Co., Ltd. (濟南銀座久信房地產開發有限公司)) ("**Yinzuo Jiuxin**"), a company controlled by Shandong Silver Plaza Co., Ltd. (山東銀座商城股份有限公司) ("**Silver Plaza**"), which is ultimately controlled by Shandong Commercial, and 10% by Silver Plaza.

Our Company has been principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services in the PRC since our establishment.

On July 3, 2008, Yinzuo Jiuxin and Silver Plaza transferred their respective 90% and 10% equity interests in our Company to Lushang Property at a consideration of RMB475,020 and RMB52,780, respectively, which was determined with reference to the net asset value of our Company as of April 30, 2008. On the same day, the registered capital of our Company was increased from RMB0.5 million to RMB3.0 million through a capital injection by Lushang Property in the amount of RMB2.5 million which was fully paid up in cash. Upon completion of such transfers and capital injection, our Company became wholly owned by Lushang Property.

On September 21, 2010, the registered capital of our Company was increased from RMB3.0 million to RMB5.0 million through a capital injection by Lushang Property in the amount of RMB2.0 million which was fully paid up in cash.

On August 25, 2020, Lushang Property transferred its 100% equity interests in our Company to Lushang Development at a consideration of RMB28,883,100, which was determined with reference to the net asset value of our Company as of December 31, 2019 and was fully settled in cash. Upon completion of such transfer, our Company became wholly owned by Lushang Development.

On October 12, 2020, the registered capital of our Company was increased from RMB5.0 million to RMB100.0 million through a capital injection by Lushang Development in the amount of RMB95.0 million which was fully paid up in cash.

On January 29, 2021, Lushang Development transferred its 4.9% equity interests in our Company to Lushang Innovation, a wholly-owned subsidiary of Lushang Development at a consideration of RMB9,116,500 which was determined with reference to the net asset value (audited) of our Company as of December 31, 2019 and the net profit (unaudited) of our Company for the year ended December 31, 2020 and was fully settled in cash. Upon completion of such transfer, our Company became owned as to 95.1% by Lushang Development and 4.9% by Lushang Innovation.

On March 12, 2021, in contemplation of the [**REDACTED**], our Company was converted from a limited liability company into a joint-stock limited liability company. Upon completion of the conversion, the share capital of our Company was RMB100.0 million divided into 100,000,000 Shares with a nominal value of RMB1.0 each, of which Lushang Development and Lushang Innovation held 95,100,000 Shares and 4,900,000 Shares, representing 95.1% and 4.9% of our share capital, respectively.

Our major operating subsidiaries

Lan'an Landscape

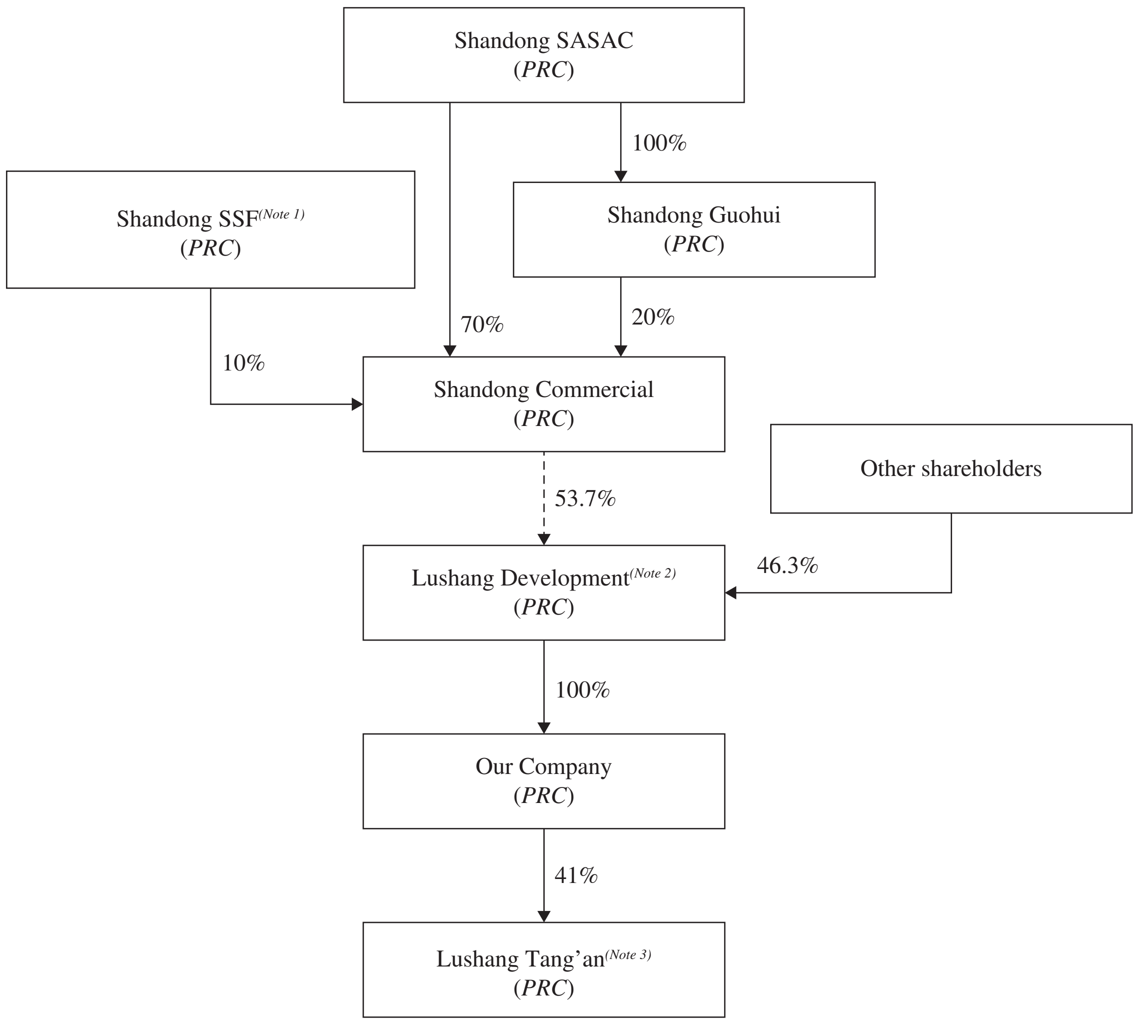
Lan'an Landscape was established in the PRC on December 11, 2008 with an initial registered capital of RMB20.0 million which was fully paid up in cash. Upon its establishment, Lan'an Landscape was wholly owned by Lushang Property. On January 22, 2021, as part of the Reorganization, Lushang Property transferred its entire equity interests in Lan'an Landscape to our Company at a consideration of RMB19,710,000 which was determined with reference to the net asset value (audited) of Lan'an Landscape as of December 31, 2019 and its net profit (unaudited) for the year ended December 31, 2020 and was fully settled in cash. Upon completion of such transfer and as of the Latest Practicable Date, Lan'an Landscape was a wholly-owned subsidiary of our Company. Lan'an Landscape is principally engaged in the provision of landscaping services.

Lushang Design

Lushang Design was established in the PRC on May 9, 2011 with an initial registered capital of RMB5.0 million which was fully paid up in cash. Upon its establishment, Lushang Design was wholly-owned by Lushang Property. On January 27, 2021, as part of the Reorganization, Lushang Property transferred its entire equity interests in Lushang Design to our Company at a consideration of RMB18,140,000, which was determined with reference to the net asset value (audited) of Lushang Design as of December 31, 2019 and its net profit (unaudited) for the year ended December 31, 2020 and was fully settled in cash. Upon completion of such transfer and as of the Latest Practicable Date, Lushang Design was a wholly-owned subsidiary of our Company. Lushang Design is principally engaged in the provision of construction design services.

REORGANIZATION

The following diagram illustrates our simplified shareholding structure before the Reorganization:



Notes:

1. Shandong SSF is a provincial government agency ultimately owned by Shandong Provincial People's Government (山東省人民政府) and is responsible for the management and operation of the assets of Shandong Social Security Fund (山東省社會保障基金).

2. Lushang Development was owned as to approximately 52% by Shandong Commercial, 1.7% by Lushang Group and 46.3% by other shareholders. Lushang Group was owned as to approximately 68.2% by Shandong Commercial and 31.8% by Shandong World Trade Center (山東世界貿易中心), an Independent Third Party.

3. The remaining 49% and 10% equity interest in Lushang Tang'an was held by Jinan Tang'an Hengye Holding Co., Ltd. (濟南唐安恒業控股有限責任公司) ("**Tang'an Hengye**"), an Independent Third Party, and Jinan Shangxin Investment Partnership (Limited Partnership) (濟南尚信投資合夥企業(有限合夥)) ("**Jinan Shangxin**"), our employee stock ownership platform, respectively. Pursuant to the cooperation agreement entered into among Tang'an Hengye, Jinan Shangxin and our Company, our Company is entitled to exercise voting rights of 51% of the total registered capital of Lushang Tang'an, through our 41% direct shareholding in Lushang Tang'an and exercising 10% of voting rights entrusted to us by Jinan Shangxin.

In preparation for the [**REDACTED**], the following reorganization steps were implemented to establish the corporate structure of our Group:

1. Acquisition of certain subsidiaries

As part of the Reorganization, our Company acquired 100% equity interest in Lan'an Landscape and 100% equity interest in Lushang Design from Lushang Property, respectively. For details, please refer to the paragraph headed "Our Corporate Development—Our major operating subsidiaries".

2. Equity transfer of our Company

According to the PRC Company Law, a joint stock company shall be incorporated by a minimum of two promoters. In preparation of converting our Company into a joint-stock limited liability company, on January 29, 2021, Lushang Development transferred its 4.9% equity interests in our Company to Lushang Innovation. Upon completion of such transfer, our Company became owned as to 95.1% by Lushang Development and 4.9% by Lushang Innovation. For details, please refer to the paragraph headed "Our Corporate Development—Establishment and development of our Company" in this section.

3. Conversion into a joint-stock limited liability company

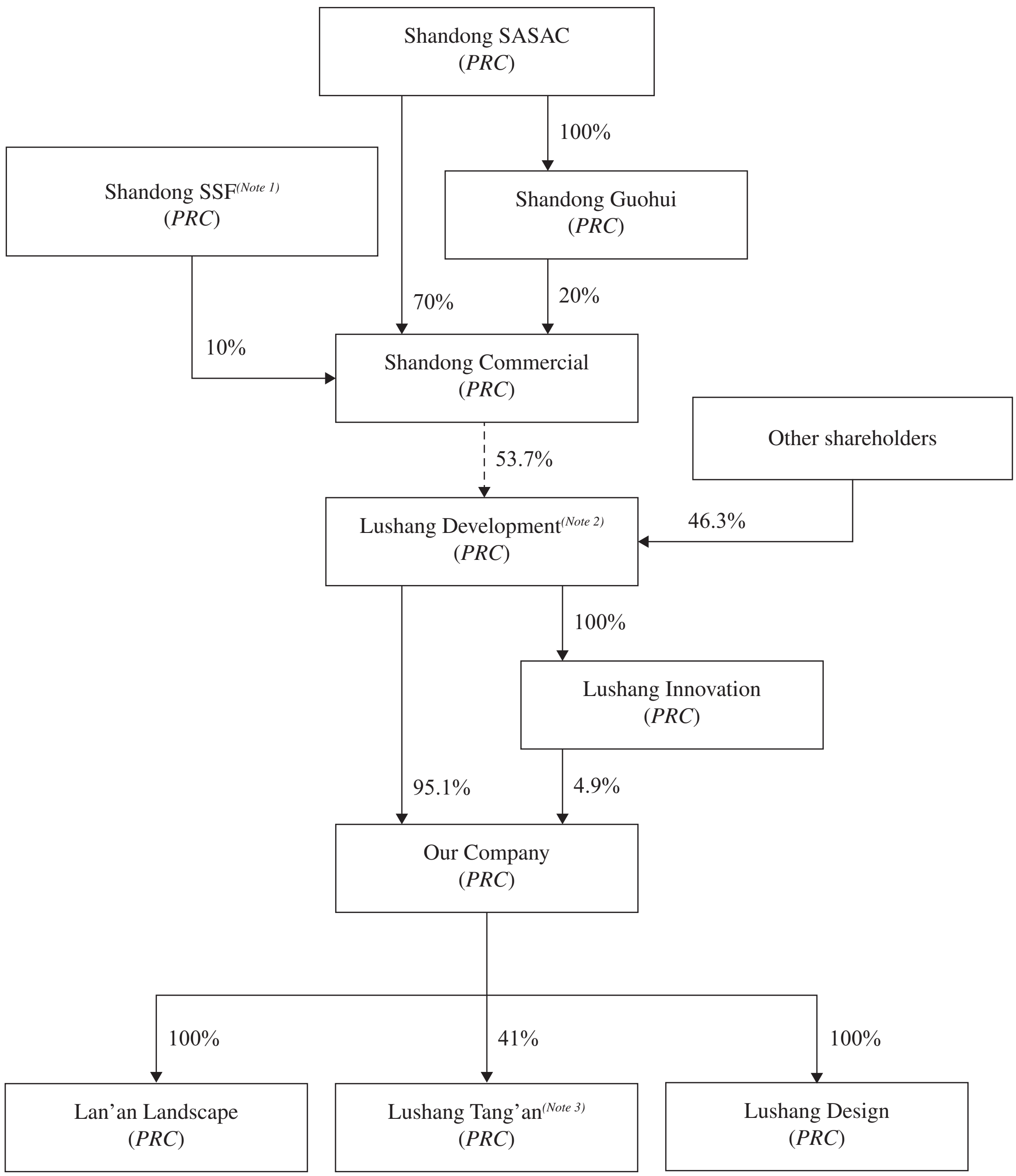
On March 12, 2021, our Company was converted from a limited liability company into a joint-stock limited liability company. For details, please refer to the paragraph headed "Our Corporate Development—Establishment and development of our Company" in this section.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that, all the acquisitions and equity transfers as described in "—Reorganization" were properly and legally completed and all necessary approvals, filings and registrations from the relevant PRC authorities have been obtained and completed.

CORPORATE STRUCTURE AFTER THE COMPLETION OF THE REORGANIZATION AND IMMEDIATELY BEFORE COMPLETION OF THE [REDACTED]

The following diagram illustrates our simplified shareholding and corporate structure after the completion of the Reorganization and immediately before completion of the [**REDACTED**]:



Notes:

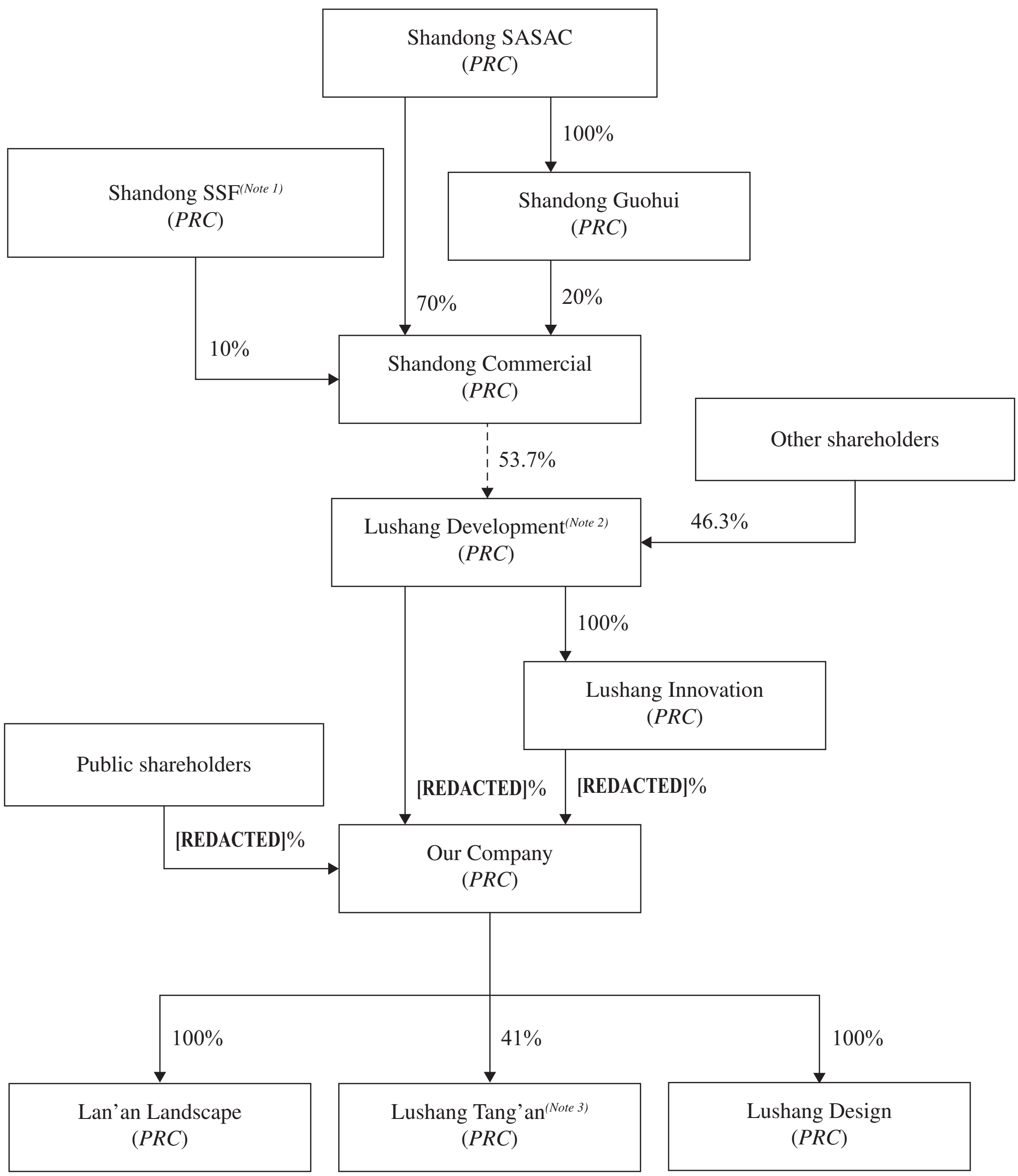
1. Shandong SSF is a provincial government agency ultimately owned by Shandong Provincial People's Government (山東省人民政府) and is responsible for the management and operation of the assets of Shandong Social Security Fund (山東省社會保障基金).

2. As of the Latest Practicable Date, Lushang Development was owned as to approximately 52% by Shandong Commercial, 1.7% by Lushang Group and 46.3% by other shareholders. Lushang Group was owned as to approximately 68.2% by Shandong Commercial and 31.8% by Shandong World Trade Center (山東世界貿易中心), an Independent Third Party.

3. As of the Latest Practicable Date, the remaining 49% and 10% equity interest in Lushang Tang'an was held by Tang'an Hengye, an Independent Third Party, and Jinan Shangxin, our employee stock ownership platform, respectively. Pursuant to the cooperation agreement entered into among Tang'an Hengye, Jinan Shangxin and our Company, our Company is entitled to exercise voting rights of 51% of the total registered capital of Lushang Tang'an through our 41% direct shareholding in Lushang Tang'an and exercising 10% of voting rights entrusted to us by Jinan Shangxin.

CORPORATE STRUCTURE UPON COMPLETION OF THE [REDACTED]

The following diagram illustrates our shareholding and corporate structure immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Note:

See the notes under "—Corporate Structure after the completion of the Reorganization and immediately before completion of the [**REDACTED**]."

Except for the H Shares to be held by the public shareholders upon the completion of the [**REDACTED**], the Shares held by our domestic shareholders will not be considered as part of the public float as they are Domestic Shares which we did not apply for conversion into H Shares and which will not be [**REDACTED**] immediately after the completion of the [**REDACTED**].

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

OVERVIEW

We are a comprehensive property management service provider with a market leading position in Shandong Province and a proven track record of rapid growth. Headquartered in Jinan, Shandong Province, we have, through over 15 years of development since our inception in 2006, expanded our coverage to nearly all prefecture-level cities in Shandong Province and to Beijing and Harbin. According to CIA, we were ranked 41st among the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業) in terms of overall strength and were recognized as an "Outstanding Enterprise in the Property Management Industry with Diversified Operations in 2021" (2021物業管理行業多元化運營優秀企業) and one of the "Leading Property Management Brands in Specialized Operations in 2021" (2021物業服務專業化運營領先品牌企業).

Deeply rooted in Shandong Province, as of December 31, 2021, we were contracted to manage 82 properties with an aggregate contracted GFA of over 26.2 million sq.m., covering 12 cities in China, and we managed 82 properties with a total GFA under our management of approximately 22.9 million sq.m., among which 75 contracted properties with contracted GFA of 23.9 million sq.m. and 75 managed properties with a total GFA under our management of approximately 20.3 million sq.m. were located in Shandong Province, serving approximately 80,000 households and business customers. Shandong Province which, according to CIA, is one of the most populous and economically prosperous provinces in China, has always been and will continue to be our strategic development focus. According to CIA, the aggregate GDP of Shandong Province ranked third among all provinces in China in 2021, and the per capita annual disposable income in Shandong Province are higher than the average in China.

Throughout the course of our development, we have adhered to our vision of "building sweet and healthy home" for property owners and residents ("健康為民,幸福為家") in conducting our business. We believe that our commitment to customer satisfaction and customer-centric culture have shaped our brand image and helped us established leading market position in Shandong Province. As a result of our efficient operation and quality services, we experienced rapid growth during the Track Record Period. Our revenue increased at a CAGR of 34.7% from RMB321.1 million in 2019 to RMB582.8 million in 2021. Our net profit increased at a CAGR of 63.2% from RMB28.9 million in 2019 to RMB77.0 million in 2021.

COMPETITIVE STRENGTHS

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

A Comprehensive Property Management Service Provider with a Leading Market Position in Shandong Province and a Proven Track Record of Robust Growth

We are a comprehensive property management service provider with a leading market position in Shandong Province and a proven track record of rapid growth. Headquartered in Jinan, Shandong Province, we have, through over 15 years of development since our inception in 2006, expanded our coverage to nearly all prefecture-level cities in Shandong Province and to Beijing and Harbin. According to CIA, we were ranked 41st among the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業) in terms of overall strength and were ranked first, fifth, sixth, sixth and seventh among the 2022 Top 100 Property Management Companies (2022中國物業服務百強企業) headquartered in Shandong Province in terms of proportion of value-added services revenue, net profit, gross profit, revenue and GFA under management in 2021, respectively, and were recognized as an "Outstanding Enterprise in the Property Management Industry with Diversified Operations in 2021" (2021物業管理行業多元化運營優秀企業) and one of the "Leading Property Management Brands in Specialized Operations in 2021" (2021物業服務專業化運營領先品牌企業).

We believe our strategic focus on Shandong Province has contributed to our historical growth. Deeply rooted in Shandong Province, as of December 31, 2021, we were contracted to manage 82 properties with an aggregate contracted GFA of over 26.2 million sq.m., covering 12 cities in China. As of the same date, we had 82 projects under our management with GFA under management of approximately 22.9 million sq.m. Among these projects, 75 contracted properties with contracted GFA of 23.9 million sq.m. and 75 managed properties with GFA under management of approximately 20.3 million sq.m. were located in Shandong Province, covering most of the prefecture-level cities in the province and serving approximately 80,000 households and business customers. Our managed projects which are located in Shandong Province contributed to approximately 88.6% of our aggregate GFA under management as of December 31, 2021 and 82.3% and 82.5% of our revenue of property management services in 2020 and 2021, respectively. Shandong Province which, according to CIA, is one of the most populous and economically prosperous provinces in China, has always been and will continue to be our strategic development focus. According to CIA, the aggregate GDP of Shandong Province ranked third among all provinces in China in 2021, and the per capita annual disposable income in Shandong Province is higher than the average in China. We expect that, with our current leading market position in Shandong Province and a proven track record, we will continue to benefit from the growth opportunities in the region.

Leveraging our strategic focus on and extensive industry experience in Shandong Province, we have established our leading position in this region and enriched our project and service portfolio. Our contracted properties include residential communities, office buildings, commercial complexes, municipal facilities such as city roads, apartments, schools, theme towns, hospitals, banks, industrial parks and airline base property. In addition to quality traditional property management services for residential communities, we endeavor to continuously expand service offering to diverse nonresidential properties and strengthen our comprehensive property management capabilities with high service quality. Our leading position, competitive pricing and good reputation in the Shandong market give us relatively strong bargaining power. Our average monthly property management fees was competitive. In 2019, 2020 and 2021, our average monthly property management fees were relatively low as compared to the average monthly property management fees for the Top 100 Property Management Companies in the PRC that were headquartered in Shandong Province of RMB3.05 per sq.m., RMB3.02 per sq.m. and RMB3.01 per sq.m., respectively, for the same periods, according to CIA. We believe our relatively low average monthly property management fees during the Track Record Period helped us gain a competitive position when expanding our property portfolio to cover more properties developed by Independent Third Parties. Our bidding success rate for properties developed by Independent Third Parties increased from 20.0% in 2019 to 44.7% in 2021.

Our contracted GFA, GFA under management, revenue and net profit experienced CAGRs of 46.9%, 45.9%, 34.7% and 63.2% from 2019 to 2021, respectively. We believe that our leading market position in Shandong Province and our continuous efforts to offer quality and diversified services to our customers have contributed to our fast growth during the Track Record Period, and will continue to pave the path of our future growth.

Long-term and Stable Cooperation with Lushang Development Group and Shandong Commercial Group Contributing to Continuous and Sustainable Business Growth

Our controlling shareholder, Lushang Development Company, is a comprehensive property developer listed on the Shanghai Stock Exchange (stock code: 600223). Committed to a broad national strategy as well as having deep regional roots in Shandong Province, Lushang Development Group continuously expands its business scope, refines its asset portfolio and fulfills the needs of different customers. Lushang Development Group has developed a diversified portfolio of quality properties covering shopping malls, commercial pedestrian streets, residential buildings, office buildings and hotels, among others, and was recognized as one of the Top 100 PRC Property Developers in terms of overall strengths (中國房地產開發百強企業) by China Real Estate Top 10 Research Group (中國房地產Top 10研究組) in 2021. In 2021, it had contracted sales of RMB14.6 billion, was contracted to develop properties with a total GFA of 1.4 million sq.m., had newly developed properties with a total GFA of 1.4 million sq.m. and had completed properties with a total GFA of 1.1 million sq.m. As of December 31, 2021, its properties under development had a GFA of 4.5 million sq.m. Our business scaled up in concert with the rapid expansion of Lushang Development Group. As of December 31, 2020, 41 properties under our management were developed by Lushang Development Group with a total GFA under management of 11.8 million sq.m., representing

76.6% of our total GFA under management as of the same date, and, as of December 31, 2021, 45 properties under our management were developed by Lushang Development Group with a total GFA under management of 12.4 million sq.m., representing 54.3% of our total GFA under management as of the same date. We believe that we can continue to leverage Lushang Development Group's sizeable property portfolio and land reserve to further expand our market coverage and enrich our project portfolio going forward.

In addition, Shandong Commercial, the controlling shareholder of us and Lushang Development Company, is a large-scale holding company with a wider range of investments in retail, healthcare, finance and commercial tourism and hotel administration, among other sectors, which are expected to meet the continuously increasing demand for lifestyle products and services of property owners and users we serve and further contribute to the diversification of our property and service portfolio. For example, we believe that we can leverage Shandong Commercial Group's expertize in retail, healthcare and green development industries to further diversify our service offering to residents such as school child care services and renovation and management of old communities. We can also benefit from Shandong Commercial Group's city waste recycling research plan to explore cooperation opportunities with Shandong Commercial Group and local public entities to expand our service offering to city waste collection and management, city facility cleaning as well as gardening and city garden maintenance, such as our "City with No Wastes" (無廢城市) project in Tai'an. As of December 31, 2021, we were contracted to manage six commercial properties, eco-industrial parks and hotels owned by Shandong Commercial Remaining Group. We believe that our long-term and stable cooperation with Lushang Development Group and Shandong Commercial Group enables us to fully understand their demands for service scope and quality. During the Track Record Period, our tender success rate with respect to properties developed or owned by Lushang Development Group remained at 100.0%. As of the Latest Practicable Date, one property management project developed by Lushang Development Group for which we had entered into the bidding process was expected to be delivered to us in 2022. The project was located in Tai'an with land area of approximately 86,000 sq.m. and contracted GFA of approximately 120,000 sq.m. In 2019, 2020 and 2021, our retention rate of the properties developed by Lushang Development Group was 97.2%, 100.0% and 100.0%, respectively. In 2019, 2020 and 2021, we generated 25.0%, 32.2% and 37.4%, respectively, of our total revenue from Shandong Commercial Group and its associate.

The rapid expansion in the scope of both Lushang Development Group's and Shandong Commercial Group's business operations have provided, and we believe will continue to provide, solid support for our continuous growth and diversification of our property and service portfolio going forward.

Multiple Revenue Streams Derived from Diversified Service Offerings and Property Portfolio

We provide property management to a diversified portfolio of properties, including both residential properties and nonresidential properties such as commercial complexes, municipal facilities, office buildings, apartments, schools, theme towns, hospitals, banks, industrial parks and airline base property. As of December 31, 2021, we managed a total of 44 nonresidential properties and had been contracted to manage 44 nonresidential properties, with an aggregate GFA under management and contracted GFA of 10.7 million sq.m. and 11.1 million sq.m., respectively. Our diversified portfolio of properties under management has helped us diversify our revenue streams. It also positions us well to take advantage of a wide range of high-quality third-party property management projects. In 2014, we took our first step in working with independent third-party property developers by taking over the management of an office building for a leading finance lease company in Shandong Province. As of December 31, 2021, we have been contracted to manage and managed 32 properties developed by independent third-party property developers with a total contracted GFA of 10.5 million sq.m. and a total GFA under management of 9.5 million sq.m.

To better serve our customers' diverse needs, we have also introduced a series of value-added services to property owners and non-property owners to enhance customer stickiness while diversifying revenue streams. In 2019, 2020 and 2021, our community value-added services and value-added services to non-property owners in aggregate accounted for 43.8%, 49.4% and 56.3% of our total revenue, respectively.

- Our value-added services to non-property owners, comprising property developers, cover the entire industry value chain of real estate development. Our value-added services to non-property owners comprise (i) design services, where we provide professional design and construction services including, among others, preparation of construction blueprints and design plans for building structures, facilities, water supply, electricity and heating systems and interior decoration before the construction begins; (ii) preliminary property management services, including construction site management, sales office management and consulting services during the course of construction and pre-sale; (iii) landscaping services under which we offer tailored design and construction services such as preparation of landscape design for residential communities and sales offices, terrain modification and planting of nursery plants; (iv) pre-delivery services, including pre-delivery cleaning and inspection services after the completion of development and during the delivery process; and (v) other customized value-added services addressing various demands such as repair and maintenance services during the post-delivery quality warranty periods of properties and property agency services with respect to unsold properties and parking spaces. Through the provision of such services, we can establish in-depth and extensive cooperative relationships with property developers, while developing warm interaction with property owners to increase customer stickiness at a relatively early stage.

- We leverage our strong resource integration capability to offer property owners and residents a wide spectrum of demand-inspired community value-added services. For example, we offer (i) utility management services where we assist property owners and residents in payment of utility fees and management of air conditioning and heating supply; (ii) parking space management services where we offer temporary parking spaces to property owners and residents and bring them convenience; (iii) community living services such as customized waste cleaning and housekeeping services. We also built up our "Lushang Qifu" (魯商祺服) service system and plan to further expand our service scale and scope. For example, leverage our knowledge of available spaces and customer needs at our managed communities, we introduced diverse customer-centric services, such as community school child care services where we cooperate with professional qualified institutions by offering spaces and assisting in event organization, as well as community restaurants where we offer healthy, convenient and gourmet catering to residents at our managed communities, which we plan to further expand business scale at more communities under our management. We may also offer property owners personalized turnkey furnishing and home renovation services according to their demands to enhance convenience for our customers, improve customer experience and broaden our revenue sources; and (iv) community space and resource management services where we integrate resources in our managed residential communities by assisting property owners with common area management.

We believe that provision of diverse services will improve customers' loyalty, increase our brand recognition and enhance our financial performance.

Strong Brand Image Supported by Quality Services

Adhering to the vision of building sweet and healthy home for property owners and residents ("健康為民,幸福為家"), we have been committed to continuously refining our service quality through development and implementation of stringent quality standards. Guided by our standardized service system, we endeavor to deliver quality services to maximize customer experiences with efficiency. For example, we have obtained the ISO9001 quality management system certification, ISO45001 occupational health and safety management system certification and ISO14001 environmental management system certification. According to Qingdao Kaiwuyanchuang Brand Consultant Co., Ltd (青島開物研創品牌顧問有限公司), our overall customer satisfaction rate in 2019 and 2020 remained relatively high at 83.6% and 86.6%, respectively, and, according to CIA, our customer satisfaction rate for the commercial properties under our management in 2021 amounted to 86.2%. The customer satisfaction rate was calculated by dividing the number of positive responses by the total number of valid responses and multiplying by 100.0% and based on its assessment of several key factors such as functionality, efficiency, comfortableness, safety, civility, intelligence and brand image. In addition, a number of properties under our management have received awards in recognition of our service quality. For example, our Heze Phoenix City (菏澤鳳凰城), a residential property under our management, was recognized as a "Garden-style Residential Community at Provincial Level" (省級園林式居住區) by Shandong Landscaping Industry Association (山東

省園林綠化行業協會) in 2019 and our Yinzuo Jingdu International Program (銀座晶都國際項目), an office building under our management, and Yinzuo Garden Program (銀座花園項目), a residential property under our management, were recognized as the "Leading Property Management Programs in respond to COVID-19" ("疫情防控工作先進物業服務項目") by Housing and Urban-rural Construction Bureau of Jinan (濟南市住房和城鄉建設局) in 2020.

We have established various procedures and systems to monitor and maintain the quality of our services, including but not limited to, a service hotline "400," customer re-visit and satisfaction level reviews by project managers, as well as periodic and selected evaluation of services, feedback reviews and onsite visit. Based on our management experiences, information and knowledge built on issues previously encountered and resolved, we have formulated detailed and replicable service standards and operating procedures, ranging from staff training to customer complaint management, to ensure that our service quality is closely monitored and reviewed. We train our customer service representatives to respond to customer inquiries timely, proactively introduce our services to customers and promptly resolve customer complaints. We also use our customer feedback system to timely track customers' complaints and responses which allows us to expand our service offerings, and improve our communication methods and issue handling capabilities based on customer experiences. As a result of our established brand image and quality services, we achieved high retention rate which in 2019, 2020 and 2021, was 92.3%, 100.0% and 98.8%, respectively. In addition, our collection rate of property management fees in 2019, 2020 and 2021, calculated by dividing the property management fees we received for a period by the total property management fees payable to us for the same period, reached 83.7%, 85.6% and 87.4%, respectively. In particular, our collection rate of property management fees in 2019, 2020 and 2021 was 79.0%, 83.7% and 85.1% for residential properties and 94.8%, 90.5% and 92.9% for non-residential properties.

Advanced Technology Solutions and Standardized Management Systems to Enhance Operational Efficiency and Improve Customer Experience

We are committed to building smart communities by providing advanced technology solutions and utilizing standardized management systems to enhance customer experiences while improving operational efficiency. We integrate online and offline resources to offer customized one-stop services. We operate WeChat mini programs to connect property owners and residents with our staff. We use information technology to further promote smart community management and therefore improve user experience and reduce costs. For example, our online channels facilitate our property management services by allowing customers to make online payments, service requests, complaints and feedback, which lowers our labor costs but also enhances customer satisfactions. Our smart parking system facilitates our parking space management by allowing customers to make online payment and remote control, which reduces costs but also improves the traffic flow in the parking lots. Our online channels incorporate functions such as online payment, service request, complaints and feedback, community announcements, tailored housekeeping services, property agency services and visitor registration, providing convenience to customers. Such technological tools also allow our staff to interact frequently with property owners and residents, obtain first-hand information on their needs, and provide tailored services. As advised by our PRC Legal

Advisors, we are not required to obtain the Value-added Telecommunication License for Internet Information Service (增值電信業務經營許可證) or other licenses to provide online services. According to the Telecommunication Regulation (《電信條例》), telecommunication business shall be conducted with a telecommunication business license or filling obtained from the Ministry of Industry and Information Technology or the competent telecommunications administrative authorities. The Catalog of Telecommunications Business (《電信業務分類目錄》) stipulates detailed categories of the telecommunications business. Pursuant to the Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》), entities engaged in providing commercial Internet information service shall apply for a license for value-added telecommunication services of Internet information services. Commercial Internet information service refers to the service activities of compensated provision to online subscribers through the Internet of information or website production. Non-commercial Internet service refers to the provision free of charge of public, commonly shared information through the Internet to web users.

The services we provided during the Track Record Period mainly included WeChat mini programs, online channels and smart parking system for our managed properties and as advised by the PRC Legal Advisors are non-commercial Internet information services. Therefore, as advised by the PRC Legal Advisors, a license for value-added telecommunication services of Internet information services and/or an Internet content provider license is not required for the services we provided during the Track Record Period.

In addition, we utilize advanced hardware in our managed communities and properties to enable automation, improve energy and operation efficiency, reduce reliance on labor and further enhance service quality. For example, we have installed IoT sensors to closely monitor our key equipment and facilities to enable our management team to have a real-time knowledge of their running conditions and enhance management of energy utilization and operation efficiency. We have also adopted intelligent access control systems with face recognition functions to reduce the number of security service personnel, while allowing users to grant access to visitors through online channels conveniently.

Our advanced technologies also help us build up standardized business operations and improve management effectiveness by providing technical support for our various business operations. Our management systems adopt functions such as data and information management, payment processing, service request management, customer relationship management, asset management and repair and maintenance management. The advanced technology solutions enable our staff to access and monitor operating information and data in real time, providing us with valuable information for our management's decision-making processes and realize synergies between online and offline resources. Leveraging our rich management and service experience, we have established standardized management systems with detailed management guidelines covering service standards, inventory management and employee trainings, among others. Our standardized management systems allow us to achieve refined, systematized and flattened management structure, and scale up efficiently.

Through the application of advanced technology solutions and standardized management systems, we have effectively enhanced customer satisfaction and improved our operational efficiency. In 2019, 2020 and 2021, our gross profit margin was 17.4%, 19.8% and 25.4%, respectively. From December 31, 2019 to December 31, 2021, our GFA under management per employee increased at a CAGR of 25.2%. Our GFA under management per employee was approximately 10,077 sq.m., approximately 13,767 sq.m. and approximately 15,794 sq.m. in 2019, 2020 and 2021, higher than the the average GFA under management per employee for the Top 100 Property Management Companies of 8,182 sq.m., 8,684 sq.m. and 9,636 sq.m for the same periods, respectively, according to CIA. Our capita income per employee (calculated as revenue for the period divided by the number of employees as of the end of that period) increased at a CAGR of 15.6% from December 31, 2019 to December 31, 2021. We believe that our standardized operational procedures will continue to help us further reduce costs and improve our operational efficiency.

Seasoned and Professional Management Team and Effective Human Resource System

We believe that our success and future prospects are dependent on our professional management team and employees. Our core management team has an average of over 15 years of extensive experience in companies along the property management industry value chain and has an average of over ten years of management experience. Their keen industry insight and rich management experience have proven to be valuable to us, allowing us to capture market growth and optimize strategic planning. Their backgrounds and prior experience will also help us integrate upstream and downstream resources along the industry value chain and further upgrade service offering to cater to diverse customer demands.

We believe that talent is our core competitiveness for sustainable development and we have established an effective human resources management system, comprising a competitive remuneration program, effective internal evaluation system as well as a sound training and promotion system. We recruit and train employees with solid technical skills who we believe can support our future growth. To retain and motivate our workforce, we offer our employees career advancement prospects, adequate benefits and compensation and professional skill development trainings catering to the job requirements. We provide various professional trainings according to the needs of different positions. We also motivate our employees at all positions with competitive compensation schemes, performance-based incentives and career development opportunities. Through a sound employee welfare system, a competitive salary structure and performance incentive system, we attract outstanding talent to join our Group. Through the abovementioned programs and policies, we have built up a deep talent pool for our continuous business growth.

BUSINESS STRATEGIES

Expand Business Scale and Solidify Our Market Position in Shandong Province through Strategic Cooperation, Acquisitions and Investments

We plan to continue to solidify our market position in Shandong Province and expand market share in regions where we have operations, such as Beijing and Harbin, through both organic growth and strategic cooperation, acquisitions and investments. First of all, leveraging our rich operational experience and established business relationships with our customers and business partners in Shandong Province, we plan to further explore business collaboration with local governments and public entities such as local city investment companies to solidify our market position in Shandong Province. To achieve these goals, we plan to actively enlarge the business scale of our managed public facilities and office buildings for public entities, while exploring opportunities to establish joint ventures with local governments and public entities to consolidate resources in Shandong Province. Based on our experience in serving properties and people, we also intend to strategically expand our service offering to city services such as municipal sanitation services, municipal park and recreation center management, renovation and management of old communities, and maintenance of municipal forests and green spaces.

To facilitate our expansion plan, we will also selectively acquire or invest in property management companies with complementary strengths or with targeted operation scale and profitability. We plan to select target companies for acquisitions or investments based on a number of factors, including service offering, geographic coverage, property portfolio, financial stability, growth potential, brand image, competitiveness, as well as qualifications in service areas that we consider profitable or compatible with our expansion strategy. We intend to target property management companies that can further diversify and expand our managed property portfolio, in particular, with respect to commercial complexes, office buildings, industrial parks, educational institutions and hospitals. We also intend to identify and selectively acquire equity interests in mid- to high-end residential property projects. We expect the acquisitions and investments to enlarge our potential customer pool for our value-added services, leading to more opportunities for cross-selling. We plan to focus on the effective integration of human resources, organizational structure and corporate culture when integrating newly acquired targets, which we believe will lead to improved overall management efficiency and service capabilities. The number of our actual acquisition or investment will depend on the scale and consideration required. The main criteria for target companies include (i) a total GFA under management ranging from 0.6 million to 5.0 million sq.m., (ii) a total annual operating revenue ranging from RMB10.0 million to RMB50.0 million, (iii) a total net profit of over RMB5.0 million and (iv) an average gross profit margin of above 13.0%, for the target's most recent financial year. As of the Latest Practicable Date, we have not identified any suitable targets that fit our criteria and will complement our business strategies. See "Future Plans and Use of [**REDACTED**]" in this document for more details.

In addition, we intend to expand and solidify our cooperation with various business segments of Lushang Development Group to further grow our business operations. Besides cooperation with Lushang Development Group, we also plan to strengthen our business development capabilities by undertaking more property management service agreements with independent third-party property developers or customers by leveraging our brand image and business know-hows accumulated through our decades of successful business operations. To achieve this goal, we plan to further enhance our capabilities to provide one-stop property management service solutions, ranging from traditional property management services to various value-added services, to improve customer experience and enhance our brand awareness. As of December 31, 2021, we had already been contracted to manage a total GFA of 10.5 million sq.m. by independent third-party property developers, accounting for 40.1% of our total contracted GFA as of the same date. As we continue to ramp up our efforts to obtain property management service agreements from independent third-party property developers, we expect such percentage to continue to rise.

We believe that suitable cooperation, investments and acquisitions will help us further increase the breadth of our service offering and geographic coverage of our project portfolio. We plan to invest approximately [**REDACTED**]% of our net [**REDACTED**] from the [**REDACTED**] in strategic cooperation, acquisitions and investments to expand our business scale and solidify our market position in Shandong Province. Leveraging industry consolidation trend, our established market position, standardized internal control measures and extensive industrial experience, we believe we can successfully implement our acquisition strategies and realize integration with potential targets. See "Future Plans and Use of [**REDACTED**]—Use of [**REDACTED**]."

Continue to Provide Quality and Diversified Value-added Service Offerings

We are dedicated to satisfying our customers' needs by further strengthening our capabilities to provide quality and diversified value-added services throughout the value chain of property development and management. We endeavor to further improve our traditional property management services to enhance customer experiences by offering more training programs for our property management personnel to enhance their professional skills, while investing in our brand promotion, upgrading facilities used by our personnel and organizing more community activities to enhance customer experiences. We plan to use approximately [**REDACTED**]% of our net [**REDACTED**] from the [**REDACTED**] to further enhance our property management services to improve our customers' experience and satisfaction. See "Future Plans and Use of [**REDACTED**]—Use of [**REDACTED**]."

We also plan to offer more diverse and featured value-added services to property owners and residents, for example, by establishing property transaction platform to assist them in their property sales or leasing process, setting up community service centers at our managed communities which can be used by residents as recreation centers for diverse activities, operating community restaurants to offer residents healthy, convenient and gourmet catering, organizing community markets to bring the maximized comfort and convenience to property owners' daily life, as well as providing safe, healthy and stimulating afterschool places for children and youth at our managed properties where they can participate in various enriching activities and classes. We plan to use approximately [**REDACTED**]% of our net [**REDACTED**] from the [**REDACTED**] to support the development of our diverse community value-added services. See "Future Plans and Use of [**REDACTED**]—Use of [**REDACTED**]." In addition, we plan to provide residents with housekeeping services, car washing and parcel storage and delivery services. For older residential properties, we plan to offer more customized services such as home renovation and furnishing services. For nonresidential properties, we may offer various value-added services, such as administration and employee benefit support services, shared office space leasing services, lunch catering and external wall and air-conditioning unit cleaning services. We also plan to offer asset services along the industry chain to serve our customers' properties, with a focus to expand our business to provide preliminary property consulting services, pre-owned property leasing and sales agency services, asset-light property operation services and space operation services.

We also intend to acquire or invest in upstream or downstream companies to cover additional value-added service, such as companies that (i) provide high-end housekeeping services, (ii) cultivates agricultural products for household consumptions, (iii) operate as child-care centers and/or (iv) are qualified to offer elderly service agency services. According to CIA, there is vast market potential for community value-added services, such as real estate agency, health-related services and home decoration services, as they cater to the everyday living needs of property owners and residents, making a property management company's business expansion into these services feasible. We learned the needs of property owners and residents through daily interactions with them, including the customer demands for these value-added services and believe that we are well positioned to expand into these areas. We will also further expand our offering of various value-added services to property developer to provide more targeted solutions such as property transaction agency services.

Improve Our Standardized Operations and Automation Systems to Enhance Service Quality and Operational Efficiency

We plan to further improve our service quality and enhance customer experience by developing and upgrading our technologies and standardized operations. In particular, we plan to execute the following measures:

- utilizing more advanced technology solutions to provide more convenient and reliable services, including online and onsite services in community retail, property management fee payment, repair and maintenance service booking, remote access control, feedbacks and complaints;

- expanding coverage of automation systems at our managed communities such as face recognition systems, online communication channels, intelligent security and facility management systems to support standardized business operations and internal management, while promoting the development of smart communities with better safety, comfort and convenience;

- investing in the development and upgrade of our internal management systems and standardized operations with technologies to continuously improve our management details and operation efficiency, including human resource management, budge management, contract management, procurement and inventory management, facility and equipment real-time monitor, service quality control, data management and analysis, and promotion and membership system management; and

- further developing our membership system that connects all users on our platform and in our business ecosystem such as by enhancing the functionality of our membership programs to capture members' interests in our products and services, optimizing the synergies among different property types, enhancing joint marketing initiatives and improving customers' cross-platform experiences.

We plan to use approximately [**REDACTED**]% of our net [**REDACTED**] from the [**REDACTED**] for investing in information technology systems and standardized business operations. See "Future Plans and Use of [**REDACTED**]—Use of [**REDACTED**]."

Continue to Attract, Cultivate and Retain Talent

We firmly believe that our past success was largely attributable to our team of talented and dedicated employees. To sustain our business growth and successfully implement our strategies, we intend to further invest in recruitment, trainings and employee incentive mechanisms.

In terms of talent recruitment, we will continue to explore diversified talent recruitment channels, such as campus recruiting and lateral hiring of capable candidates with appropriate experience that fit our growth strategies. We will also continue to internally develop training programs based on our development needs, as well as cooperate with third-party training service providers to develop training curriculum that broaden our employees' insights and business acumen. For example, we have initiated "Project Cloud" (淩雲計劃) to offer critical special training programs for our senior management team and "Project Sunlight" (向陽計劃) to train our management trainees and entry level employees for them to familiarize themselves with our company history, corporate culture, internal rules and policies and relevant knowledge with respect to property management services. We also plan to further develop our internal promotion scheme, including internal transfers, rotation and promotions, which allows qualified employees to take on more responsibilities and receive more rewards. We will also optimize our human resource structure and provide competitive remuneration and benefit packages that are designed to motivate our employees to deliver performances that exceed expectations and industry standards. We will continue to refine our remuneration plans and formulate employee incentive mechanism to retain and motivate outstanding employees to align their benefits with our interest.

With these efforts, we will be able to further enhance service quality and improve employee productivity, cultivate a sense of belonging and promote our long-term sustainable growth. We plan to use approximately [**REDACTED**]% of our net [**REDACTED**] from the [**REDACTED**] for working capital and other general corporate purpose. See "Future Plans and Use of [**REDACTED**]—Use of [**REDACTED**]."

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue primarily from three business lines: (i) property management services, (ii) value-added services to non-property owners and (iii) community value-added services.

- *Property Management Services.* We provide property developers, property owners (including public entities), residents and tenants with a wide range of property management services, comprising cleaning, security, greening, repair and maintenance, public area maintenance and other property management related services. We manage a diverse portfolio of properties, including (i) residential properties; (ii) nonresidential properties such as commercial complexes, office buildings and apartments; and (iii) other type of properties including municipal facilities such as city roads, schools, theme towns, hospitals, banks, industrial parks and airline base property. We generally charge property management fees on a lump sum basis.

- *Value-added Services to Non-Property Owners.* We offer a wide spectrum of value-added services to property developers. Our value-added services to non-property owners cover various stages of the property development and delivery process, primarily including (i) design services, where we provide property developers and schools comprehensive design services for property development, including preparation of construction blueprints and design plans for building structures, facilities, water supply, electricity and heating systems and interior decoration such as for hotels, commercial complexes, property developers' sales offices and show flats and common area, before the construction begins; (ii) preliminary property management services, which mainly include (a) construction site management in which we patrol and manage the security of property developers' construction sites; (b) sales office management services in which we provide property management services to property developers' sales offices and show flats; and (c) consulting services in which we advise on various stages of property developers' business operations from a property management perspective; (iii) landscaping services under which we offer property developers a variety of landscape design and construction services based on our customers' needs including preparation of landscape design for residential communities and sales offices, terrain modification and planting of nursery plants; (iv) pre-delivery services in which we clean and inspect the properties to be delivered, as well as assist in the delivery process; and (v) other customized services such as repair and maintenance services in which we assist with the repair and maintenance of properties during their post-delivery quality warranty periods, and property agency services in which we facilitate property developers in selling unsold properties and parking spaces.

- *Community Value-added Services.* We aim to improve our property owners' and residents' quality of life by providing them with access to a wide range of community value-added services. Our community value-added services primarily consist of: (i) parking space management services where we offer temporary parking spaces to property owners and residents and bring them convenience; (ii) community living services such as customized waste cleaning and housekeeping services to address customers' diverse needs; (iii) utility management services where we assist property owners and residents in payment of utility fees and management of air conditioning and heating supply; and (iv) community space and resource management services, in which we rent out leasable common area to third-party vendors such as lift advertising spaces, basements and outer wall advertising spaces and assist property owners and residents in managing recreation centers, community space and storage spaces at our managed communities.

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

	For the year ended December 31,					
	2019		2020		2021	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	**180,475**	**56.2**	**204,001**	**50.6**	**255,485**	**43.8**
-Lushang Development Group	*9,880*	*3.1*	*9,112*	*2.3*	*7,349*	*1.3*
-Shandong Commercial Remaining Group	*1,188*	*0.4*	*2,770*	*0.7*	*9,948*	*1.7*
Subtotal	11,068	3.5	11,882	3.0	17,297	3.0
-Independent Third Parties	169,407	52.8	192,119	47.7	238,188	40.8
Value-added services to non-property owners	**70,963**	**22.1**	**119,884**	**29.8**	**204,816**	**35.1**
-Lushang Development Group	*61,232*	*19.1*	*107,766*	*26.8*	*161,199*	*27.7*
-Shandong Commercial Remaining Group	*6,251*	*1.9*	*8,032*	*2.0*	*36,450*	*6.3*
Subtotal	67,483	21.0	115,798	28.8	197,649	34.0
-Independent Third Parties	3,480	1.1	4,086	1.0	7,167	1.1
Community value-added services	**69,707**	**21.7**	**78,959**	**19.6**	**122,502**	**21.1**
-Lushang Development Group	*25*	*0.0*	*515*	*0.1*	*1,797*	*0.3*
-Shandong Commercial Remaining Group	*1,698*	*0.5*	*1,668*	*0.4*	*953*	*0.2*
Subtotal	1,723	0.5	2,183	0.5	2,750	0.5
-Independent Third Parties	67,984	21.2	76,776	19.1	119,752	20.6
Total	**321,145**	**100.0**	**402,844**	**100.0**	**582,803**	**100.0**

Our revenue generated from value-added services to non-property owners provided to Lushang Development Group increased by 49.6% from RMB107.8 million in 2020 to RMB161.2 million in 2021, primarily due to the increase in revenue from landscaping services and design services provided to Lushang Development Group, as we continue to expand our landscaping construction services and take on more projects for our design services. We expect the above-mentioned revenue to continue increasing in the foreseeable future.

The table below sets forth a breakdown of our total revenue by type of property developer for the periods indicated:

	For the year ended December 31,					
	2019		2020		2021	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Lushang Development Group	309,492	96.4	386,092	95.8	490,715	84.2
Shandong Commercial Remaining Group	4,400	1.4	4,922	1.2	40,421	6.9
Independent Third Parties	7,253	2.3	11,830	2.9	51,667	8.9
Total	**321,145**	**100.0**	**402,844**	**100.0**	**582,803**	**100.0**

PROPERTY MANAGEMENT SERVICES

Overview

During the Track Record Period, our revenue witnessed rapid growth. The revenue generated from property management services increased at a CAGR of 19.0% from RMB180.5 million in 2019 to RMB255.5 million in 2021. As of December 31, 2019, 2020 and 2021, our total GFA under management was approximately 10.7 million sq.m., 15.4 million sq.m. and 22.9 million sq.m., respectively. Our contracted GFA was approximately 12.1 million sq.m., 19.0 million sq.m. and 26.2 million sq.m., respectively, for the same periods.

During the Track Record Period, a substantial portion of our revenue was generated from property management services provided in relation to properties developed by Lushang Development Group. In 2019, 2020 and 2021, revenue from property management services provided to properties developed by Lushang Development Group amounted to RMB178.1 million, RMB197.9 million and RMB224.0 million, respectively, accounting for 98.7%, 97.0% and 87.7%, respectively, of our total revenue from property management services for the same periods.

During the Track Record Period, we derived substantially all of our revenue from property management service agreements on a lump sum basis except for property management services provided to an airline base property in Beijing Daxing Airport, which is charged on the commission basis. The table below sets forth a breakdown of our number of projects and our total GFA under management as of the dates indicated and the total revenue from the property management service for the periods indicated, by the type of property developer:

	As of and/or for the year ended December 31,																	
	2019						2020						2021					
	Number of projects		Revenue		GFA under management		Number of projects		Revenue		GFA under management		Number of projects		Revenue		GFA under management	
		(%)	(RMB'000)	(%)	(sq.m.'000)	(%)		(%)	(RMB'000)	(%)	(sq.m.'000)	(%)		(%)	(RMB'000)	(%)	(sq.m.'000)	(%)
Projects developed by Lushang Development Group[(1)]	35	97.2	178,147	98.7	10,719	99.8	41	67.2	197,943	97.0	11,839	76.6	45	54.9	224,025	87.7	12,424	54.3
Projects developed by Shandong Commercial Remaining Group[(2)]	–	–	–	–	–	–	6	9.8	1,125	0.6	951	6.2	5	6.1	10,809	4.2	918	4.0
Subtotal	**35**	**97.2**	**178,147**	**98.7**	**10,719**	**99.8**	**47**	**77.0**	**199,068**	**97.6**	**12,790**	**82.8**	**50**	**61.0**	**234,834**	**91.9**	**13,342**	**58.3**
Projects developed by Independent Third Parties[(3)]	1	2.8	2,328	1.3	24	0.2	14	23.0	4,933	2.4	2,658	17.2	32	39.0	20,651	8.1	9,527	41.7
Total	**36**	**100.0**	**180,475**	**100.0**	**10,742**	**100.0**	**61**	**100.0**	**204,001**	**100.0**	**15,447**	**100.0**	**82**	**100.0**	**255,485**	**100.0**	**22,869**	**100.0**

(1) Refer to properties solely developed by Lushang Development Group or jointly developed by Lushang Development Group and independent third-party property developers in which project Lushang Development Group held a controlling interest.

(2) Refer to properties developed by Shandong Commercial Remaining Group by engaging third-party qualified property developers for the entire process of developing the property projects while Shandong Commercial Remaining Group held the ownership of such projects for own use.

(3) Refer to properties developed solely by independent third-party property developers. Our revenue generated from the one project developed by an independent third-party property developer in 2019 mainly consisted of one-time fee for our provision of property management services, with the average property management fee of RMB4.7 per sq.m. The average property management fees under one-time fee differ from the typical property management fee which is priced by GFA. Under the one-time fee, we negotiated and determined the total consideration for our property management services provided to the properties under our management as a whole, taking the service type, standard and equipments into account, as compared to the typical property management fee which is priced by GFA. We renewed such property management agreement in 2020 and 2021, and continued charging a one-time fee for the provision of our property management services for the two years, respectively.

Our Geographical Presence

Since our inception in 2006, we have expanded our presence in Shandong Province and to Beijing and Harbin, and have achieved an aggregate contracted GFA of 26.2 million sq.m., covering over 12 cities in the PRC, as of December 31, 2021. We managed 82 properties with an aggregate GFA under management of 22.9 million sq.m. as of December 31, 2021. In terms of geographical coverage, we generally seek mid- to high-end projects located in cities with high-growth economies in recent years and high per capita income, in Shandong Province and other areas with high potentials in the PRC. As of December 31, 2019, 2020 and 2021, in Shandong Province, we were contracted to manage 33, 57 and 75 properties, respectively, and had 33, 57 and 75 properties under our management, from which we generated revenue for property management services of RMB148.1 million, RMB168.2 million and RMB210.7 million, accounting for 46.1%, 41.8% and 36.2% of our total revenue for the respective periods.

The table below sets forth the regions and cities in which we had contracted projects and projects under management as of December 31, 2021:

Region and city	Number of properties under management	GFA under management	Number of contracted properties	Contracted GFA
		(sq.m'000)		*(sq.m'000)*
Shandong Province	**75**	**20,269**	**75**	**23,856**
Jinan	30	5,342	30	5,590
Qingdao	12	3,694	12	4,593
Linyi	8	1,806	8	1,990
Taian	6	778	6	872
Jining	2	874	2	1,160
Heze	3	1,561	3	2,076
Zibo	6	5,257	6	6,003
Yantai	3	578	3	1,193
Weifang	3	109	3	109
Dongying	2	270	2	270
Other regions	**7**	**2,600**	**7**	**2,325**
Beijing	2	413	2	413
Harbin	5	2,188	5	1,913
Total	**82**	**22,869**	**82**	**26,181**

As of December 31, 2021, our total contracted GFA of projects that were not yet delivered to us for management pursuant to the terms under our preliminary property management service agreements was approximately 3.3 million sq.m.

The table below sets forth the expiration schedule of our property management service agreements for GFA under management and contracted GFA as of December 31, 2021:

	Properties under management				Contracted properties			
	Number of agreements		GFA		Number of agreements		GFA	
		(%)	(sq.m.'000)	(%)		(%)	(sq.m.'000)	(%)
Property management service agreements without fixed terms[1]	**44**	**55.0**	**12,355**	**54.2**	**44**	**55.0**	**14,969**	**58.9**
Property management service agreements with fixed terms expiring in:								
Year ending December 31, 2022	18	22.5	1,989	8.7	18	22.5	1,989	7.8
Year ending December 31, 2023 and beyond	18	22.5	8,471	37.1	18	22.5	8,471	33.3
Subtotal	**36**	**45.0**	**10,460**	**45.8**	**36**	**45.0**	**10,460**	**41.1**
Total	**80**	**100.0**	**22,815**	**100.0**	**80**	**100.0**	**25,429**	**100.0**

(1) Property management service agreements without fixed terms are typically (i) agreements entered into with property developers before a property owners' association is set up, and (ii) agreements entered into with certain property developers, owners or residents with whom we had property management service agreements that had fixed terms, but such terms expired and will generally terminate once a property owners' association has been set up and a new property management service agreement between such property owners' association and a property management company becomes effective. Our property management service agreements with fixed terms typically provide that if the terms expired and (i) the property owners' association is not established, or (ii) the property owners' association was established but has not entered into property management services agreements with other property management company, the term will renew until the property owners' association enter into a new property management service agreement. We face certain risks if such property management agreements are terminated or not renewed. See "Risk Factors—Risks Relating to Our Business and Industry—We cannot assure you that we can secure new or renew our existing property management service contracts with property developers, including Lushang Development Group and Shandong Commercial Remaining Group, or other relevant entities, on favorable terms, or at all" for further discussion.

In 2019, 2020 and 2021, our retention rate was 92.3%, 100.0% and 98.8%, respectively. Our agreement retention rate remained relatively favorable, which we believe reflects on our capabilities in offering quality property management services. During the Track Record Period, we terminated three property management service agreements in 2019 and one property management agreement in 2021 due to our own commercial considerations such as turnover days of trade receivables and profitability of the relevant projects prior to the expirations of the relevant property management service agreements, and none of our property management service agreements was terminated or not renewed upon expiration by property owners' associations or property owners.

Scope of Services

We provide the following major categories of property management services:

- *Cleaning services*. We provide cleaning services for property units and common areas which may include property units, common areas and exterior walls. We provide our cleaning services primarily through third-party subcontractors.

- *Security services*. We seek to ensure that the properties we manage are safe and in good order. The security services we provide on a daily basis include, among others, patrolling, emergency response, entry control and fire safety management. We provide our security services primarily through third-party subcontractors.

- *Landscaping services*. We provide landscaping services which mainly include pest controlling, pruning, plant watering and fertilization for the greenery of our managed properties. We generally provide landscaping services through third-party subcontractors.

- *Repair and maintenance services*. We are generally responsible for ensuring elevator systems, fire extinguishing systems and other facilities and equipment located in common areas are in good working order. We provide regular repair and maintenance services such as for fire extinguishing systems through our employees but some repair and maintenance services through third-party subcontractors.

- *Public area maintenance.* We provide daily maintenance of public area, such as staircase, hallways, clubhouses and public gardens.

- *Other property management-related services.* We also provide other property management related services. For example, we keep and update records in relation to property owners and residents.

While providing our property management services, we respond to and record complaints and feedback on our services. See "—Quality Control—Quality Control of Our Property Management Services" below in this section for more information. As of December 31, 2021 we engaged more than 70 selected third-party subcontractors to provide certain property management services, mainly including cleaning services, security services, landscaping services and repair and maintenance services.

Portfolio of Properties under Management

We manage residential and nonresidential properties. The nonresidential properties under our management mainly include (i) commercial properties such as office buildings, commercial complexes and apartments; and (ii) other type of properties including, municipal facilities such as city roads, schools, theme towns, hospitals, banks, industrial parks and airline base property. While residential properties have generated and are expected to continue to generate a large portion of our revenue, we continuously seek to provide diversified service offerings to non-residential properties and to increase the proportion of such in our portfolio as part of our efforts to diversify our streams of income.

The table below sets forth a breakdown of our revenue from property management services for the periods indicated and our total GFA under management and contracted GFA and corresponding number of projects as of the dates indicated by the type of property:

	As of and/or for the year ended December 31,																							
	2019								2020								2021							
	Number of projects	Revenue		GFA under management		Number of agreements	Contracted GFA		Number of projects	Revenue		GFA under management		Number of agreements	Contracted GFA		Number of projects	Revenue		GFA under management		Number of agreements	Contracted GFA	
		(RMB '000)	*(%)*	*(sq.m. '000)*	*(%)*		*(sq.m. '000)*	*(%)*		*(RMB '000)*	*(%)*	*(sq.m. '000)*	*(%)*		*(sq.m. '000)*	*(%)*		*(RMB '000)*	*(%)*	*(sq.m. '000)*	*(%)*		*(sq.m. '000)*	*(%)*
Residential properties	22	126,339	70.0	8,989	83.7	22	9,948	82.0	34	145,586	71.4	11,501	74.5	34	14,656	77.0	38	170,633	66.8	12,153	53.1	38	15,033	57.4
Commercial properties	14	54,136	30.0	1,753	16.3	14	2,185	18.0	20	57,585	28.2	2,104	13.6	20	2,536	13.3	27	69,762	27.3	2,405	10.5	27	2,837	10.8
Others[(1)]	–	–	–	–	–	–	–	–	7	830	0.4	1,843	11.9	7	1,843	9.7	17	15,090	5.9	8,311	36.3	17	8,311	31.7
Total	**36**	**180,475**	**100.0**	**10,742**	**100.0**	**36**	**12,133**	**100.0**	**61**	**204,001**	**100.0**	**15,447**	**100.0**	**61**	**19,034**	**100.0**	**82**	**255,485**	**100.0**	**22,869**	**100.0**	**82**	**26,181**	**100.0**

(1) Primarily include municipal facilities such as city roads, schools, theme towns, hospitals, banks, industrial parks and airline base property.

During the Track Record Period, we generated a majority of our revenue from managing residential properties. Our revenue from providing property management services for residential properties increased from RMB126.3 million in 2019 to RMB145.6 million in 2020, and further to RMB170.6 million in 2021. Our total GFA under management for residential properties grew significantly from approximately 9.0 million sq.m. as of December 31, 2019 to approximately 12.2 million sq.m. as of December 31, 2021.

While remaining focused on property management for residential properties, we also sought to diversify our portfolio of managed properties to include a wide range of nonresidential properties. We have been contracted to manage office buildings, commercial complexes, municipal facilities, apartments, theme towns, hospitals, schools, industrial parks, banks and airline base property. The proportion of our revenue from nonresidential projects to our total revenue from property management services was 30.0%, 28.6% and 33.2% in 2019, 2020 and 2021, respectively. We believe that as we accumulate experience and recognition for the quality of our property management services to both residential and nonresidential properties, we will be able to continue to diversify our portfolio of properties under management and further enlarge our customer base. The following photos illustrate some of the commercial properties under our management.

The table below sets forth a summary of several differences between our property management services provided for residential properties and those provided for commercial properties in terms of scope of services and the formation of property owners' association.

	Residential properties	**Commercial properties**
Scope of services. .	Cleaning, security, greening, repair and maintenance, public area maintenance and other property management related services	Cleaning, security, greening, repair and maintenance, public area maintenance and other property management related services
Formation of property owners' association	Selective by property owners	Selective by property owners
Range of average property management fee during the Track Record Period *(RMB per sq.m. per month)*	1.69-1.85	3.97-4.31

Growth of Our Project Portfolio

As of December 31, 2019, 2020 and 2021, we had 36, 61 and 82 projects under management, respectively, among which one, 14 and 32, respectively, were developed by Independent Third Parties. As of December 31, 2019, 2020 and 2021, our total GFA under management was approximately 10.7 million sq.m., 15.4 million sq.m. and 22.9 million sq.m., respectively, among which approximately 0.02 million sq.m., 2.7 million sq.m. and 9.5 million sq.m., respectively, are developed by Independent Third Parties as of the same dates. During the Track Record Period, the properties under management developed by Independent Third Parties were located in Jinan, Heze, Taian, Weifang, Qingdao, Linyi, Dongying and Zibo, covering various types of properties, including residential properties, commercial properties, banks, hospitals, schools, municipal facilities and airline base property. We have been growing our project portfolio during the Track Record Period primarily by obtaining new property management service agreements. Going forward, we intend to continue to increase our business scale and market share through organic growth, strategic cooperation, investments and acquisitions, as well as exploring new business types in nonresidential properties. See "—Business Strategies—Continue to Provide Quality and Diversified Value-added Service Offerings" for more information.

The table below presents the movement of our contracted GFA and GFA under management in terms of the project number and its corresponding GFA during the Track Record Period:

	As of and/or for the year ended December 31,											
	2019				2020				2021			
	Contracted projects[1]		Projects under management		Contracted projects[1]		Projects under management		Contracted projects[1]		Projects under management	
	GFA	*Number of projects*	*GFA*	*Number of projects*	*GFA*	*Number of projects*	*GFA*	*Number of projects*	*GFA*	*Number of projects*	*GFA*	*Number of projects*
	(sq.m'000)		*(sq.m'000)*		*(sq.m'000)*		*(sq.m'000)*		*(sq.m'000)*		*(sq.m'000)*	
As of the beginning of the period	10,179	39	9,948	39	12,260	36	10,742	36	18,420	61	15,447	61
New engagements[2]	2,417	–	9,622[7]	–	6,160	25	4,705	25	7,794	22	7,455	22
– Lushang Development Group[3]	*2,417*	–	*962[7]*	–	*2,552*	*5*	*1,097*	*5*	*398*	*3*	*673*	*4*
– Shandong Commercial Remaining Group[4]	–	–	–	–	*951*	*6*	*951*	*6*	*951*	*6*	*951*	*6*
Subtotal	2,417	–	962	–	3,503	11	2,048	11	1,349	10	1,624	10
– Independent Third Parties[5]	–	–	–	–	*2,657*	*14*	*2,657*	*14*	*6,445*	*12*	*5,831*	*12*
Terminations[6]	336	3	168	3	–	–	–	–	33	1	33	1
As of the end of the period	**12,260**	**36**	**10,742**	**36**	**18,420**	**61**	**15,447**	**61**	**26,181**	**82**	**22,869**	**82**

(1) Include projects under management and projects contracted but not yet delivered.

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

(3) Refers to properties solely developed by Lushang Development Group or jointly developed by Lushang Development Group and independent third-party property developers in which Lushang Development Group held a controlling interest.

(4) Refer to properties developed by Shandong Commercial Remaining Group by engaging third-party qualified property developers for the entire process of developing the property projects while Shandong Commercial Remaining Group held the ownership of such projects for own use.

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

(6) Primarily include our non-renewal of certain property management service agreements as we reallocated our resources to more profitable engagements to optimize our project portfolio or we voluntarily withdrew from retention tender process due to hostile and vicious competition.

(7) Include a project in Jinan owned by independent third-party property developer and located in a building developed by Lushang Development Group, with GFA of approximately 3,650 sq.m. We won the bid and entered into property management service agreement with the independent third-party property developer for the project in January 2019.

The number of our new engagements of contracted projects increased from nil in 2019 to 25 in 2020 primarily because we focused more on local market expansion and took more efforts on enhancing our corporation with local governments to provide property management services to local governments in Jinan. During the Track Record Period, we terminated three property management service agreements in 2019 and one property management service agreement in 2021 primarily due to our own commercial considerations such as turnover days of trade receivables and profitability of the relevant projects prior to the expirations of the relevant property management service agreements.

Property Management Fees

We charged property management fees on a lump sum basis for substantially all properties under our management during the Track Record Period where we act as the principal provider of property management services, and recognize the entire amount received or receivable from property developers, property owners and residents as our revenue, and all related costs as cost of sales, over the service period. We charged property management fees on the commission basis for property management services provided to an airline base property in Beijing Daxing Airport.

The table below sets forth our average property management fee for our managed properties by property developer, property type and region for property management services for the periods indicated:

	For the year ended December 31,		
	2019	2020	2021
	(RMB per sq.m. per month)		
By property developer:			
Lushang Development Group[1]	2.18	2.24	2.24
Shandong Commercial Remaining Group[2]	–	0.86	0.86
Subtotal	**2.18**	**2.11**	**2.13**
Independent Third Parties[3]	–	0.68	0.72
By property type:			
Residential properties	**1.85**	**1.71**	**1.69**
– Lushang Development Group[1]	1.85	1.86	1.86
– Shandong Commercial Remaining Group[2]	–	–	–

	For the year ended December 31,		
	2019	2020	2021
	(RMB per sq.m. per month)		
Subtotal	**1.85**	**1.86**	**1.86**
– Independent Third Parties(3)	–	0.97	0.82
Commercial properties	**3.97**	**4.28**	**4.31**
– Lushang Development Group(1)	3.97	4.27	4.25
– Shandong Commercial Remaining Group(2)	–	–	–
Subtotal	**3.97**	**4.27**	**4.25**
– Independent Third Parties(3)	–	5.86	2.80
Others(4)	**–**	**0.61**	**0.46**
– Lushang Development Group(1)	–	–	0.54
– Shandong Commercial Remaining Group(2)	–	0.87	0.86
Subtotal	**–**	**0.87**	**0.77**
– Independent Third Parties(3)	–	0.52	0.48
By region:			
Shandong Province	2.17	1.69	1.64
Other regions	2.21	2.21	2.20
Overall average property management fee	**2.18**	**1.75**	**1.70**

(1) Refers to properties solely developed by Lushang Development Group or jointly developed by Lushang Development Group and independent third-party property developers in which Lushang Development Group held a controlling interest.

(2) Refer to properties developed by Shandong Commercial Remaining Group by engaging third-party qualified property developers for the entire process of developing the property projects while Shandong Commercial Remaining Group held the ownership of such projects for own use.

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

(4) Refer to municipal facilities such as city roads, apartments, hospitals, theme towns, schools, banks, industrial parks and airline base property.

During the Track Record Period, the property management fee charged on properties developed by Lushang Development Group was generally comparable to that of similar properties developed by independent third-party property developers in the same area and in respect of comparable services, standards, types of properties, years of completion and locations. For example, we managed and charged Yinzuo Garden which was a residential property developed by Lushang Development Group in Jinan a monthly property management fee of approximately RMB0.9 per sq.m. in each of 2019, 2020 and 2021, while the monthly property management fee of approximately RMB0.9 per sq.m. was charged for our provision of property management services with comparable services scope and standard for Tangcheng Community Project, a residential project which was developed by an independent third-party property developers and located in the same city during the same periods. Similarly, we managed and charged Fenghuang City (鳳凰城) which was a residential property in Jinan developed by Lushang Development Group a monthly property management fee of approximately RMB1.8 per sq.m. in each of 2019, 2020 and 2021, while the monthly property management fee of approximately RMB1.7 per sq.m. and RMB1.8 per sq.m. were charged for the property management services with comparable services scope and standard provided by our industry peers for the two residential properties developed by independent third-party property developers and located in the same area during the same periods, respectively, according to CIA. In addition, we managed and charged Lushang Glory City Building (魯商國奧城) which was a commercial property in Ji'nan developed by Lushang Development Group a monthly property management fee of approximately RMB4.7 per sq.m. in each of 2019, 2020 and 2021, while the monthly property management fee of approximately RMB5.0 per sq.m. was charged for the property management services with comparable services scope and standard provided by our industry peers for the commercial property developed by independent third-party property developers and located in the same area during the same periods, respectively, according to CIA.

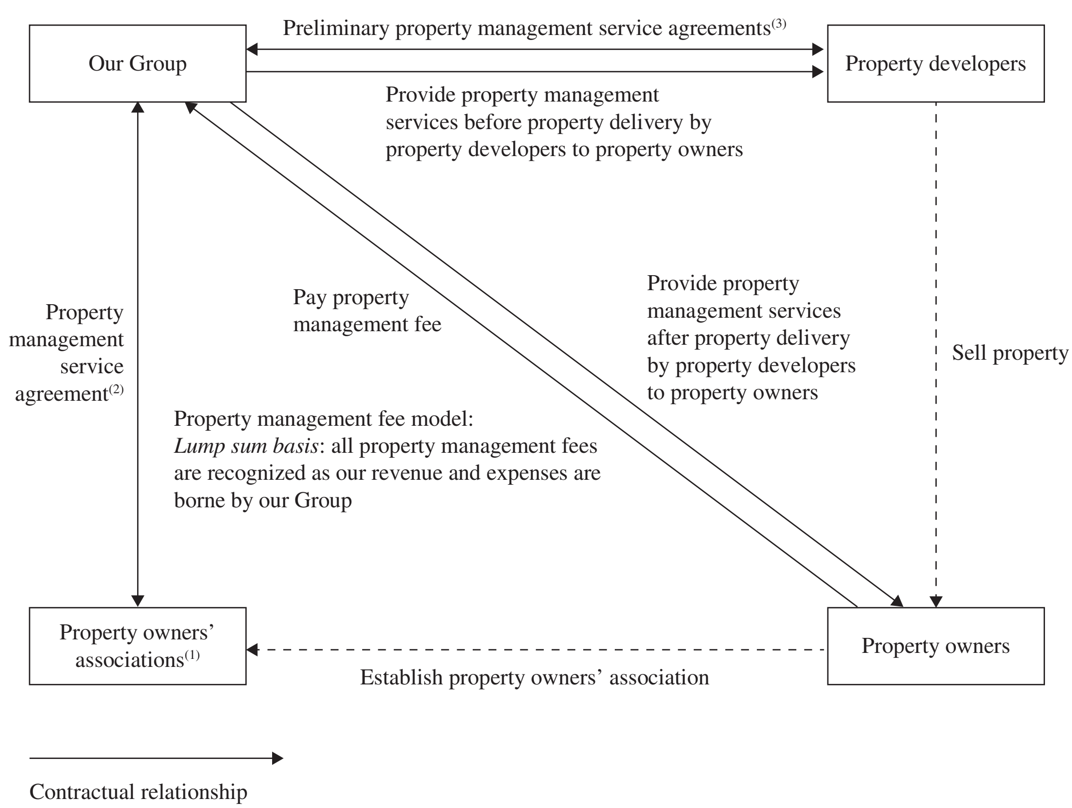
In terms of the average property management fee for our managed properties by property developer, the relatively high average property management fee charged on properties developed by Lushang Development Group as compared to those of properties developed by Shandong Commercial Remaining Group and Independent Third Parties was mainly because the properties developed by Lushang Development Group under our management during the Track Record Period consisted of a higher portion of commercial properties, for which we typically charge higher property management fee. See "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Gross Profit and Gross Profit Margin—Property Management Services—Average property management fee." The relatively high average property management fee charged on commercial properties developed by Independent Third Parties as compared to those of commercial properties developed by Lushang Development Group was mainly because the commercial properties developed by Independent Third Parties under our management during the Track Record Period included commercial showrooms with relatively high average property management fee. The relatively high average property management fee charged on other properties developed by Shandong Commercial Remaining Group as compared to those of other properties developed by Independent Third Parties was mainly because the other properties developed by Independent Third Parties under our management during the Track Record Period included projects of resettlement housing, which had relatively low average property management fee.

During the Track Record Period, the property management fees we charged for residential properties and for commercial properties, as well as our overall average monthly property management fees, were generally within the range of, while being relatively below the relevant average monthly property management fee charged by the five largest property management companies of Top 100 Property Management Companies headquartered in Shandong Province for similar projects, according to CIA. Our overall average monthly property management fee was RMB2.2 per sq.m., RMB1.8 per sq.m. and RMB1.7 per sq.m. in 2019, 2020 and 2021, while the overall average monthly property management fee charged by the five largest property management companies of Top 100 Property Management Companies headquartered in Shandong Province was RMB3.7 per sq.m., RMB3.5 per sq.m. and RMB3.5 per sq.m. for the same years, according to CIA. In 2019, 2020 and 2021, the monthly property management fee we charged for residential properties was RMB1.9 per sq.m., RMB1.7 per sq.m. and RMB1.7 per sq.m., respectively, as compared to the average monthly property management fee charged for residential properties by the Top 100 Property Management Companies of RMB2.1 per sq.m., RMB2.1 per sq.m. and RMB2.0 per sq.m. for the same periods, respectively, according to CIA. In addition, according to CIA, the average monthly property management fee charged for residential properties by the five largest property management companies of Top 100 Property Management Companies headquartered in Shandong Province was RMB2.4 per sq.m., RMB2.3 per sq.m. and RMB2.3 per sq.m. in 2019, 2020 and 2021, respectively.

Our relatively low average monthly property management fee charged for residential properties and overall average monthly property management fee as compared to those charged by the five largest property management companies of Top 100 Property Management Companies headquartered in Shandong Province was primarily because (i) around half of our residential properties under management are located in the third- and fourth-tier cities in Shandong Province where average property management fee for residential properties generally was relatively low, with the average monthly property management fee charged for residential properties located in the third- and fourth-tier cities in Shandong Province by Top 100 Property Management Companies headquartered in Shandong Province being RMB1.7 per sq.m., RMB1.7 per sq.m. and RMB1.7 per sq.m. in 2019, 2020 and 2021, respectively, according to CIA; and (ii) in 2019 and 2020, a larger portion of our total GFA under management was from residential properties, as compared to the average proportion of the GFA under management from residential properties managed by Top 100 Properties Management Companies, according to CIA.

Furthermore, in 2019, 2020 and 2021, the monthly property management fee we charged for commercial properties was RMB4.0 per sq.m., RMB4.3 per sq.m. and RMB4.3 per sq.m., while according to CIA the average monthly property management fee charged for commercial properties by the Top 100 Property Management Companies headquartered in Shandong Province was RMB4.8 per sq.m., RMB4.7 per sq.m. and RMB4.6 per sq.m. and by the five largest property management companies of Top 100 Property Management Companies headquartered in Shandong Province was RMB5.6 per sq.m., RMB5.5 per sq.m. and RMB5.8 per sq.m., respectively, primarily because (i) a large portion of our commercial properties under management are located in the third- and fourth-tier cities in Shandong Province where the average property management fee for commercial properties generally was relatively low, with the average monthly property management fee charged for commercial properties located in the third- and fourth-tier cities in Shandong Province by Top 100 Property Management Companies headquartered in Shandong Province being RMB4.4 per sq.m., RMB4.3 per sq.m. and RMB4.3 per sq.m. in 2019, 2020 and 2021, respectively, according to CIA; and (ii) a large proportion of the commercial properties under our management was low- to mid-end commercial properties.

Typically the following factors are considered to decide fee model, including, but not limited to, local regulations, personalized requirements specified by property developers or property owners' associations, affordability of property management fee and quality expectation of the property owners, local market conditions, projected profitability and the nature and characteristics of individual properties, and determine the fee model on a case-by-case basis. The following diagram illustrates our relationships with various parties under our property management agreements.



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

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

(3) A preliminary property management service agreement entered between a property developer and us before the properties are delivered to property owners is legally binding on the future property owners in accordance with PRC laws.

During the Track Record Period, we derived all of our revenue from property management service agreements on a lump sum basis except for property management services provided to an airline base property in Beijing Daxing Airport, which is on a commission basis. Under the lump sum fee model, we charge a fixed and "all-inclusive" fee for our property management services which we provide through our employees and subcontractors, and our property management fees are typically charged on an annual, quarterly or monthly basis, depending on the terms of our property management service agreements. We are entitled to retain the full amount of property management fees collected from property developers, property owners and residents as revenue and bear the costs incurred in providing our property management services. According to CIA, the lump sum fee model is the prevailing method of collecting property management fees in China, especially in relation to residential properties. See "Industry Overview—The PRC Property Management Industry—Major Fee Models in the PRC Property Management Industry" for further information.

The lump sum fee model challenges our operation management capabilities. Prior to negotiating and entering into our property management service agreements, we seek to prepare, as accurate as possible, an estimate of our cost of sales. Our cost of sales primarily includes employee benefit expenses, energy expenses, maintenance costs, landscaping costs, office expenses, garbage removal and disposal expenses, parking costs, security maintenance costs, tax and surcharges, design costs, greening and cleaning expenses, depreciation and amortization expenses, among others. As we bear such expenses ourselves, our profit margins are affected by our ability to lower our cost of sales. In the event that our cost of sales is higher than anticipated, we may not be able to collect additional amounts from our customers to sustain our profit margins however we may have option to raise the property management fee through friendly negotiation while still maintaining our high quality service standard, explore other value-added service for profit growth and increase the financial and operational efficiency by applying automated system. See "Risk Factors—Risks Relating to Our Business and Industry—We may be subject to losses and decreased profit margins if we fail to effectively anticipate or control our costs in providing our property management services, as we generally charge our customers on a lump sum basis" in this document for further discussion.

We have implemented various technological initiatives, internal control policies and standardized procedures to reduce costs and prevent or reduce such shortfall. See "—Information Technology" and "—Quality Control." In 2019, 2020 and 2021, we incurred losses of approximately RMB6.4 million, RMB5.5 million and RMB2.7 million with respect to 10, 18 and seven properties under our management, respectively, among which (i) eight and

14 projects in 2019 and 2020 and have become profitable as of December 31, 2021 which accounted for the losses incurred of RMB4.7 million and RMB2.5 million, respectively, in 2019 and 2020; (ii) we had ceased to provide property management services for three, nil and nil properties, respectively; and (iii) six projects incurred losses for over one year during the Track Record Period, and two of them had become profitable as of the Latest Practicable Date. The following table sets forth a breakdown of the number of our loss-making projects and the amount of losses by the type of property developer during the periods indicated:

	For the year ended December 31,					
	2019		2020		2021	
	Number of properties	Loss	Number of properties	Loss	Number of properties	Loss
		(RMB'000)		(RMB'000)		(RMB'000)
Projects developed by Lushang Development Group[(1)]	7	6,131	6	3,468	4	1,513
Projects developed by Shandong Commercial Remaining Group[(2)]	–	–	3	123	–	–
Subtotal	**7**	**6,131**	**9**	**3,591**	**4**	**1,513**
Projects developed by Independent Third Parties[(3)]	3	234	9	1,936	3	1,217
Total	**10**	**6,365**	**18**	**5,527**	**7**	**2,730**

(1) Refer to properties solely developed by Lushang Development Group or jointly developed by Lushang Development Group and independent third-party property developers in which Lushang Development Group held a controlling interest.

(2) Refer to properties owned controlled by Shandong Commercial Remaining Group by engaging third-party qualified property developers for the entire process of developing the property projects while Shandong Commercial Remaining Group held the ownership of such projects for own use.

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

Such losses were incurred primarily because our initial investments in these projects were relatively large at the early stage of operation while the relatively low property management revenue we recognized from relevant projects were insufficient to cover the costs incurred in providing quality property management services. See "Risk Factors—We may be subject to losses and decreased profit margins if we fail to effectively anticipate or control our costs in providing our property management services, as we generally charge our customers on a lump sum basis." In the event that we experience unexpected increases in our cost of services, we may propose raising our property management fees with property owners' associations when negotiating to renew our property management service agreements. To maintain the profitability of our managed properties and continue making improvements in operations to turn-around the remaining loss-making projects, we have undertaken various cost-saving measures and improve our operation efficiency. For instance, we (i) fully evaluate the potential projects to measure and calculate the initial investments and determine our service prices; (ii) rationally adjusted the work scope of employees to reduce staff costs and improve their operational efficiency, including assigning maintenance personnel to repair and maintenance of adjacent properties; (iii) renovated and retrofitted existing properties to diverse source of income, including increasing ground carpark space; and (iv) reallocated the resources across different business lines to reduce the overall costs, including arranging the mechanical cleaning personnel and vehicles for city services to clean the main roads of residential and commercial properties under our management.

Our Pricing Policy

We generally price our services by taking into account various factors, such as (i) the types, sizes and locations of the properties; (ii) the scope and quality of our services; (iii) our estimated costs and expenses; (iv) our target profit margins; (v) the profiles of property owners and residents; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the maximum pricing of comparable properties. Under the property management service agreements, we may raise property management fees upon renewal of the agreements after negotiations with property owners and residents. As advised by our PRC Legal Advisors, as of December 31, 2021, we had approximately 38 residential projects located in Shandong and Heilongjiang provinces with a total GFA under management accounting for approximately 53.5% of our total GFA under management as of the same date that were subject to price control under the relevant local regulations. Revenue generated from projects subject to the government guidance price amounted to RMB116.4 million, RMB135.7 million and RMB157.3 million, respectively, in 2019, 2020 and 2021, accounting for 36.3%, 33.7% and 27.0% of our total revenue during the same periods.

The relevant price administration department and construction administration department of the State Council are jointly responsible for supervising property management fees and issuing relevant guidance. See "Regulatory Overview—Legal Supervision over Property Management Services—Fees charged by Property Management Enterprises" and "Risk Factors—Risks Relating to Our Business and Industry—We are susceptible to changes in regulatory landscapes of the PRC property management and PRC real estate industries" for related discussions. During the Track Record Period, the property management fees charged by us complied with the relevant PRC laws and regulations in relation to such pricing control in all material respects during the Track Record Period. According to CIA, in 2019, 2020 and 2021, our property management fees were generally in line with the relevant market trends with respect to property management fees charged by property management companies in the PRC. We expect that pricing controls on residential properties will relax over time as relevant local authorities continue to pass regulations to implement the Price Control Liberalization Circular. See "Risk Factors—Risk Related to our Business and Industry—We may be subject to losses and decreased profit margins if we fail to effectively anticipate or control our costs in providing our property management services, as we generally charge our customers on a lump sum basis" in this document.

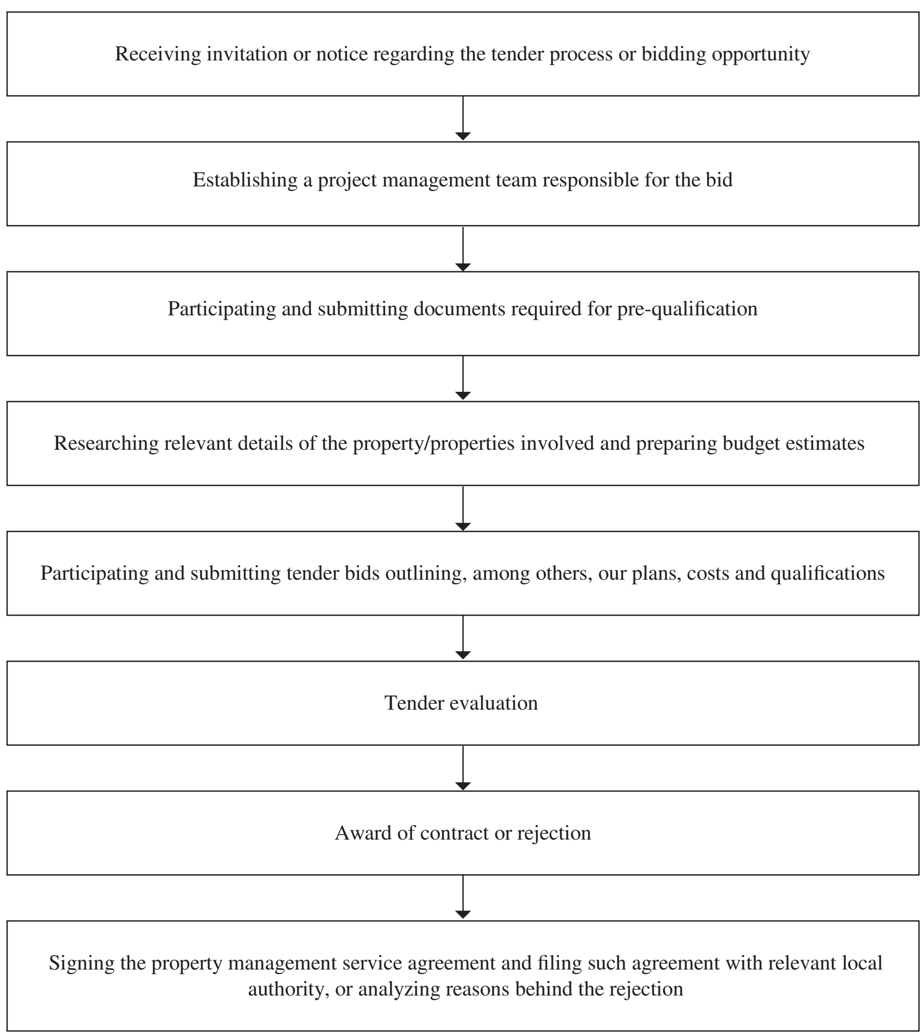
Tender Process

Under PRC laws and regulations, property management companies are required to obtain preliminary property management service agreements for residential properties through participation in the tender process. If there are fewer than three bidders or the scale of the properties is relative small, the property developer can select and hire qualified property management company by directly entering into an agreement with the approval of the real estate administrative department of the relevant district or county government where the property is located. In addition, pursuant to the Regulations on Property Management (2018 revision) (《物業管理條例》) (2018年修正), the nonresidential property is not required to select a property management company through tender process. See "Regulatory Overview—Legal Supervision over Property Management Services—Appointment of Property Management Enterprises" for more information on the relevant legal requirements on tender processes.

We typically enter into a preliminary property management service agreements for residential properties developed by Lushang Development Group by going through the tender process before the establishment of property owners' associations. Once the property owners' associations are established, we typically enter into property management services agreements through negotiation with the property owners' associations. For nonresidential properties, we secure new property management service agreements through invitation to tender or quotation, pursuant to which proposals, term sheets and/or quotes are submitted. During the Track Record Period, our bidding success rate for properties developed or owned by Shandong Commercial Group was 100.0%, 90.0% and 100.0%, respectively. In particular, during the Track Record Period, our bidding success rate for properties developed by Lushang Development Group was 100.0%. In 2019, 2020 and 2021, we submitted nil, seven and nil tenders to Shandong Commercial Remaining Group, respectively, and our bidding success rate for such projects was nil, 85.7% and nil, respectively. During the Track Record Period, our bidding success rate for properties developed by Independent Third Parties was 20.0%, 26.3% and 44.7%, respectively. Such bidding success rates in 2019 and 2020 were relatively low primarily because we devoted more efforts on establishing a more specialized team which focused on the expansion of our property portfolio to cover more properties developed by Independent Third Parties, which subsequently increased in 2021 as a result. The bidding success rate is calculated by dividing the number of successful bids by the number of total bids we participated in the same period.

During the Track Record Period, we obtained 21 property management service agreements for residential properties without tender process mainly because, when we obtained such property management service agreements, (i) there is no mandatory requirement provided by relevant laws and regulations to organize the tender process; or (ii) the property developers did not organize the tender process. For the property management service agreements that we obtained without the tender process, we have been advised by our PRC Legal Advisors that the income we generated from the property management service agreements obtained by us without participating in tender processes was not non-compliant income because (i) under the Regulations on Property Management (2018 revision), the residential property developers have the sole obligation of organizing the required tender process before entering into the relevant property management service agreements with us and we as a property management service provider is not responsible for organizing the tender process, and therefore no administrative penalty would be imposed on us under the Regulations on Property Management (2018revision) for entering into the above-mentioned preliminary property management service agreements without going through the tender process; and (ii) considering that we had provided property management services according to the relevant agreements, the PRC courts would generally support our claim for property management fees under such agreements, even without tender process. In 2019, 2020 and 2021, the revenue from our management of these 21 properties amounted to RMB96.3 million, RMB117.1 million and RMB138.3 million, respectively, accounting for approximately 30.0%, 29.1% and 23.7% of our total revenue, respectively.

The flow chart below illustrates each stage of the typical tender process for obtaining property management service agreements for residential properties:



Property Management Service Agreements

We generally enter into preliminary property management service agreements with property developers. A preliminary property management service agreement is a type of property management service agreement that we enter into at the construction and pre-delivery stage of property development projects.

In relation to residential properties that have already been delivered but the property owners' associations have not been established, we provide property management services to property owners and residents pursuant to the preliminary property management service agreements that we entered into with the property developer.

In relation to residential properties that have already been delivered and property owners' associations have been established, we enter into property management service agreements with property owners' associations on behalf of property owners. For nonresidential properties, we enter into property management service agreements with property owners. During the Track Record Period, a majority of our revenue from property management services was generated from residential properties.

The table below sets forth revenue generated from property management services at different stages of our property management services for the periods indicated, and the relevant number of projects and a breakdown of our total contracted GFA and GFA under management as of the dates indicated:

	As of and/or for the year ended December 31,														
	2019					2020					2021				
	Revenue		Number of projects	Contracted GFA	GFA under management	Revenue		Number of projects	Contracted GFA	GFA under management	Revenue		Number of projects	Contracted GFA	GFA under management
	(RMB'000)	*(%)*		*(sq.m.'000)*	*(sq.m.'000)*	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(sq.m.'000)*	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(sq.m.'000)*
Preliminary stages[(1)]	180,475	100.0	36	12,133	10,742	199,199	97.6	60	18,598	15,011	250,617	98.1	81	25,744	22,432
Property owners' associations stage[(2)]	–	–	–	–	–	4,802	2.4	1	437	437	4,868	1.9	1	437	437
Total	**180,475**	**100.0**	**36**	**12,133**	**10,742**	**204,001**	**100.0**	**61**	**19,034**	**15,447**	**255,485**	**100.0**	**82**	**26,181**	**22,869**

(1) Include stages at which projects have been delivered but without the property owners' association having been established.

(2) Include property management projects where we rendered services after property owners' associations were established. See "—Key Terms of Dealing with Property Developers" below.

Key Terms of Dealing with Property Developers

Our preliminary property management service agreements with property developers typically include the following key terms:

- *Scope of services*. A typical preliminary property management service agreement with property developer sets out the required services, including cleaning services, security services, landscaping services and repair and maintenance services. We may also provide other customized services, such as collecting utility fees and car park management services.

- *Performance agreement standards*. The preliminary property management service agreements set forth the scope and expected standards, such as the areas to which our services are related, as well as the requirements, frequency and standards for the performance of our services.

- *Property management fees*. The preliminary property management service agreements set forth the amount of property management fees payable, generally on a lump sum basis. The property developer is typically responsible for paying the property management fees for the units that remain unsold. If we agree to manage car parks, the preliminary property management service contract will also specify the fees payable for such services. For overdue property management fees, property developers should pay liquidated damages as specified in the agreement.

- *Property developer's obligations*. The property developer is primarily responsible for, among others, ensuring that its property buyers understand their obligations in relation to property management services provided by us and incorporating the relevant terms of the preliminary property management service agreement into the property purchase agreement, and providing us with office facilities and other support necessary for carrying out our contractual obligations.

- *Term of service and termination*. Our preliminary property management service agreements generally have no fixed term but will specify that the agreements will automatically terminate when a property owners' association signs the property management service agreement on behalf of all the property owners. Preliminary property management service agreements without fixed terms will generally terminate when a property owners' association is established and a new property management service agreement is entered into.

- *Dispute resolution*. Parties to the property management service agreement are typically required to resolve any contractual disputes through negotiations first before resorting to litigation or arbitration.

After delivery of properties by the property developers to the property owners, the property owners may form and operate a property owners' association to manage the properties. The Civil Code of the PRC, the Regulations on Property Management (2018 revision) (《物業管理條例》) (2018年修正) and the Guidance Rules of the Owners' Meeting and the Property Owners' Association stipulate that a property owners' association may be established at property owners' meeting by a vote of at least half of the property owners and by the property owners who own over half of the delivered GFA in the residential community. According to the Regulations on Property Management (2018 revision) (《物業管理條例》) (2018年修正), a sales contract concluded by a property developer and a property buyer shall include the contents stipulated in the relevant preliminary property management service agreement. Therefore, as advised by our PRC Legal Advisors, the preliminary property management service agreements entered into with property developers in compliance with the aforementioned regulations are legally binding on the relevant future property owners as the property sale and purchase agreements that property owners enter into with property developers shall include the content of the preliminary property management service contracts. In addition, according to the Regulations on Property Management (2018 revision) (《物業管理條例》) (2018年修正), where there is only one owner, or where there are a few owners and they all agree not to form the property owners' general meeting, the owner(s) shall (jointly) perform the duties of the property owners' general meeting and the property owners' association. Thus, as advised by our PRC Legal Advisors, there is no compulsory requirement for property owners of residential properties to form property owners' associations under the PRC Civil Code and relevant PRC laws and regulations. As for nonresidential properties which have no property owners' associations, we directly negotiate and enter into contract with, and perform our property management services to, property owners after the delivery of nonresidential projects by property developers to such property owners.

Once our preliminary property management service agreements have expired, we may negotiate with the newly-formed property owners' associations for the terms of new property management service agreements. As of December 31, 2021, one residential projects under our management established property owners' associations, accounting for 1.2% of the total number of residential projects under our management. The property owners' associations are independent from us. In order to secure and continue to secure property management service agreements, we must consistently provide quality services at competitive prices. According to the Regulations on Property Management (2018 revision) (《物業管理條例》) (2018年修正), property owners' associations may hire or dismiss property management service providers by votes from more than half of the property owners whose aggregate exclusive part of property in the area under management is over half of the GFA at the property owner meeting, provided that such decision will not constitute a violation of applicable law or a breach of the respective contract. The property owners' meeting may either hire a new property management service provider through the tender process or select one based on specific standards to do with terms and conditions of service, quality and price. See "Regulatory Overview—Legal Supervision over Property Management Services—Appointment of Property Management Enterprises" in this document for more information.

Property owners and residents were legally obligated to pay us property management fees, since we continued rendering services to those property management projects during the negotiation period. If, upon the expiration of the initial term of the preliminary property management service agreements, the property owners' association has not been formed or a new property management service agreement has not been entered into between the property owners' association and us, the preliminary property management service agreements typically will be renewed automatically until a new property management service agreement with the property owners' association is entered into. In cases where we have signed preliminary property management service agreements without fixed terms and no property owners' association is formed after delivery of the projects, or after the expiration of the preliminary property management service agreements with fixed terms, where property owners did not hire new service provider and we continued to provide property management services, property owners and residents are also legally obligated to pay property management fees directly to us for the services we continue to render.

Key Terms of Dealing with Property Owners' Associations

Our property management service agreements with property owners' associations typically include the following key terms:

- *Scope of services*. We typically agree to provide property management services including cleaning services, security services, landscaping services and repair and maintenance services.

- *Performance standards*. The property management service agreement would set forth the expected standards for our property management services, including areas to which our services relate, as well as the frequency of performance of services.

- *Property management fees*. The property management fee would be payable either on a lump sum or commission basis by property owners and residents according to the relevant service agreement. When payable on a lump sum basis, our property management fees are generally charged by GFA. If we have agreed to provide property management service of car parks, the property management service agreement will also detail the fees payable for such services. For overdue property management fees, property owners and residents pay an overdue penalty as specified in the service agreement.

- *Rights and obligations of property owners and residents*. The property owners' association is primarily responsible for, among others, ensuring that property owners and residents understand and commit to their obligations in relation to the payment of property management fees, providing us with support necessary for carrying out our contractual obligations and reviewing or supervising plans and budgets that we may draw up in relation to our services.

- *Terms of service and termination*. Our property management service agreements generally have a fixed term of two to three years, depending on the tenure of property owners' associations. For those property management service agreements may be renewed, proposals to renew the agreement is generally made in writing one month before the agreement expires and new service agreement are generally signed one or two months before the agreement expires. Certain of these agreements provide that, if no new agreement had been entered into between the relevant property owners' association and the existing property management service agreement was not properly renewed in accordance with renewal procedures, the term of the agreement at issue shall be extended till the new property management service agreement between the relevant property owners' association and the newly engaged property management company becomes effective. Our property management service agreements may be terminated by property owners' associations if we fail to meet the quality standards set out in the agreements and fail to rectify the issue within a specified time period.

- *Dispute resolution*. Parties to the property management service agreement are typically required to resolve any contractual disputes through negotiations first before resorting to litigation or arbitration.

Under PRC law, property owners' associations represent the interests of property owners in matters concerning property management. Decisions that are within the authorized scope of the property owners' association are binding on all property owners. Agreements between property owners' associations and property management service providers are valid and legally binding on all property owners concerned, irrespective of whether or not the property owners are individual parties to such contracts. Thus, we have legal claim rights against property owners for outstanding property management fees. Property owners and residents have the right to be informed of and to supervise the use of public funds, review our annual budget and any plans we prepare in relation to topping-up the public funds or our property management services in general. Property owners are jointly liable with the residents of their properties for the payment of property management fees.

Key Terms of Property Management Service Agreements for Nonresidential Properties

We enter into property management service agreements with customers such as property owners and property developers for the management of nonresidential properties. Our property management service agreements for nonresidential properties typically include key terms which largely track the terms contained in property management service agreements in residential properties under our management, such as scope of services, performance standards, property management fees, the parties' respective rights and obligations, terms of service and dispute resolutions.

Payment

We may charge property management fees on an annual, quarterly or monthly basis, depending on the terms of our property management service agreements. The fees for property management services are typically due for payment by property owners upon our issuance of a notice. If any customer fails to make payment for a prolonged period, we typically demand payment for our property management services by sending a demand note to property owners and residents which, according to CIA, is consistent with the property management industry norm in the PRC. We primarily accept payments for property management fees by Alipay, WeChat and Cloud POS. To facilitate the timely collection of property management fees and other payments, we adopt different collection approaches, such as making phone calls, sending text messages, paying in-person visits, issuing legal collection letters and filing lawsuits. See "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Trade and Bills Receivables" and "Risk Factors—Risks Relating to Our Business and Industry—We may not be able to collect property management fees from property owners, residents and property developers which could incur impairment losses on our trade receivables" for more details on our trade receivables and related risks thereof.

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

Our value-added services to non-property owners include (i) landscaping services; (ii) design services; (iii) preliminary property management services; (iv) pre-delivery services; and (v) other customized services such as repair and maintenance services and property agency services. The following table sets forth a breakdown of our revenue from value-added services to non-property owners for the periods indicated, both in absolute amount and as a percentage of our revenue from value-added services to non-property owners:

	For the year ended December 31,					
	2019		2020		2021	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Design services	22,965	32.4	25,324	21.1	67,728	33.1
Landscape services	8,938	12.6	33,184	27.7	65,848	32.1
Preliminary property management services	23,892	33.7	27,817	23.2	24,881	12.1
Pre-delivery services	9,621	13.6	19,247	16.1	28,469	14.0
Other customized services	5,547	7.8	14,312	11.9	17,890	8.7
Total	**70,963**	**100.0**	**119,884**	**100.0**	**204,816**	**100.0**

Landscaping

We offer property developers a variety of landscape design and construction services based on our customers' needs including, among other things, terrain modification, seedling management, landscape maintenance, planting of nursery plants, decoration design and lighting design. We generally provide some of landscaping services through third-party subcontractors. Our contracts normally state that customers shall make progress payments to us. Progress payments are partial payments covering the amount of work completed by us each month as confirmed in the progress completion report. We receive payments based on the progress payment schedule stipulated in the contract. For our landscape construction services, we generally enter service agreements through bidding process and price our project fees by the site conditions, volume of construction, machinery costs and labor costs, among others. For our landscape design, maintenance and technical services, we generally enter service agreements and charge our fees by GFA or landscape area, and our service fee per sq.m. during the Track Record Period generally (i) ranged from RMB8.0 per sq.m. to RMB50.0 per sq.m. for landscape design services, depending on the stage of construction, (ii) was around RMB16.0 per sq.m. for landscape maintenance, and (iii) was around RMB15.0 per sq.m. for technical services. According to CIA, our service fees for landscaping services were generally in line with the industry practice in Shandong Province during the Track Record Period. The service fee per sq.m. of our industry peers in Shandong Province during the Track Record Period generally ranged (i) from RMB5.0 per sq.m. to RMB60.0 per sq.m. for landscape design services, depending on the stage of construction and type and standard of design, among others; and (ii) from RMB5.0 per sq.m. to RMB20.0 per sq.m. for landscape maintenance, according to CIA.

Our revenue from landscaping services increased significantly from RMB8.9 million in 2019 to RMB33.2 million in 2020, and further to RMB65.8 million in 2021. The increase of revenue from landscaping services from 2019 to 2020 was primarily because we expanded our service scope to include landscaping construction services, which in general have higher contract price as compared to landscaping management services. The increase of revenue from landscaping services from 2020 to 2021 was primarily because we took more landscaping construction projects in various cities in Shandong Province, which was in line with our related parties' business expansion into more cities in Shandong Province. After our related parties obtained new projects in Shandong Province, including cities such as Taishan, Yantai and Qingdao, we were appointed to provide landscaping services through tender process.

Design Services

Leveraging the engineering and design qualification possessed by our subsidiary, Lushang Design, we also provide property developers and general contractors comprehensive design services for property development, including preparation of construction blueprints and design plans for building structures, facilities and systems before the construction begins. We cooperated with other local private and public design companies to provide general architectural design such as design for electricity and water supply, interior decoration design for hotels, commercial complexes, sales office, model rooms and public areas such as stairwells, elevators. We will also provide on-site service after we delivered our services to customers. For our design services, we generally enter into service agreements and charge our fees by GFA, and our service fee per sq.m. during the Track Record Period generally ranged (i) from RMB1.5 per sq.m. to RMB70.0 per sq.m. for architectural design, depending on the stage of construction, and (ii) from RMB30.0 per sq.m. to RMB700.0 per sq.m. for interior decoration design, depending on the type of properties. According to CIA, our service fees for design services were generally in line with the industry practice in Shandong Province during the Track Record Period. The service fee per sq.m. of our industry peers in Shandong Province during the Track Record Period generally (i) ranged from RMB1.5 per sq.m. to RMB100.0 per sq.m. for architecture design, depending on the stage of construction, type of properties, type and standard of design, among others; and (ii) ranged from RMB25.0 per sq.m. to RMB1,000.0 per sq.m. for interior decoration design, depending on the stage of construction, type of properties, type and standard of design, among others, according to CIA.

Our revenue from design services remained relatively stable at RMB23.0 million and RMB25.3 million in 2019 and 2020, respectively. Our revenue from design services increased from RMB25.3 million in 2020 to RMB67.7 million in 2021. The increase was primarily because we took more design projects in various cities in Shandong Province, which was in line with our related parties' business expansion into more cities in Shandong Province. After our related parties obtained new projects in Shandong Province, including cities such as Taishan and Yantai, we were appointed to provide design services through tender process.

Preliminary Property Management Services

We manage the construction sites of our property developer customers by patrolling the construction sites and managing the security and orderliness of the construction sites. We typically charge service fees by GFA, and our service fee was about RMB6.0 per sq.m. during the Track Record Period, based on the number of staff we assign to a particular construction site. According to CIA, our service fees for such preliminary property management services were generally in line with the industry practice during the Track Record Period. The service fee per sq.m. of our industry peers during the Track Record Period generally ranged from RMB3.0 per sq.m. to RMB7.0 per sq.m. for construction site patrolling and security and orderliness management services, according to CIA.

In addition, we offer property management services to sales offices and show flats of property developers, such as security services, cleaning services and visitor reception. We do not participate in the sales transactions of our customers. We typically charge property developers on a cost-plus basis, with the cost-plus margin ranging from approximately 10.0% to 20.0% of our cost depending on the type of services during the Track Record Period. According to CIA, our service fees for such preliminary property management services were generally in line with the industry practice during the Track Record Period. The cost-plus margin of our industry peers during the Track Record Period generally ranged from 10.0% to 30.0% of the cost for sale office and show flat management services, according to CIA. As of December 31, 2021, we managed a total of seven sales offices with a total GFA under management of 0.03 million sq.m. The sales offices under our management typically include a reception hall, clubhouses, sales offices for our staff to communicate with customers, as well as multiple show flats showing the various floor plans offered within the particular property project. We provided the services through our own employees and subcontractors.

We also offer preliminary planning and design consulting services to property developers from a property management perspective. For example, we advise on the design and positioning of property entrances, security technologies, equipment rooms, parking spaces and property management offices. We review construction blueprints and advise on building structure, related electricity, water and heating infrastructure, fire safety, home furnishing and decorations, and landscaping. We offer consultancy with respect to selection and maintenance plan for property management equipment, such as central air conditioning, fire and safety facilities such as fire extinguishers and fire alarm systems elevators, electricity equipment, energy management equipment, among others. We also provide training on equipment repair and maintenance, cost estimations, energy conservation, and emergency responses, among other areas. We typically charge our customers by GFA, and our average service fee was around RMB6.0 per sq.m. during the Track Record Period. According to CIA, our service fees for such preliminary property management services were generally in line with the industry practice during the Track Record Period. The service fee per sq.m. of our industry peers during the Track Record Period generally ranged from RMB2.0 per sq.m. to RMB16.0 per sq.m. for preliminary planning and design consulting services, according to CIA.

Pre-delivery Services

Leveraging our experience in offering value-added services to non-property owners, we began offering a series of additional services to property developers before they deliver completed properties to property owners, including pre-delivery property cleaning since 2012 and pre-delivery property inspection since 2013. Prior to us, non-property owners, including both the Lushang Development Group and Independent Third Parties, typically engaged other service providers to provide such services. Property developers request our inspections after construction is complete. After our initial round of inspections, we provide feedback to property developers on risk factors that may affect clients, and conduct follow-up inspections, until such properties meet our delivery standards. On the date of property delivery to property owners, we guide and accompany property owners and record their feedback and complaints on the property. We typically charge pre-delivery service fees on a per sq.m. basis, generally ranging from RMB6.0 per sq.m. to RMB8.0 per sq.m. during the Track Record Period. According to CIA, our service fees for pre-delivery services were generally in line with the industry practice during the Track Record Period. The service fee per sq.m. of our industry peers during the Track Record Period generally ranged from RMB1.5 per sq.m. to RMB12.0 per sq.m. for pre-delivery services, according to CIA.

COMMUNITY VALUE-ADDED SERVICES

Leveraging our experience in property management, we provide community value-added services to property owners and residents at our managed properties to address their daily needs, enhance their living experience and create a healthier and more convenient community which may, in turn, elevate our brand name and increase customer loyalty to us. Our community value-added services primarily include (i) parking space management services; (ii) community living services such as customized waste cleaning and housekeeping services; (iii) utility management services; and (iv) community space and resource management services, to address customers' diverse needs. The following table sets forth a breakdown of our revenue from community value-added services for the periods indicated:

	For the year ended December 31,					
	2019		**2020**		**2021**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Parking space management services	22,963	32.9	30,293	38.4	34,256	28.0
Community living services	12,755	18.3	14,528	18.4	53,735	43.9
Utility management services	26,487	38.0	26,643	33.7	26,881	21.9
Community space and resource management services	7,502	10.8	7,495	9.5	7,630	6.2
Total	**69,707**	**100.0**	**78,959**	**100.0**	**122,502**	**100.0**

Parking Space Management Services

We manage parking spaces of property developers and offer property owners and residents at our management communities temporary parking spaces for parking fees based on the length of parking, and lease out parking spaces to property owners at our managed properties. Under our parking space management services, we provide service including (i) community parking space management, (ii) temporary parking management and (iii) management of entrusted parking lot. For our entrusted parking lots management services, we entered into parking lot entrusted management agreements with Lushang Development Group, pursuant to which we agreed to provide operational management services to certain parking lots owned by Lushang Development Group. Under such arrangement, we are entrusted with full authority to operate and manage the parking lots and entitled to receive the income generated from the entrusted parking lot management services and will pay to Lushang Development Group an amount equal to a pre-agreed percentage of the income generated from the entrusted parking lots management services (after deducting the operating costs). See "Connected Transactions."

Community Living Services

We offer certain customized household services to property owners to improve their household living experience and charge our service fees based on the amount of services rendered, such as waste cleaning, housekeeping, home furnishing, as well as repair and maintenance of home appliances, furniture and other in-unit facilities. Since 2021, we commenced resale of car parks and storage spaces to property owners and residents at a certain markup on top of our original purchase price from property developers. During the Track Record Period, we purchased certain car parks from Lushang Development Group and resold to property owners and residents in 2021. Our revenue from such resale of car parks and storage spaces amounted to RMB9.9 million in 2021.

Utility Management Services

We prepay utility bills for water, electricity and heating on behalf of property owners and residents in certain residential communities on a free of charge basis and are paid for our services provided. We also assist property owners and residents in air conditioning and heating supply management. Residential communities situated in the northern region of China generate heating charges as distinguished from electricity charges in the colder seasons of the year, when central heating is turned on regionally as part of the national infrastructure.

Community Space and Resource Management Services

We offer a wide range of value-added services leveraging the common spaces of properties under our management for the benefits of property owners and residents, such as advertising in common areas, for example, basements, elevators and outer wall advertising spaces and managing recreation centers, community space and storage spaces at our managed communities. We also assist property owners in renting out leasable facilities in the common areas of properties under our management to third-party vendors seeking a place to operate or promote their businesses, and charge a percentage of the rental proceeds as our service fees.

OUR BUSINESS RELATIONSHIP WITH LUSHANG DEVELOPMENT GROUP AND SHANDONG COMMERCIAL GROUP

We have maintained a close and long-term relationship with Lushang Development Group, which we believe lays a firm ground for our sustainable and rapid growth. Lushang Development will be one of our Controlling Shareholders under the Listing Rules upon [**REDACTED**]. Lushang Development is a comprehensive property developer listed on the Shanghai Stock Exchange (stock code: 600223) and has developed a diversified portfolio of high-quality properties covering shopping malls, commercial pedestrian streets, residential buildings, office buildings and hotels. It was recognized as one of the Top 100 PRC Property Developers in terms of overall strength (中國房地產開發百強企業) by China Real Estate Top 10 Research Group (中國房地產Top 10研究組) in 2021. According to the 2021 annual report of Lushang Development Group, Lushang Development Group had a total land bank of around 0.8 million sq.m. as of December 31, 2021 and recorded revenue of RMB12,363.3 million in

2021. In 2021, Lushang Development Group had 28 property projects under development and as of December 31, 2021, its total GFA under construction was approximately 4.5 million sq.m., according to its 2021 annual report. According to its 2021 annual report and 2022 first quarterly report, the current asset of Lushang Development Group increased slightly from RMB58,670.1 million as of December 31, 2021 to RMB58,852.6 million as of March 31, 2022, and its current liability decreased slightly from RMB51,092.7 million as of December 31, 2021 to RMB50,747.6 million as of March 31, 2022.

We consider the close business relationship between our Group and Lushang Development Group to be mutually beneficial and complementary. Through years of cooperation, our Group and Lushang Development Group have developed a mutual and in-depth understanding of each other's business operations and shares a similar service philosophy. We believe that our ability to maintain a high proportion for the properties to which we provided property management services of all properties developed by Lushang Development Group is owed to our proven track record to work with Lushang Development Group, our involvement for projects developed by Lushang Development Group at early stage and our familiarity with their needs, which enable us to reduce communication costs and provide services tailored to Lushang Development Group stringent demands and requirements. We believe that our close and cooperative relationship with Lushang Development Group is instrumental to its success in establishing a distinguished and well-recognized brand image nationally, while it enables us to reinforce our existing market position and enhance our competitiveness in the PRC property management and commercial operation industry.

As of December 31, 2020, 41 properties under our management were developed by Lushang Development Group with a total GFA under management of 11.8 million sq.m., representing 76.6% of our total GFA under management as of the same date, and, as of December 31, 2021, 45 properties under our management were developed by Lushang Development Group with a total GFA under management of 12.4 million sq.m., representing 54.3% of our total GFA under management as of the same date. In 2019, 2020 and 2021, our revenue generated from Lushang Development Group as paying customer amounted to RMB71.1 million, RMB117.4 million and RMB170.3 million, respectively, accounting for 22.2%, 29.1% and 29.2% of our total value, respectively. In 2019, 2020 and 2021, revenue from our property management services provided to Lushang Development Group as our customer accounted for 3.1%, 2.3% and 1.3% of our total revenue in the same periods. In 2019, 2020 and 2021, our revenue generated from property management services provided to properties developed by Lushang Development Group amounted to RMB178.1 million, RMB197.9 million and RMB224.0 million, respectively, representing 98.7%, 97.0% and 87.7% of our total revenue generated from the provision of property management services. During the Track Record Period, revenue from our value-added services to non-property owners provided to Lushang Development Group as our customer accounted for 19.1%, 26.8% and 27.7% of our total revenue in the same periods, respectively. In 2019, 2020 and 2021, revenue from our community value-added services provided to Lushang Development Group as our customer accounted for nil, 0.1% and 0.3% of our total revenue in the same periods.

In addition, we have maintained a close and long-term relationship with Shandong Commercial Group. Shandong Commercial will be one of our Controlling Shareholders under the Listing Rules upon [**REDACTED**], which is a large-scale holding company with a wider range of investments in retail, healthcare, finance and commercial tourism and hotel administration, among other sectors. Shandong Commercial Group under the Listing Rules, taken as a group, was our largest customer, during the Track Record Period, to whom we provided property management and value-added services since our inception. As of December 31, 2021, 5 properties under our management were owned by Shandong Commercial Remaining Group with a total GFA under management of 1.0 million sq.m., representing 4.0% of our total GFA under management as of the same date. In 2019, 2020 and 2021, the percentage of properties under management developed by Shandong Commercial Remaining Group amounted to nil, 9.8% and 6.1%, respectively, of our total number of properties under management. In 2019, 2020 and 2021, our revenue from Shandong Commercial Remaining Group as paying customer amounted to RMB9.1 million, RMB12.5 million and RMB47.4 million, respectively, accounting for 2.8%, 3.1% and 8.1% of our total revenue, respectively. In 2019, 2020 and 2021, revenue from our property management services provided to Shandong Commercial Remaining Group as our customer accounted for 0.4%, 0.7% and 1.7% of our total revenue in the same periods, respectively. In 2019, 2020 and 2021, we submitted nil, seven and nil tenders to Shandong Commercial Remaining Group, respectively, and our bidding success rate for such projects was nil, 85.7% and nil, respectively.

Leveraging our extensive industry experience and brand recognition, we also endeavor to expand business cooperation with Independent Third Parties. We make continuing efforts to seek opportunities to enter into tender and bidding processes held for properties developed by independent third-party property developers. In 2021, we participated in 38 tender and bidding processes for properties developed by independent third-party property developers and achieved a tender success rate of 44.7%, which was significantly higher than that of 26.3% in 2020. From December 31, 2021 to the Latest Practicable Date, we achieved a tender success rate of 41.7% for properties developed by independent third-party property developers. Furthermore, we seek to expand cooperation with Independent Third Parties through multiple approaches, such as offering property management consultancy services, establishing joint ventures with independent third-party property developers and/or acquiring or investing in other independent third-party property management companies, to explore more cooperation opportunities. While properties developed by Lushang Development Group have remained an important source of our property management portfolio, the proportion of properties developed by independent third-party property developers in our property management portfolio increased during the Track Record Period since we began to expand our cooperation with independent third-party property developers. The proportion of our revenue from the properties developed by independent third-party property developers increased from 1.3% as of December 31, 2019 to 8.1% as of December 31, 2021, and the proportion of our GFA under management from such properties increased significantly from 0.2% as of December 31, 2019 to 41.7% as of December 31, 2021. According to CIA, for a property management company associated with a property developer, such property management company would typically be able to take advantage of its brand awareness and the experience accumulated from managing property projects developed by affiliated property developer to gradually reduce its reliance on the property developer and expand cooperation with Independent Third Parties.

We believe our extensive industry experience enables us to adapt to the features and conditions of various properties and to meet the differentiated requirements of independent third-party property developers. According to CIA, the demand of property developers for property management and value-added services is high, particularly for those property developers that do not have their own property management service teams to provide quality services matching the standard of the property projects they develop. We believe our revenue generated from properties developed by independent third-party property developers will continue to increase in the future. Going forward, we plan to continue to leverage our strong operational capabilities, well-recognized brands and diversified service offering to expand our portfolio of properties developed by independent third-party property developers.

SALES AND MARKETING

We market and provide our services under our main brand, "Lushang Service." The investment development department at our headquarters is primarily responsible for developing our overall marketing strategy and objectives, conducting market research, maintaining client relationships development and participating in tenders to obtain new contractual arrangement with independent third-party property developers. We also retain marketing strategies, conducting business development and managing our efforts in relation to tender bids. As of December 31, 2021, we had a team of 18 business development personnel at our investment development department at our headquarters.

CUSTOMERS

Overview

Our customer base primarily consists of property developers, property owners, residents, state-owned enterprises and schools. We assess prospective customers by evaluating key factors such as nature, size, revenue, profitability as well as the type of properties.

The table below sets forth the main types of our major customers for each of our three business lines:

Business Lines	Major Customers
Property management services	Property owners, property developers, state-owned enterprises and schools
Value-added services to non-property owners.	Property developers
Community value-added services	Property owners and residents

In 2019, 2020 and 2021, revenue from our five largest customers amounted to RMB87.6 million, RMB136.0 million and RMB237.5 million, respectively, accounting for 27.3%, 33.8% and 40.7% of our total revenue for the same periods, respectively. During the Track Record Period, our largest customer was Shandong Commercial Group and its associates under the Listing Rules, taken as a group, to whom we provided property management services and value-added services. In 2019, 2020 and 2021, revenue generated from our services provided to Shandong Commercial Group and its associates amounted to RMB80.3 million, RMB129.9 million and RMB217.7 million, respectively, accounting for 25.0%, 32.2% and 37.4% of our total revenue, respectively. Among this, our revenue from services provided to Lushang Development Group amounted to RMB71.1 million, RMB117.4 million and RMB170.3 million during the Track Record Period, respectively, which accounted for approximately 22.2%, 29.1% and 29.2%, respectively, of our total revenue for the same periods, while our revenue from services provided to Shandong Commercial Remaining Group amounted to RMB9.1 million, RMB12.5 million and RMB47.4 million during the Track Record Period, respectively, which accounted for approximately 2.8%, 3.1% and 8.1%, respectively, of our total revenue for the same periods. In addition, in 2019, 2020 and 2021, our gross profit from services provided to Shandong Commercial Group amounted to RMB25.8 million, RMB38.3 million and RMB72.4 million, respectively, which accounted for approximately 46.0%, 48.1% and 49.0%, respectively, of our total gross profit for the same periods. Among this, our gross profit from services provided to Lushang Development Group amounted to RMB22.6 million, RMB34.6 million and RMB59.0 million during the Track Record Period, respectively, which accounted for approximately 40.3%, 43.5% and 40.0%, respectively, of our total gross profit for the same periods, while our gross profit from services provided to Shandong Commercial Remaining Group amounted to RMB3.2 million, RMB3.7 million and RMB13.4 million during the Track Record Period, respectively, which accounted for approximately 5.7%, 4.6% and 9.0%, respectively, of our total gross profit for the same periods. Furthermore, during the Track Record Period, our gross profit margin from services provided to Shandong Commercial Group amounted to 32.1%, 29.5% and 33.3%, respectively. Among this, during the Track Record Period, our gross profit margin from services provided to Lushang Development Group amounted to approximately 31.7%, 29.5% and 34.7%, respectively, while, during the same period, our gross profit margin from services provided to Shandong Commercial Remaining Group amounted to approximately 35.1%, 29.3% and 28.2%, respectively. During the Track Record Period, our gross profit margin of services provided to Shandong Commercial Group, including Lushang Development Group and Shandong Commercial Remaining Group, were relatively higher as compared to the overall gross profit margin of the Group, primarily because we mainly provided them value-added services to non-property owners and community value-added services, both of which have a higher gross profit margin than property management services. Our gross profit margin of services provided to Shandong Commercial Group falls within the range of the gross profit margin of services provided by other property management companies listed on the Stock Exchange to their related parties, according to CIA. The transactions with Shandong Commercial Group and its associates under the Listing Rules constituted connected transactions. Other than Shandong Commercial Group and its associates under the Listing Rules, our five largest customers during the Track Record Period were Independent Third Parties. During the Track Record Period and as of the Latest Practicable Date, save for Shandong Commercial Group and its associates under the Listing Rules, none of our Directors, their respective close associates or our Shareholders who, to the best knowledge of our Directors, owned more than 5% of the total number of issued Shares held any interest in any of our five largest customers.

See "Connected Transactions," "Relationship with Our Controlling Shareholders" and "Risk Factors—Risk Relating to Our Business and Industry—We cannot assure you that we can secure new or renew our existing property management service contracts with property developers, including Lushang Development Group and Shandong Commercial Remaining Group, or other relevant entities, on favorable terms, or at all" in this document for more information.

Our Top Five Customers

Rank	Customer	Status	Major services provided	Type	Place of business	Principal business operations	Relationship with us	Commencement of business relationship	Transaction amount[1]	Percentage of our total revenue
									(RMB'000)	*(%)*
2019										
1. . . .	Shandong Commercial Group[2]	Listed company	Property management service	State-owned enterprise	Jinan	Retails, health and education	Related Party	March 2006	80,272	25.0
2. . . .	Customer E	Unlisted company	Design service	Private enterprise	Linyi	Property development	Independent Third Party	October 2019	1,994	0.6
3. . . .	Customer A	Unlisted company	Property management service	State-owned enterprise	Jinan	Finance lease	Independent Third Party	February 2014	1,949	0.6
4. . . .	Customer B	Unlisted company	Property management service	Private enterprise	Jinan	Digital products manufacturing and services	Independent Third Party	January 2015	1,823	0.6
5. . . .	Customer C	Listed company	Property management service	State-owned enterprise	Jinan	Banking and financing	Independent Third Party	September 2015	1,612	0.5
									87,650	**27.3**

Rank	Customer	Status	Major services provided	Type	Place of business	Principal business operations	Relationship with us	Commencement of business relationship	Transaction amount[(1)]	Percentage of our total revenue
									(RMB'000)	*(%)*
2020										
1. . . .	Shandong Commercial Group[(2)]	Listed company	Property management service	State-owned enterprise	Jinan	Retails, health and education	Related Party	March 2006	129,862	32.2
2. . . .	Customer A	Unlisted company	Property management service	State-owned enterprise	Jinan	Finance lease	Independent Third Party	February 2014	1,911	0.5
3. . . .	Customer C	Listed company	Property management service	State-owned enterprise	Jinan	Banking and financing	Independent Third Party	September 2015	1,555	0.4
4. . . .	Customer F	Unlisted company	Property management service	State-owned enterprise	Yantai	Property development	Independent Third Party	May 2019	1,451	0.4
5. . . .	Customer G	Listed company	Property management service	State-owned enterprise	Jinan	Telecommunication	Independent Third Party	June 2019	1,241	0.3
									136,021	**33.8**

Rank	Customer	Status	Major services provided	Type	Place of business	Principal business operations	Relationship with us	Commencement of business relationship	Transaction amount[1]	Percentage of our total revenue
									(RMB'000)	*(%)*
2021										
1. . . .	Shandong Commercial Group[2]	Listed company	Property management service	State-owned enterprise	Jinan	Retails, health and education	Related Party	March 2006	217,696	37.4
2. . . .	Customer H	Unlisted company	Property management service	Government administration	Jinan	Public administration	Independent Third Party	August 2020	12,371	2.1
3. . . .	Customer I	Unlisted company	Property management service	Government administration	Heze	Public administration	Independent Third Party	September 2020	2,832	0.5
4. . . .	Customer J	Unlisted company	Property management service	Government administration	Zibo	Public administration	Independent Third Party	January 2021	2,302	0.4
5. . . .	Customer K	Unlisted company	Design service	State-owned enterprise	Ningyang	City asset operation	Independent Third Party	October 2021	2,262	0.4
									237,463	**40.7**

(1) Refers to the transaction amount with the relevant customer before tax.

(2) Refers to Shandong Commercial Group and its associates under the Listing Rules. Shandong Commercial Group and its associates were also one of our suppliers during the Track Record Period. In 2019, 2020 and 2021, our purchases from Shandong Commercial Group and its associates amounted to approximately RMB5.5 million, RMB49.7 million and RMB10.9 million, respectively, accounting for 3.2%, 18.6% and 5.5%, respectively, of our total purchase for the same period. In 2019, 2020 and 2021, our revenue derived from provision of property management services to Shandong Commercial Group amounted to approximately RMB80.3 million, RMB129.9 million and RMB217.7 million, respectively, accounting for 25.0%, 32.2% and 37.4%, respectively, of our total revenue for the same period. The credit terms of our transactions with Shandong Commercial Group and its associates was approximately 30 to 90 days and the payment was made through bank account transfer. The negotiations of the terms of our sales to and purchases from Shandong Commercial Group and its associates were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Accordingly, these revenue and purchase are recognized and presented separately and not offset.

We generally grant our customers with credit terms ranging from 30 days to 90 days and receive the payment through wire transfer. See "—Property Management Services" in this document for the key terms of our service agreements.

SUPPLIERS

Our suppliers are primarily subcontractors located in China which provide cleaning, security, landscaping, certain repair and maintenance, materials and dispatched workers. We have established stable and long-term business relationship with most of our major suppliers. In 2019, 2020 and 2021, our subcontracting costs amounted to RMB58.5 million, RMB101.2 million and RMB175.6 million, respectively, accounting for 22.1%, 31.3% and 40.4%, respectively, of our total cost of sales for the same periods.

Our Top Five Suppliers

The transactions with Shandong Commercial Group and its associates under the Listing Rules constituted connected transactions. Other than Shandong Commercial Group and its associates under the Listing Rules, our five largest supplier during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, save for Shandong Commercial Group and its associates under the Listing Rules, none of our Directors, their respective close associates or our Shareholders who, to the best knowledge of our Directors, owned more than 5% of the total number of issued Shares held any interest in any of our five largest suppliers. In 2019, 2020 and 2021, purchases from our five largest suppliers amounted to RMB40.9 million, RMB110.5 million and RMB80.7 million, respectively, accounting for 23.5%, 41.4%, and 23.4% of our total purchases for the same periods, respectively.

Rank	Supplier	Status	Major services provided	Type	Place of business	Principal business operations	Relationship with us	Commencement of business relationship	Transactional amount[1]	Percentage of total purchases
									(RMB'000)	*(%)*
2019										
1. . . .	Supplier A	Unlisted company	Labor dispatching service	Private enterprise	Jinan	Labor dispatching service	Independent Third Party	September 2010	19,289	11.1
2. . . .	Supplier E	Unlisted company	Subcontracting service	Private enterprise	Harbin	Security service	Independent Third Party	June 2018	6,116	3.5
3. . . .	Supplier F	Unlisted company	Subcontracting service	Private enterprise	Jinan	Cleaning service	Independent Third Party	October 2017	5,834	3.4
4. . . .	Shandong Commercial Group[2]	Listed company	Procurement service	State-owned enterprise	Jinan	Property development	Related Party	March 2006	5,525	3.2
5. . . .	Supplier G	Unlisted company	Subcontracting service	Private enterprise	Harbin	Greening and gardening service	Independent Third Party	December 2017	4,097	2.4
									40,861	**23.5**

Rank	Supplier	Status	Major services provided	Type	Place of business	Principal business operations	Relationship with us	Commencement of business relationship	Transactional amount[1]	Percentage of total purchases
									(RMB'000)	*(%)*
2020										
1. . . .	Shandong Commercial Group[2]	Listed company	Procurement service	State-owned enterprise	Jinan	Property development	Related Party	March 2006	49,677	18.6
2. . . .	Supplier A	Unlisted company	Labor dispatching service	Private enterprise	Jinan	Labor dispatching service	Independent Third Party	September 2010	28,117	10.5
3. . . .	Supplier H	Unlisted company	Subcontracting service	Private enterprise	Jinan	Greening and gardening service	Independent Third Party	July 2017	17,036	6.4
4. . . .	Supplier F	Unlisted company	Subcontracting service	Private enterprise	Jinan	Cleaning service	Independent Third Party	October 2017	9,912	3.7
5. . . .	Supplier I	Unlisted company	Subcontracting service	Private enterprise	Linyi	Greening and gardening service	Independent Third Party	December 2020	5,780	2.2
									110,522	**41.4**

Rank	Supplier	Status	Major services provided	Type	Place of business	Principal business operations	Relationship with us	Commencement of business relationship	Transactional amount[1]	Percentage of total purchases
									(RMB'000)	*(%)*
2021										
1. . . .	Supplier I	Unlisted company	Subcontracting service	Private enterprise	Linyi	Greening and gardening service	Independent Third Party	December 2020	18,997	5.5
2. . . .	Supplier A	Unlisted company	Labor dispatching service	Private enterprise	Jinan	Labor dispatching service	Independent Third Party	September 2010	18,785	5.4
3. . . .	Supplier K	Unlisted company	Subcontracting service	Private enterprise	Zibo	Cleaning service	Independent Third Party	May 2020	17,442	5.1
4. . . .	Supplier F	Unlisted company	Subcontracting service	Private enterprise	Jinan	Cleaning service	Independent Third Party	October 2017	14,589	4.2
5. . . .	Shandong Commercial Group[2]	Listed company	Procurement service	State-owned enterprise	Jinan	Property development	Related Party	March 2006	10,926	3.2
									80,739	**23.4**

(1) Refers to the transaction amount with the relevant supplier before tax.

(2) Refers to Shandong Commercial Group and its associates under the Listing Rules. Shandong Commercial Group and its associates were also one of our customers during the Track Record Period. In 2019, 2020 and 2021, our revenue derived from provision of property management services to Shandong Commercial Group amounted to approximately RMB80.3 million, RMB129.9 million and RMB217.7 million, respectively, accounting for 25.0%, 32.2% and 37.4%, respectively, of our total revenue for the same period. In 2019, 2020 and 2021, our purchases from Shandong Commercial Group and its associates amounted to approximately RMB5.5 million, RMB49.7 million and RMB10.9 million, respectively, accounting for 3.2%, 18.6% and 5.5%, respectively, of our total purchase for the same period. The credit terms of our transactions with Shandong Commercial Group and its associates was approximately 30 to 90 days and the payment was made through bank account transfer. The negotiations of the terms of our sales to and purchases from Shandong Commercial Group and its associates were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Accordingly, these revenue and purchase are recognized and presented separately and not offset.

Our five largest suppliers generally grant us credit terms ranging from 30 days to 90 days, and payment to our suppliers are typically settled by wire transfer.

Save for Shandong Commercial Group and its associates under the Listing Rules, none of our five largest suppliers during the Track Record Period was one of our customers during the Track Record Period or vice versa.

During the Track Record Period, we provided property management services and value-added services to Shandong Commercial Group and its associates. See "Connected Transactions" for more details. During the same period, our purchases from Shandong Commercial Group primarily consisted of office areas and parking, retail and storage spaces from Lushang Development Group. In particular, in 2019, 2020 and 2021, our purchase from Lushang Development Group amounted to RMB4.1 million, RMB47.9 million and RMB8.0 million, respectively, while our purchase from Shandong Commercial Remaining Group amounted to RMB1.4 million, RMB1.8 million and RMB2.9 million, respectively. We purchased office areas from Lushang Development Group for our own use, and parking, retail and storage spaces from Lushang Development Group primarily for the convenience of the property owners or tenants of the properties under our management who could purchase the parking and storage spaces from us. We generally determined the purchase price of the office areas and parking, retail and storage spaces based on the then prevailing local market price. According to CIA, the parking spaces we purchased from Lushang Development Group during the Track Record Period were at normal commercial terms and comparable to other parking spaces in Shandong Province. We purchased only part of the parking spaces owned by Lushang Development Group on properties under management, primarily because we considered various factors when making purchase decisions, including the location of parking spaces, future market situation and the estimation of our related profits. In 2019 and 2021, we purchased office areas in Jinan from Lushang Development Group, respectively, for the price of approximately RMB11,900.0 per sq.m. and RMB17,000.0 per sq.m., respectively, with GFA of approximately 1,200.0 sq.m and 1,600.0 sq.m., respectively. The prevailing local market price for the parcel of office area we purchased in 2019 ranged from approximately RMB11,500.0 per sq.m. to approximately RMB12,500.0 per sq.m. in 2019 in the same area as the parcel we purchased, according to CIA, while that for the parcel of office area we purchased in 2021 ranged from 15,200.0 per sq.m. to 17,000.0 per sq.m. in 2021 in the same area as the parcel we purchased. In 2020, we purchased storage spaces in Tai'an from Lushang Development Group for the price of approximately RMB800.0 per sq.m. with GFA of approximately 72.5 sq.m. The prevailing local market price during the Track Record Period of the parcel of storage space in Tai'an ranged from approximately RMB800.0 per sq.m. to approximately RMB2,000.0 per sq.m., depending on the type, location and quality of the storage space, among others, according to CIA. In 2021, we purchased retail spaces in Linyi from Lushang Development Group for the price of approximately RMB10,000.0 per sq.m. with GFA of approximately 200.0 sq.m. The prevailing local market price during the Track Record Period of the parcel of retail space in Linyi ranged from RMB9,000 per sq.m. to RMB10,000 per sq.m., according to CIA. In addition, in 2020 and 2021, we purchased 602 and 257 parking spaces from Lushang Development Group in the aggregate purchase price of RMB50.3 million and RMB2.6 million, respectively, and in 2021, we returned 82 of the parking spaces with the initial aggregate purchase price of RMB7.0 million to Lushang Development Group upon mutual agreement with Lushang Development Group, because Lushang Development Group started property upgrade construction in early 2021 on properties where the returned parking spaces were located, which would probably affect our resale of these parking spaces. In 2021, we also re-sold parking spaces and storage spaces in the aggregate sale price of RMB9.9 million to property owners and residents. Our gross profit from such resale of parking spaces and storage spaces amounted to RMB3.4 million in 2021. See "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Inventories" for details. We will not make more purchase of parking spaces from Lushang Development Group until we sell out the remaining parking spaces we own. After selling out the remaining parking spaces, we will decide whether to continue to engage in the parking space resale business based on future market situation and the estimation of our related profits. As of December 31, 2021, we owned 407 parking spaces purchased from Lushang Development Group with the initial aggregate purchase price of RMB39.7 million. The table below sets out the details of the parking spaces we purchased from Lushang Development Group during the Track Record Period:

Properties	City	Number of units purchased	Unit	Range of prevailing local market price in the year of purchase	Usage
			(RMB'000)	*(RMB'000)*	
2020[(1)]					
Parking spaces A	Qingdao	1	102	67-105	Held for sale
Parking spaces B	Qingdao	2	76	38-76	Held for sale
Parking spaces C	Qingdao	5	200	133-200	Held for sale
Parking spaces D[(3)] . . .	Tai'an	62	19	44-64	Held for sale
Parking spaces E[(3)] . . .	Tai'an	39	38	55-96	Held for sale
Parking spaces F.	Tai'an	10	57	46-74	Held for sale
Parking spaces G[(2)(3)] .	Jinan	49	67	73-100	Held for sale
Parking spaces H[(2)(3)] .	Jinan	33	114	114-150	Held for sale
Parking spaces I[(3)] . . .	Jinan	61	105	114-130	Held for sale
Parking spaces J[(3)] . . .	Jinan	340	95	95-123	Held for sale
2021					
Parking spaces K	Qingdao	257	10	10-21	Held for sale

Note:

(1) We did not purchase parking spaces from Lushang Development Group in 2019.

(2) The parking spaces were returned to Lushang Development Group in 2021 upon mutual agreement with Lushang Development Group. See "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Inventories" for details.

(3) We purchased these parking spaces from Lushang Development Group at a relatively low price as compared to the range of prevailing local market price in the year of purchase, primarily because we seized the opportunity to acquire such parking spaces at discounted price from Lushang Development Group as (i) Lushang Development Group was about to sell out all the properties in the project and we learned such information based on our long-term business relationship and close communications with Lushang Development in the ordinary course of business; and (ii) we purchased the parking spaces in relatively large number.

During the Track Record Period, we also entered into parking lot entrusted management arrangements with Lushang Development Group, under which we managed parking lots owned by Lushang Development Group and leased out certain parking spaces on the parking lots to property owners at our managed properties, primarily to further diversify our service offerings and revenue streams by utilizing the existing customer base of our property management services, which also facilitated our management of the parking spaces and parking facilities we owned. These parking spaces were located in Beijing, Jinan, Qingdao, Linyi, Harbin, Tai'an, Heze, Weifang, Dongying and Jining. In 2019, 2020 and 2021, under such arrangements, we were authorized to operate and manage about 4,721, 5,479 and 4,686 parking spaces on the parking lots owned by Lushang Development Group, respectively, among which during the same period, we rented out 1,608, 2,351 and 2,033 parking spaces, respectively, to owners of properties under our management. We mainly procured property owners and residents at the same community as tenants for these parking spaces and also posted advertisement in the commercial properties to procure tenants for the parking spaces we managed at commercial properties. These tenants were charged on a monthly basis based on the then prevailing market price, according to CIA. Such arrangements with Lushang Development Group about providing operational management services to relevant parking spaces owned by Lushang Development Group was on normal commercial terms, and the amount we allocated to Lushang Development Group equal to a predetermined percentage of our income generated from the parking spaces leased out was generally in line with the industry practice, according to CIA. During the Track Record Period, our income generated from the parking spaces leased out amounted to approximately RMB3.9 million, RMB2.8 million and RMB3.9 million, respectively, and we allocated to Lushang Development Group under the arrangements an aggregate amount of RMB1.4 million, RMB1.1 million and RMB1.5 million, respectively. See "Connected Transactions" for more details.

We have established ongoing business relationships and cooperation the Shandong Commercial Group during the Track Record Period, and expect the transactions as disclosed in "Connected Transactions" to continue after the [**REDACTED**]. During the Track Record Period, our transactions with Shandong Commercial Group were conducted on an arm's length basis under normal commercial terms comparable with our other similar customers and suppliers for transactions during daily operations involving similar services or goods, including credit terms, pricing policy, payment methods and quality control. When providing property management services to Shandong Commercial Group and its associates, we typically granted credit terms ranging from 30 to 90 days, generally in line with the credit terms ranging from 30 to 90 days we provided to Independent Third Parties for provision of property management services. With respect to payment method, we received payments through bank transfers for provision of our property management services to both Shandong Commercial Group and its associates and Independent Third Parties.

Subcontracting

We delegate certain labor-intensive and specialized services, primarily including cleaning, security, landscaping and certain repair and maintenance services, to subcontractors, which enables us to reduce our operating costs, improve service quality and dedicate more resources to management and value-added services. We believe such subcontracting arrangement allow us to leverage the human resources and technical expertize of the subcontractors, reduce our labor costs and enhance the overall profitability of our operations. Depending on the type and standard of service, we select subcontractors through public tender, negotiation or commission.

In general, bid-invitation procurement staff at our comprehensive management department and project management center are responsible for supervising and reviewing the selection, evaluation of our subcontractors and making decisions with respect to the projects in need of subcontractors. We regularly monitor and evaluate our subcontractors. Our management centers or relevant departments for each property management project are expected to inspect the work of subcontractors on a daily, weekly and/or monthly basis and fill the evaluation forms for record keeping. We will issue rectification notice and deduct contract sum payable if our subcontractor fails to adhere certain contract obligations. We organize random and periodical meetings to evaluate the subcontractors, grade the subcontractors based on evaluation forms and decide whether to terminate the contractual relationship. We have established internal policies and procedures with respect to subcontractor's prerequisite license and qualifications, our valuation standards, as well as management of complaints received about services provided by our subcontractors.

Key Terms of Our Subcontracting Agreements

Our subcontracting agreements typically include the following key terms:

- *Term*. Such agreements are typically signed for one-year terms and may be renewed by mutual consent. We will consider re-engaging the subcontractors based on the quality of their services.

- *Performance standards*. The subcontracting agreement would set forth the scope and expected standards of the subcontractor's services, including areas to which the subcontracting services relate, frequency for such service and the types of inspections we require.

- *Our rights and obligations*. Generally, we have both the right and obligation to supervise and evaluate our subcontractors. We are also responsible for providing them with the necessary support for the completion of their services, which may include, for example, the free use of office facilities. We generally pay subcontracting fees on a monthly or quarterly basis. We are generally entitled to collect damages for breach of contract or deduct subcontracting fees if our subcontractors fail to adhere to our performance scope and standards.

- *Rights and obligations of subcontractors*. Our subcontractors are responsible for obtaining all licenses, permits and certificates necessary for conducting their business operations in accordance with applicable laws and regulations. They also undertake to provide their services in accordance with the scope, frequency and standards of quality prescribed in the relevant subcontracting agreements.

- *Risk allocation*. Our subcontractors manage their own employees, with whom we have no employment relationship. Our subcontractors are responsible for purchasing necessary insurance for their own employees and compensating their own employees who suffer damages to person or property in the course of providing the contracted services. They are also responsible for damages to, or losses of, any person or property arising out of the default of such subcontractor in the course of providing the contracted services.

- *Procurement of raw materials*. Our subcontractors will generally procure their own tools and other raw materials required for providing their contracted services, unless specified otherwise in the agreement.

- *Termination and renewal*. We monitor and assess the performance of subcontractors regularly. Generally, we have the right to terminate the agreement if our subcontractors fail to adhere to their rights and obligations, make repeated mistakes, and if we receive multiple genuine complaints from our customers in relation to their services. For those subcontracting agreements may be renewed, proposals to renew the agreements are generally made in writing 30 days before the agreements expire.

EFFECTS OF THE COVID-19 OUTBREAK

Effects of the COVID-19 Outbreak on Our Business Operations

An outbreak of respiratory illness caused by a novel coronavirus (COVID-19) was first reported in late 2019 and continues to spread across the PRC and globally. In March 2020, the World Health Organization characterized the outbreak of COVID-19 a pandemic. As of the Latest Practicable Date, the virus has spread across China and to over 200 countries and territories globally. To contain the COVID-19 pandemic, the PRC Government has imposed strict measures across the PRC since late January 2020, including lock-down measures across various cities in the PRC, the extended shutdown of business operations, and mandatory quarantine requirements on infected individuals and anyone deemed potentially infected. As of the date of this document, lockdown measures in most regions of the PRC have been substantially lifted.

According to CIA, the outbreak of COVID-19 pandemic puts pressure on property management service providers in the short term as property management companies would incur increasing operational costs in purchasing face masks, disinfectant and other sanitizing equipment and additional allowances compensated to their staff and subcontractors for resuming normal working hours during the pandemic. Additionally, the impact on revenue derived from non-residential properties, especially shopping malls and office buildings, is relatively more adverse as compared to that on residential properties since the tenants of shopping malls and office buildings who experienced continued financial loss might terminate their lease agreements to avoid any further financial loss.

Since the outbreak of the COVID-19 pandemic and up to the Latest Practicable Date, we had not encountered any material disruption to the services provided by our subcontractors and utilities service providers and the supply of materials from our suppliers. Up to the Latest Practicable Date, to comply with government regulations and measures to combat the COVID-19 pandemic, we increased the number of outsourced personnel and incurred additional labor costs and medical material costs, which affected the short-term financial performance of our property management services. However, there were no delays in delivery of properties for property management service we have contracted. Our value-added services to non-property owners and community value-added services, to a lesser extent, have be affected given that we experienced a decrease in demand for value-added services to property developers and community value-added services to residents and tenants of properties under our management, such as parking space management. We also voluntarily reduced and waived a portion of rent of common area and advertising spaces as a relief measure against the pandemic. However, we continue to expand our community value-added services such as community living services given the high demand for such services in the community. We believe our efforts to control the outbreak has earned us high degrees of trust and reliance from property owners, residents and tenants of properties under our management. The lockdown measures imposed in many regions have also led to residents' and tenants' increasing reliance on value-added services to residential communities under our management to address residents' and tenants' daily living needs, which we believe presents us significant opportunities to expand our related service offerings. We also expect that new government regulations on property management industry may be promulgated from time to time, which offers us a higher degree of regulatory certainty in our long-term business operations. Based on the above, our Directors are of the view that no material adverse effect on our operations and financial performance is expected to result from the recent COVID-19 pandemic.

Since the outbreak of COVID-19 pandemic and up to the Latest Practicable Date, our business remained stable which was in line with the past trends and our expectations. After due and careful consideration, save for the aforesaid effects of the COVID-19 outbreaks, our Directors confirmed that, since January 2020 and up to the Latest Practicable Date, there has been no material adverse change in our business operations, the business environment in which we operate, as well as our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects.

Our Contingency Plan and Response towards the COVID-19 Outbreak

In response to the COVID-19 outbreak, we have implemented a contingency plan and adopted enhanced hygiene and precautionary measures across our managed properties. The costs incurred for implementing the enhanced measures mainly represent the material costs for masks, ethanol hand wash, disinfectants and infrared thermometers. Our Directors believe that the additional costs associated with the enhanced measures, after taking into account the medical and cleaning supplies distributed by local governments and relevant regulatory policies such as deduction of three-month payment of social insurance contributions, would have no significant impact on our financial position in 2021.

Effects of the COVID-19 Outbreak on Business Strategies

According to CIA, the outbreak of COVID-19 is expected to cause certain short-term economic slowdown across China but it will unlikely affect the regional macroeconomic development plan and talent recruitment plan in the long term, and it is expected that once the outbreak is effectively controlled, the outlook for demand of property management services in these cities will remain positive. We therefore believe that our expansion plan as discussed in "—Business Strategies" is feasible, and it is unlikely that we would change the use of the net [**REDACTED**] from the [**REDACTED**] as disclosed in "Future Plans and Use of [**REDACTED**]" in this document as a result of the COVID-19 outbreak.

INFORMATION TECHNOLOGY

In response to demands from property owners and residents and the increasing cost pressure, we have made efforts to optimize our business model and improve our service quality. With the help of the Internet and mobile applications, we have two internal information technology systems that can be divided into general application for all employees and sector-specific application. The two internal information technology systems collect and organize data related to the customer request, provision and management of our property management services and community value-added services as well as business decision-making, and to make responses accordingly.

Our internal information technology systems consist of three main types: (i) financial systems, (ii) business operation systems, and (iii) back-end systems, and facilitate the management of our properties nationwide at our headquarters.

PRIVACY AND DATA PROTECTION

To effectively provide our services and manage our customers, we may request basic user data such as name, gender, email address and mobile number and some optional personal data which can be collected only upon users' authorization such as real-time location. We will not share, transfer or publicly disclose user data without prior consent or authorization from the users with or to other entities. We keep user data for no longer than what is necessary for providing our services to them, unless otherwise permitted by relevant laws and regulations or authorized by customers. For example, as long as our customers have set up accounts with us and still allow us to have access to their user data and enjoy the services we provide, we will retain their data in our information technology system. Our customers have the rights to close their accounts and we would remove all the personal information and data saved after our customers close the accounts and request for deleting the personal information.

In addition, we have adopted a number of internal control measures to ensure data security and privacy protection related to our internal operating data and external data. We strictly limit our staff's access right to our information systems. We classify our staff based on their positions and responsibilities and grant them different access rights and adopt password control to identify system users thus only necessary staff could access certain confidential data and information. All the data and information processing will be recorded and our data operation and maintenance personnel will regularly check our system logs to further ensure information security. Technically, we selectively choose database system for information storage. We encrypt and back up essential information and desensitize certain data to ensure data privacy. We achieved data real-time and remote synchronization through data transmission under dual data server system, which helps us to switch server and recover data in emergencies and ensure business operations. Meanwhile, we cooperated with professional team to regularly conduct information system security evaluation and risk assessment, so that we could adjust our strategies for information risk control and security management.

As advised by our PRC legal advisor, we are in compliance with the applicable PRC laws and regulations governing the collection and use of personal information in all material respects. During the Track Record Period and up to the Latest Practicable Date, so far as the our Directors are aware and as advised by our PRC legal advisor, we had not been involved in any material litigation, arbitration or administrative proceedings in relation to the infringement of personal information protection, and no material litigation, arbitration or claim relating to personal information protection is pending or threatened against us, or is expected to materially and adversely affect our business operations and financial condition.

QUALITY CONTROL

We prioritize quality in our service offerings and believe quality control is crucial to our long-term success and future prosperity. We have a professional quality control team, who primarily focuses on maintaining service standards, standardizing service procedures and supervising service quality throughout our operational process. We have established a comprehensive quality control procedure, which includes, (i) a professional quality control team, which consists of a representative from the senior management team, an operations director, a quality control manager, a security manager, a senior engineer and a customer service manager, and together they are primarily responsible for implementing and maintaining service standards, standardizing service procedures and supervising service quality throughout our operational processes to ensure consistent adherence to such standards; (ii) an internal quality control protocol and standardized service procedures to improve and maintain the conditions of the sites or premises where the project is located, construction work, customer service, safety control and environment protection; and (iii) scheduled or random quality check conducted by follow-up phone calls, recorded video, onsite inspections and reviewing feedback in internal claim report system.

Quality Control of Our Property Management Services

We obtained, among others, the ISO 9001:2015 quality management system certification, the ISO 14001:2015 environment management system certification and the ISO 45001:2018 occupation health and safety management system certification in April 2016. As advised by our PRC Legal Advisors, our Directors confirm that, as of the Latest Practicable Date, we had obtained all material licenses, permits, certificates and approvals from relevant authorities for our operations in the PRC. We are required to renew such licenses, permits and certificates from time to time. We do not expect any difficulties in obtaining such renewals as long as we meet the applicable requirements and conditions set by relevant laws and regulations.

To ensure the effective and consistent delivery of our high quality services, we have established various procedures and systems to monitor and maintain the quality of our services across all our managed projects.

- *"400" integrated service hotline operated by the quality control department.* We set up a "400" service hotline to conduct client satisfaction surveys and follow-up calls every quarter for each project to generate data for further analysis. The quality control team will then analyze the data collected to formulate recommendations for the next quarter in the tracked region.

- *Satisfaction survey*. We involve independent professional institutions to assist us to assess our service quality by independently conducting customer satisfaction surveys. Each region will conduct and collect surveys on its own each quarter and another client satisfaction survey shall be conducted for all clients in all region each year. Currently, the overall satisfaction rate for the firm is around 86.6%.

- *Customer feedback collection*. We keep tracking out customer' feedbacks on our service quality. We principally get customer's feedbacks through the following methods: (i) establish customer profile for data and preference collection; (ii) establish follow-up procedure to understand customer's need; (iii) conduct regular satisfaction report to control quality; and (iv) customize individualized service plan through analysis and research.

- *Field activity quality and standard inspection.* We take conduct inspection remotely through video surveillance to the performance of customer service and security service in order to improve the service quality and meet our customer's expectations. The result of quality and standard inspection will be released monthly in the form of a ranking.

Quality Control of Subcontractors

To ensure and maintain the quality of service provided by our subcontractors, we have established internal rules and procedures to monitor our selection of, cooperation with and inspections on the subcontractors.

We regularly evaluate the performance of our subcontractors. Details of our internal quality control measures on the subcontractors are set as below:

- *Internal management review*. We regularly monitor and evaluate our subcontractors. Our management center or relevant departments for each property management project are expected to inspect the work of subcontractors on both periodic and random basis and fill the evaluation forms for record keeping. We will issue rectification notice and deduct contract sum payable if our subcontractor fails to adhere certain contract obligations. We organize semiannual and other periodical meetings to evaluate the subcontractors, grade the subcontractors based on evaluation forms and decide whether to terminate the contractual relationship.

- *Customer feedback collection*. We keep tracking our customers' feedback in relation to our subcontractors' performance through 400 service hotline, our online platform and our official website.

If the subcontractor fails to meet our quality standards, we could deduct contract sum payable and terminate the contractual relationship if necessary.

Feedback and Complaint Management

We believe that our customers are crucial to our business and value their feedbacks and suggestions. During the ordinary course of our business operations, we receive feedback, suggestions and complaints from property owners and residents of the properties we manage from time to time regarding our quality and effectiveness of services. In order to manage our customers' feedbacks and complaints in a timely and effectively manner, we provide a broad range of channels for customers to easily and quickly sending complaints and providing feedbacks, for example, a 400 service hotline, an email address of the regional person-in-charge available to the customers, a customer-oriented online channel, and the open day policy. We record, process and respond to the feedback, suggestions and complaints and conduct follow-up reviews of the results of our responses through such channels. Our internal procedures require us to answer the hot-line within three bells (around 10 seconds), respond to the customer's complaints within 24 hours and handle the issue within a reasonable time, in the event the issue persists beyond 24 hours, conduct follow-up with the customer, provide periodic updates to the customer within 48 hours and report to direct superior. Also, we have difference time requirement of different types of complaint. For the first type of complaint, we need to handle the issue and respond to 400 service hot-line within four hours. For the second and third type of complaint, we need to handle the issue within one and three days, respectively. See "—Quality Control—Quality Control of Our Property Management Services" above for more details.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any customer complaints about our services or products that would have a material adverse impact on our operations or financial results.

INTELLECTUAL PROPERTY

We regard our intellectual property rights material to our business. We primarily rely on laws and regulations on trademarks and trade secrets and our employees' and third parties' contractual commitments to protect our intellectual property rights. As of the Latest Practicable Date, we had registered 20 trademarks, eight patents and 22 copyrights in the PRC. See "Appendix VII—Statutory and General Information—B. Further Information about Our Business—2. Intellectual property rights of our Group" to this document for more information. As of the Latest Practicable Date, we were not aware of any infringement which could have a material adverse effect on our business operations by our Group against any intellectual property rights of any third party or by any third party against any intellectual property rights of our Group, or any material disputes with third parties with respect to intellectual property rights.

AWARDS AND RECOGNITIONS

The following tables set forth some of our awards received as of the Latest Practicable Date:

Year	Award/Recognition	Awarding entity
2022	The Top 100 Property Management Companies in China (中國物業服務百強企業)	CIA
2021	2021 Leading Enterprise in the Property Management Service Market in Shandong Province (2021山東省物業服務市場地位領先企業)	CIA
2021	The Top 100 Property Management Service Companies for Government Procurement (政府採購百強物業管理服務商)	The Committee for the17th Annual National Government Procurement and Collective Purchase Conference (17屆全國政府採購集採年會組委會)
2021	Leading High-quality Brands in Services Sector in Shandong Province (山東優質品牌(服務))	Quality Evaluation Association of Shandong Province (山東省質量評價協會)
2021	Exemplary Enterprise on Integrity Construction (誠信建設示範企業)	Shandong Association for Integrity Construction and Promotion (山東省誠信建設促進會)
2021	Outstanding Enterprise in the Property Management Industry with Diversified Operations in 2021" (2021物業管理行業多元化運營優秀企業)	CIA
2021	Leading Property Management Brands in Specialized Operations in 2021 (2021物業服務專業化運營領先品牌企業)	CIA

Year	Award/Recognition	Awarding entity
2020	2020 Top 500 Property Management Service Enterprises in terms of Overall Strengths (2020物業服務企業綜合實力500強)	China Property Management Research Institution (中物研協), Shanghai E-House Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)
2020	2020 China Property Prevention Satisfaction Survey Top 200 List (2020年中國物業防疫滿意度調查雙百榜)	China Property Management Association (中國物業管理協會), E-House Real Estate Economics (樂居財經), China Property Management Research Institution (中物研協)
2020	Excellent Member Unit of 2020 (2020年度優秀會員單位)	Shandong Property Management Association (山東省物業管理協會)
2019	2019 Top 500 Property Management Service Enterprises in terms of Overall Strengths (2019物業服務企業綜合實力500強)	China Property Management Research Institution (中物研協), Shanghai E-House Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Appraisal (中國房地產測評中心)

COMPETITION

According to the CIA report, the property management industry in the PRC is intensely competitive and highly fragmented with a few sizeable companies and numerous small-sized market participants. In recent years, property management companies become more concentrated and sizable companies tend to have higher growth rate. Sizeable companies with professional knowledge, financial strength and background or affiliation with property developers are more competitive and are at a more advantageous position in the market. Therefore, although the PRC property management industry has relatively low entry barriers for the mid-tier and low-end segments, we believe that there are relatively higher entry barriers for the high-end segment. With more concentration in the real estate market, most properties delivered each year are developed by the Top 100 Property Developers. Since top property developers typically have their own property management companies, it is hard to acquire additional market share.

As a reputable player in property management segment, according to the CIA report, we primarily compete against large national brands and local property management companies. We believe the core competitiveness lies in factors including, among other things, quality of services, business operation, price, financial resources, brand recognition and reputation. We were ranked first among the 2022 Top 100 Property Management Companies headquartered in Shandong Province in terms of proportion of value-added services revenue in 2021; and our revenue per sq.m., net profit per sq.m., net profit margin, as well as the growth rates of our GFA under management, revenue and gross profit were all higher than the relevant average amounts of the 2022 Top 100 Property Management Companies in China, respectively, according to CIA.

See "Industry Overview" in this document for more details about the industry and markets that we operate in.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labor, safety and environment protection matters. We have established occupational safety and sanitation systems, implemented the ISO45001: 2018 standards in our operations, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues. We have monthly training for our employees on occupational safety. During the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws in relation to workplace safety in all material respects and had not had any incidents which have materially and adversely affected our operations.

We consider the environmental protection important and are committed to operating our business in compliance with applicable environmental protection laws and regulations. We have implemented reasonable measures in the operation of our businesses to comply with all applicable requirements to ensure we meet the ISO45001: 2018 standard. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material administrative penalties due to violation of environmental laws in the PRC.

Our Directors consider that establishing and implementing sound environmental, social and governance ("**ESG**") principles and practices will help increase the investment value of our Company and provide long-term returns to our shareholders. To ensure the effectiveness of our ESG measures, our Director will be responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG-related risks.

We have worked intensely in the following aspects to promote health, safety and environmental aspects of our operations: (i) carefully sanitize the property under management to create a good working and living environment; (ii) effectively manage the sewage and pipelines; (iii) control air, water, solid, noise and electromagnetic wave pollution; (iv) promote recycling and energy conserving activities; (v) carefully prevent and remove illegal constructions; and (vi) manage parking and repair and maintenance.

ESG and Climate-related Internal Management

Governance over Environmental, Social and Climate-related Risks and Opportunities

We have been focused on ESG management and provided guidelines to the management of our Group's environmental, social and climate-related issues. We believe that it requires collective effort from our Board of Directors to evaluate and manage material ESG issues, and therefore we have not established any sub-committee for ESG issues. Instead, our Board of Directors takes up the responsibility of monitoring and managing material ESG issues, with the assistance from the management. Our Board of Directors and senior management are principally responsible for setting up our Group's overall ESG vision, direction and strategy, as well as monitoring and reviewing our ESG performances and whether we fulfill our ESG vision. Our Board of Directors and senior management oversee the coordination of different departments to ensure that our operations and practices are in line with related ESG strategies.

Furthermore, Our Board of Directors and senior management closely follow and monitor the latest requirements regarding ESG disclosure and regulatory compliance. For instance, we are highly aware of the Stock Exchange's ESG requirements, and in order to ensure compliance with said requirements, our Board of Directors and our senior management will oversee the compilation of our ESG report, and shall review the content and quality of the ESG report after we are officially [**REDACTED**].

With respect to the management of environmental, social and climate-related issues, our Board of Directors recognizes the importance of stakeholders' expectations and involvement, therefore it monitors the implementation of communication channels between stakeholders and us. Our Board of Directors and senior management monitor materiality assessments conducted to identify material ESG issues, such as climate-related issues. Our Board of Directors and senior management then will review the results from the materiality assessment and conclude on the issues that we shall focus on.

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

We acknowledge that climate-related issues pose a certain level of threat to us. Climate-related risks identified by us can be classified into two major categories: physical risk and transitional risk.

We define physical risks as risks that potentially cause physical impact to us. We believe that climate-related issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms and typhoons. We may potentially be impacted by an increased operation and maintenance cost and an increased labor cost. The health and safety of employees may also be endangered.

Due to climate change and climate-related issues, consumers may shift their preferences to a sustainable lifestyle, while regulators may require increasing disclosure on emission. Such transitional risks which require us to move towards a sustainable business model may potentially lead to impacts such as increased operational cost from change of operational practices. For example, we may need to switch to energy efficient lighting or increase greenery areas on our operational premises. With regard to increasing responsibilities on emission disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on emissions and resource consumption.

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

Based on our management's judgement, we have identified the following material ESG issues highly related to our business.

Material Topics	Potential Risks, Opportunities and Impacts
Environmental protection and resources conservation	We may be affected by increasing operation and maintenance costs with respect to daily compliance with environmental laws and regulations. We identify opportunity in our daily operation to enhance our environmental performance through implementing our policy with respect to resources conservation.
Employment right protection	We value our employees and are required to comply with labor protection laws and regulations. We intend to provide a better employee benefit and incentive mechanism, enhance our internal control in terms of employee right protection and continue to build a safe working environment.
Product design and lifecycle management	Substandard products will subject us to litigation risk and damage our reputation. We intend to standardize our production process and enhance our quality control measure.

We have implemented environmental management system and have obtained the ISO 14001:2015 certification. This system provides a framework for making policy and process changes that help us to improve our company's environmental performance. In addition, we have implemented occupational health and safety management system and have obtained the ISO 45001: 2018 certification. This system provides a guidance that helps us to offer safe and healthy workplaces.

We have put in place various mitigation and measures to prevent the risks from causing unnecessary impact on our operations. For example, we have implemented measures to follow the regulation on garbage classification and the regulation on waste water disposal on properties under our management.

To mitigate potential climate-related risks such as more frequent extreme weather conditions, we have put in place emergency plans against extreme weather conditions where employees and other personnel are notified promptly with any related measures. To ensure that all personnel are well prepared for such extreme weather conditions, regular evacuation drills are conducted.

In the upcoming future, our administrative expenses regarding environmental, social, and climate-related issues are estimated to increase along with our overall business development. However, we do not foresee that such increase would cause any significant impact on our business operation or financial performance.

Metrics and Targets for Assessing and Managing Environmental, Social and Climate-related Risks

Further, our Board will set metrics and targets for material key performance indicators at the beginning of each financial year with reference to the disclosure requirements of Appendix 27 to the Listing Rules. Set forth below are some key metrics and targets for the material key performance indicators we have currently identified:

(i) in relation to pollutants discharged and emissions, the key metrics mainly include direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions in tonnes of carbon dioxide equivalent, and greenhouse gas emitted per revenue in tonnes of carbon dioxide equivalent per RMB. We target to reduce our greenhouse gas emitted per revenue;

(ii) in relation to use of resources, the key metrics mainly include the amount of direct energy (diesel consumed in tonne) and indirect energy (electricity consumed in kilowatt-hour), the volume of water in thousand tonne, the average monthly costs of energy and water, the energy and water consumed per revenue. We target to reduce our consumption of energy and freshwater per revenue;

(iii) in relation to waste generated, the key metrics mainly include hazardous waste in tonnes, and hazardous waste produced per revenue. We target to maintain 100% compliance rate in relation to hazardous waste disposal; and

(iv) save for the abovementioned targets, we target to maintain zero environmental pollution accidents for our overall environmental matters.

The metrics and targets used to assess social-related risks mainly include employee gender structure, employee turnover rate, employee age distribution, frequency of employee training, and completion of learning hours.

We will establish a ESG governance structure to monitor the relevant risks and progress of achieving the targets.

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

- authorizing the department in charge of auditing to assume responsibility for daily execution of our anti-corruption and anti-fraud measures, including handling complaints and conducting internal investigations;
- providing anti-corruption compliance training to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations;
- including relevant policies and express prohibitions against noncompliance in staff handbooks; and
- undertaking rectification measures with respect to any identified corruption or fraudulent activities, evaluating the identified corruption or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

INSURANCE

We believe that our insurance coverage is in line with the industry practice in the PRC and is sufficient to cover our current operation. We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including employer's liability insurance, commercial insurance, public liability insurance, facility and equipment insurance and other insurances that cover operational risk.

We are covered by property and liability insurance policies with coverage features that we believe are customary for similar companies in the PRC. However, our insurance coverage may not be sufficient or available to cover damage, liabilities or losses we may incur in the ordinary course of our business, which may result in adverse effects on our business. See "Risk Factors—Risks Relating to Our Business and Industry—Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation" in this document.

EMPLOYEES

We believe that our quality personnel is our key to success and future development. We place strong emphasis on recruiting and training quality personnel. We recruit talent from various sources, such as employee referral, on-line job posting, universities and other companies, and provide on-going training and promotion opportunities to our staff members.

As of December 31, 2021, we had a total of 1,448 full time employees in the PRC. The following table sets forth a breakdown of our employees by function as of December 31, 2021:

Function	Number of employees	% of our total employees
Senior management	4	0.3
Auditing inspection	8	0.6
Securities	5	0.4
Finance management	15	1.0
Operation management	14	1.0
Project management	19	1.3
Value-added services	16	1.1
Market development	18	1.2
City life	9	0.6
Bidding and purchasing	4	0.3
Design	95	6.6
Landscaping	15	1.0
Comprehensive management[(1)]	32	2.2
Property management services	1,194	82.5
Total	**1,448**	**100.0**

(1) Refers to our human resources and administrative staff, among others.

The following table sets forth a breakdown of our employees by geographic location as of December 31, 2021:

Geographic location	Number of employees	% of our total employees
Shandong Province	1,266	87.4
Other regions	182	12.6
Total	**1,448**	**100.0**

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulties in recruiting suitable employees for our business operations. We did not have any material disputes with our employees, or experience any strike, labor disputes or industrial actions that may have a material adverse effect on our business, financial position and results of operations.

Training

We provide and plan to further improve our various systematic and extensive training programs for our employees. Our employee training programs primarily cover key areas in our business operations, which provide continuous training to our existing employees at different levels to specialize and strengthen their skill sets. The training programs are primarily classified into the following categories:

- *"Project Sunlight" (向陽計劃):* A detailed orientation program is offered to management trainees and entry level employees for them to familiarize themselves with company's history, corporate culture, internal rules and policies and relevant knowledge with respect to property management services.

- *"Project Point Gold" (點金計劃):* We offer a detailed training program for lower and mid-level management, aiming to establish a future management team tailored to the need.

- *"Project Cast Gold" (鑄金計劃):* We offer special training programs for mid-level management team.

- *"Project Cloud" (凌雲計劃):* We offer critical special training programs for our senior management team.

Recruiting

We rely on high quality personnel for our consistent delivery of high quality service. We endeavor to hire the best talented employees in the market by offering competitive wages, bonus, benefits, systematic training opportunities and internal upward mobility. During out recruiting process, we seek talent that is best suited to our vacancy by sourcing through a broad range of channels, including online job posting, campus recruiting and employee referral. Our screening and selection process primarily include (i) developing a recruiting plan; (ii) confirming the channel of recruitment; (iii) posting detailed information regarding the post; (iv) reviewing and screening of resumes; (v) conducting two rounds of interviews; (vi) conducting background check; and (vii) sending offer letter after the internal approval.

Social Insurance and Housing Provident Fund Contributions

Pursuant to applicable PRC laws and regulations, employers are required to make contributions to, and employees are required to participate in, a number of social insurance funds, including pension fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and the housing provident fund. See "Regulatory Overview—Labor and Social Security Related Laws and Regulations." During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for certain employees, which were mainly related to (i) newly enrolled employees not yet started contribution; (ii) rural household employees who have already made contributions under their rural accounts; and (iii) employees who have made relevant contributions from their previous employment.

Under the Regulations on Administration of Housing Provident Fund (《住房公積金管理條例》), (i) for housing provident fund registrations that we fail to complete before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch and (ii) for housing provident fund contributions that we fail to pay within the prescribed deadlines, we may be subject to any order by the relevant people's court to make such payments. According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), for outstanding social insurance fund contributions that we did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the outstanding contribution amount.

We made provisions in the amounts of RMB2.2 million, RMB0.3 million and RMB2.2 million in respect of such potential liabilities, in 2019, 2020 and 2021, respectively, for our PRC subsidiaries and branch offices. For the PRC subsidiaries and branch offices we have obtained written confirmations from local social insurance and housing provident fund authorities, each states that: (i) the social security and housing fund contributions was made by relevant subsidiary and branch office in compliance with the respective laws and regulations; and (ii) no administrative penalty has been imposed. Our PRC Legal Advisors are of the opinion that the relevant written confirmations are addressed by competent authorities.

Based on (i) written confirmations from local social insurance and housing provident fund authorities as stated above; (ii) assessment of various factors including the nature and amount of the non-compliance; (iii) that as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance premiums and housing provident funds and demanding payment of the same before a stipulated deadline; (iv) that as of the Latest Practicable Date, we were also not aware of any employee's complaints or demands for payment of social insurance premiums and housing provident fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the PRC courts regarding disputes in this regard; and (v) we will make full contributions or pay any shortfall within a prescribed time period if demanded by the relevant government authorities, our PRC Legal Advisors are of the view that the risk of us being subject to material administrative penalties by relevant authorities for our aforementioned historical failure to make full contributions to the social insurance and housing provident funds for our employees is low. In addition, our PRC Legal Advisors advised that we have not been subject to material litigation or administrative penalty for our aforementioned failure to make full contributions to the social insurance and housing provident funds for certain of our employees, and our aforementioned failure to make full contributions to the social insurance and housing provident funds for our employees does not constitute a material legal obstacle for the [**REDACTED**]. As such, our Directors are of the view that it will not have a material adverse effect on our business operations, nor will such events constitute a material legal obstacle for the [**REDACTED**].

In addition, as of the Latest Practicable Date, we had established various internal policies and procedures to ensure that we make sufficient contributions in relation to social insurance and housing provident funds in compliance with relevant laws and regulations. These internal policies and procedures include (i) regularly review regulations and notices published by competent government authority to ensure that our calculation and payment methods are in compliance with the relevant laws and regulations; (ii) regularly consulting outside counsel to understand whether we are at risk of non-compliance with the relevant laws and regulations; (iii) regularly preparing reports regarding our contribution amounts for review by our Board; and (iv) conducting internal trainings for our Directors, members of senior management and certain employees on the relevant laws and regulations.

OUR BANK ACCOUNT AND CASH MANAGEMENT POLICY

In 2019, 2020 and 2021, the amount of property management fee we received in form of cash was RMB18.4 million, RMB11.1 million and RMB13.8 million, respectively. We have a bank account and cash management system to manage the cash inflows and outflows of our branches in their ordinary course of business in accordance with PRC laws and regulations. We have established a cash management policy to monitor our cash inflows and outflows and ensure the safety of monetary funds. We have detailed cash management policy to regulate our cash management and bank deposits management to ensure security and the reasonable use of our cash. Details of our cash management policy are set out as follows:

Cash flow transactions	Cash handling policies and internal control measures
Receipt of property management fees, rent or other service fees from our customers	We have designated cashier charged with cash collection at relevant properties. They will verify that the cash collected is the correct amount, deposit the cash collected to our bank account and submit report to our online management system on a daily basis.
Payments made to our suppliers by our branches.	Such payment shall be submitted by related personnel in writing and pre-approved by the responsible supervising personnel according to the authority assigned to them by our internal manual. Once approved, the relevant payments shall be wired through online bank accounts by internal accountants of our branches.
Cash transfers from our branches to our centralized bank account	We transfer the cash deposited in the bank accounts of our branches to our centralized bank account through a bank-corporation direct transfer channel.

Cash flow transactions	Cash handling policies and internal control measures
Cash transfers from our centralized bank account to our branches	We set a cash level for the bank accounts of our branches and adjust the cash level as necessary and appropriate to facilitate the business operation of our branches. In the event that the actual cash levels at the bank accounts of our branches fall below the pre-determined cash level, we transfer cash from our Company's centralized bank account to the bank accounts of our branches to supplement the shortfall for our regular operation.
Cash inventory and deposits	Our branches are required to reconcile and check bank balances on a daily basis. Our headquarters conduct bank balance and deposit check on a weekly basis and, where there is any inconsistency, require our branches to investigate and provide explanation and take punitive measures accordingly.

INTERNAL CONTROL AND RISK MANAGEMENT

We have implemented various risk management policies and measures to identify, assess, manage and monitor risks arising from our operations. Risks identified by our management team, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. See "Risk Factors—Risks Relating to Our Business and Industry" for more details of the major risks identified by our management.

In addition, we face various financial risks, including but not limited to interest rate, price, credit and liquidity risks that arise during our ordinary course of business. See "Financial Information—Market Risks" for further discussion.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted or will adopt, among others, the following risk management and internal control measures:

- we have adopted various quality control and supervision measures and procedures to prevent risks relating to our services. See "—Quality Control" for more details.

- we have established an audit committee responsible for overseeing our financial records and risk management and internal control procedures and policies. Please See "Directors, Supervisors and Senior Management—Board Committees—Audit Committee" in this document for details on the qualifications and industry experiences of the committee members and description of the duties and responsibility of the committee; and

- our human resources department is responsible for monitoring compliance with our internal rules and procedures by our employees to ensure that we comply with the relevant regulatory requirements and the applicable laws so as to reduce our legal risks.

We strive to foster a strong compliance culture among our employees. To achieve such compliance culture and set the expectations for individual behavior across our Group, we adopted procedures and policies to ensure strict accountability of individual employees, and regularly conduct internal compliance checks and inspections and conduct compliance training.

In preparation for the [**REDACTED**], we engaged an independent internal control consultant to review our internal control system, based on an agreed scope covering controls and procedures in the following aspects: our provision of services, sales management, procurement management, cash and treasury management, human resources management, financial reporting and disclosure controls, tax management, management of our informational technology systems, purchase of insurance policies, intellectual property protection and other general control measures. Our internal control consultant recommended various rectification and improvement measures in our internal control system based on its findings. Accordingly, we have commenced implementation of rectification and improvement measures in response to these findings and recommendations. Our internal control consultant has also performed a follow-up review on the implementation of measures we adopted in relation to our internal control system, and we did not receive any additional recommendations from the internal control consultant as of the Latest Practicable Date. Taking into consideration of the above and the internal policies when adopted effectively and implemented, our Directors' view is that our enhanced internal control measures are adequate and effective for our current business environment.

PROPERTIES

As of December 31, 2021, we owned 11 properties in China with an aggregate GFA of approximately 2,994.8 sq.m. During the Track Record Period, we used our buildings mainly as office premises, meeting rooms, storerooms and for commercial purposes. As of the Latest Practicable Date, we had obtained title certificates for all 11 properties. As of the Latest Practicable Date, we also leased 22 properties in various locations with an aggregated GFA of approximately 4,029.7 sq.m. for use as offices and staff dormitories, among which one property was leased from an associate of our Controlling Shareholders with a total GFA of approximately 1,289.0 sq.m. and 21 properties were leased from Independent Third Parties with a total GFA of approximately 2,740.7 sq.m. as of the Latest Practicable Date.

As of the Latest Practicable Date, we had not registered 20 lease agreements of our leased properties. We require cooperation from the landlords of the leased properties to register such lease agreements, as the registration requires the submission of certain documents from the landlords, including their identification documentation and property ownership certificates, to the relevant authorities. Therefore, the registration is subject to the cooperation of landlords which is not within our control. Our PRC Legal Advisors have advised us that we might be ordered to rectify this non-filing by competent authorities and if we fail to rectify within a prescribed period, an administrative penalty of a fine up to RMB10,000 for each unregistered lease may be imposed on us as a result of such non-filing. As of the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to rectification or potential administrative penalties as a result of our failure to file the lease agreements described above. Our PRC Legal Advisors have also advised us that the failure to file the lease agreements would not affect the validity of the lease agreements nor would such non-filing have a material adverse effect on our business operations or constitute a material legal obstacle for the [**REDACTED**]. See "Risk Factors—Risks relating to Our Business and Industry—Some of our lease agreements were not registered with the relevant government authorities" for more details.

Cushman & Wakefield Limited, an independent property valuer, has valued our selected properties as of December 31, 2021. See "Appendix III—Valuation Report." Having considered the implications of Rule 5.01A of the Listing Rules, the property interest not subject to valuation is the property interest (i) that forms part of our property activities with a carrying amount below 1% of our total assets, while the total carrying amount of such property interests not valued does not exceed 10% of our total assets, and (ii) that does not form part of our property activities while the carrying amount of such property interest is not above 15% of our total assets.

CERTIFICATES, LICENSES AND PERMITS

We are required to obtain and maintain various certificates, licenses and permits in relations to our operations, such as Filing for the Company's Self-recruiting Security Guards (自行招用保安員單位備案證明), Food Business Licenses (食品經營許可證), Sanitary License (衛生許可證), License for the Commercial Service of Clearing, Collection and Transport of Urban Living Garbage (城市生活垃圾經營性清掃、收集、運輸服務許可證), Engineering Design Qualification Certificates (工程設計資質證書), High and New Tech Enterprise Certificate (高新技術企業證書) and Business Permit for Labor Dispatch (勞務派遣經營許可證). See "Regulatory Overview" and "Appendix V—Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" for more information about the material certificates, permits and licenses required for our business operations in the PRC. During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite certificates, permits and licenses that are material for our operation, and all of such certificates, permits and licenses are within their respective effective periods. We are required to renew such certificates, permits and licenses from time to time. We do not expect any material difficulties in such renewals.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

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

Compliance

Our Directors confirmed that we had not been subject to any material fines or legal actions involving non-compliance with any PRC laws or regulations relating to our business during the Track Record Period and up to the Latest Practicable Date.

RECENT REGULATORY DEVELOPMENT

In 2020, the Ministry of Housing and Urban-Rural Development, together with the People's Bank of China, proposed to issue the "three red-line" regulation for real estate companies, with intention to accelerate the deleveraging process of real estate companies and facilitate the healthy development of China's real estate industry. The "three red-line" regulation refers to: (i) the gearing ratio (excluding prepayments) of a real estate company shall not exceed 70%; (ii) the net gearing ratio of a real estate company shall not exceed 100%; and (iii) cash over short-term interest-bearing loans shall not be lower than 1.0. In particular, if a real estate company complies with all of the above-mentioned three limits (also known as green real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 15%; if a real estate company fails to comply with one of the above-mentioned three limits (also known as the yellow real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 10%; if a real estate company fails to comply with with two of the above-mentioned three limits (also known as the orange real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 5%; and if a real estate company fails to comply with all of the above-mentioned three limits (also known as the red real estate companies), it will not be allowed to increase its interest-bearing liabilities.

According to CIA, the "three red-line" regulation may have an impact on the real estate market in the PRC as a whole, which is expected to speed up real estate companies' deleveraging process and promote healthy development of the PRC real estate industry. Such tightened regulations serve as a challenge to property developers, especially the small and medium-sized companies as they can no longer take advantage of high financial leverage to achieve rapid expansion.

In the event that the above-mentioned standard comes into effect, given that, as of March 31, 2022, based on the 2022 first quarterly report of Lushang Development Group and using the above-mentioned calculation methods, Lushang Development Group's the gearing ratio (excluding prepayments) and cash over short-term interest-bearing loans amounted to 83.5% and 0.5, respectively, Lushang Development Group may fail to comply with the above-mentioned limits on the gearing ratio (excluding prepayments) and cash over short-term interest-bearing loans. As a result, in the event that the "three red-line" regulation comes into effect, Lushang Development Group's annual increase in interest-bearing liabilities may not exceed the 5% cap. However, considering that, based on the 2020 annual report, the 2021 third quarterly report, the 2021 annual report, the 2022 first quarterly report and recent announcements, Lushang Development Group (i) has been making efforts to deleverage, as demonstrated by the decrease in gearing ratio (excluding prepayments) and net gearing ratio from September 30, 2021 to December 31, 2021 and further to March 31, 2022, and increase in cash over short-term interest-bearing loans ratio during the same periods; (ii) recorded net operating cash inflow in 2021; and (iii) has been expanding multiple financing channels, including issuing perpetual bonds in the second half of 2020 and listed new shares of one of its wholly-owned subsidiaries on Shandong Property Exchange Center to raise equity capital from strategic investors in September 2021, to our best knowledge, it is unlikely that Lushang Development Group's property development business and construction activities will be materially and adversely affected in the case that it may fail to comply with two of the three limits under the "three red-line" regulation. Besides, there was not any delay of properties developed by Lushang Development Group which we contracted to manage during the Track Record Period, and we believe that there is unlikely to be any material delay of such properties as a result of the "three red-line" regulation. As such, our Directors are of the view that to their best knowledge, the future development plan of Lushang Development Group will not be material adversely affected, and accordingly, it will not have material adverse impact on our operations, business and financial condition.

Moreover, as advised by our PRC Legal Advisors, given its intention to regulate the financing activities of real estate companies, the "three red-line" regulation is unlikely to impose legal restrictions on the financing activities for companies like us with diversified business lines and without having real estate business as the principal business. In addition to having strong support from Lushang Development Group, we have been actively expanding our property portfolio to diversify our customer base to cover properties developed by Independent Third Parties, as is evidenced by the significant increase in our GFA under management for projects developed by Independent Third Parties from 24,000 sq.m., as of December 31, 2019 to 2,658,000 sq.m. as of December 31, 2020 and further to 9,527,000 sq.m. as of December 31, 2021, representing 0.2%, 17.2% and 41.7% of our total GFA under management, respectively, during the same period; Furthermore, we believe we can diversify our service portfolio to include more non-property developers, such as property-owners and residents, through our long-term and stable cooperation with Shandong Commercial, the controlling shareholder of us and Lushang Development Company, who is a large-scale holding companies with a wider range of investments in retail, healthcare, finance and commercial tourism and hotel administration, among other sectors**.** See "—Competitive Strengths—Long-term and Stable Cooperation with Lushang Development Group and Shandong Commercial Group Contributing to Continuous and Sustainable Business Growth" for details.

On December 28, 2020, PBOC and CBIRC jointly promulgated the Notice on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》) (the "**Notice**"), which put forward certain limitation for the proportion of real estate loans and the personal housing loans to all RMB loans in banking financial institutions (excluding overseas branches). These financial institutions, based on the statistical data on December 31, 2020, will be given a business adjustment transition period of two or four years, which depends on whether they exceed 2% above the limitation, to legitimate their loan structures. PBOC and CBIRC shall take measures, such as additional capital requirements and weight adjustments of risk of real estate assets for these banking financial institutions that fail to implement proportional rectification within certain period.

Instead of raising the interest rates of individual housing loans, the Notice only limits the proportion of individual housing loans of various commercial banks. Similar to the interest rate adjustment of individual housing loans, this is also PRC government's control means to curb the overheated real estate market and help the real estate market develop in a healthy and stable way. As advised by our PRC Legal Advisor, the Notice is unlikely to affect the project development plan of Lushang Development Group in a long term, but only likely to affect the transaction volume of properties developed by Lushang Development Group in a short term. Such view is concurred by CIA. Besides, we usually conclude the property management service contracts with Lushang Development Group before the pre-sale of the projects. Based on the above, we believe that such regulations had not had any material adverse impact on our operation or financial conditions.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the [**REDACTED**] (without taking into account the exercise of the [**REDACTED**]), our Company will be owned as to approximately [**REDACTED**]% by Lushang Development, and [**REDACTED**]% by Lushang Innovation, a wholly-owned subsidiary of Lushang Development. Lushang Development is directly and indirectly owned as to approximately 53.7% by Shandong Commercial. Shandong Commercial is directly and indirectly owned as to 90% by Shandong SASAC. Hence, Shandong Commercial, Lushang Development and Lushang Innovation constitute a group of Controlling Shareholders under the Listing Rules.

The [**REDACTED**] constitutes a spin-off from Lushang Development. Pursuant to the Spin-off Circular, the offshore [**REDACTED**] of subsidiaries controlled by domestic listed companies are required to comply with the conditions set out in the Spin-Off Circular. As advised by our PRC Legal Advisor, all such conditions under the Spin-off Circular had been satisfied as of the Latest Practicable Date. Furthermore, as advised by our PRC Legal Advisor, our Company has obtained all necessary approvals and authorizations in the PRC in relation to the [**REDACTED**].

DELINEATION OF BUSINESS

Our Group is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services.

In addition to the investment in our Group, our Controlling Shareholders have been engaged in other businesses including but not limited to (i) retail business; (ii) property development; (iii) biopharmaceuticals, drug research and development, medical facilities design and medical training services; (iv) elder care service; and (v) education.

In particular, our Controlling Shareholders carry on the medical facilities design services through a wholly-owned subsidiary, Shandong Pharmaceutical Industry Design Institute (山東省醫藥工業設計院) ("**Pharmaceutical Industry Design**"). As part of our value-added services to non-property owners, we provide construction design services for property development. Our Directors are of the view that the medical facilities design services provided by Pharmaceutical Industry Design can be clearly delineated from the construction design services provided by our Group in the following aspects:

	Medical facilities design services of Pharmaceutical Industry Design	Construction design services of our Group
(i) Difference properties for which services are provided	Pharmaceutical factories and related supporting facilities	Commercial and residential properties

	Medical facilities design services of Pharmaceutical Industry Design	Construction design services of our Group
(ii) Different customers . .	Mainly to pharmaceutical companies	Property developers and schools
(iii) Different expertise required.	Pharmaceutical industry knowledge, expertise in chemical and petrochemical industry and technical skills in relation to construction	Technical skills in relation to construction
(iv) Main qualification required.	Chemical, Petrochemical and Pharmaceutical Industry Class A (化工石化醫藥行業甲級)	Construction Industry (Construction Engineering) Class A (建築行業(建築工程)甲級)

Save as disclosed above, as of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

To ensure that competition will not arise in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest in, or otherwise be involved in any business which may compete with our business, further details of which are set out in "Deed of Non-competition" below.

OUR BUSINESS RELATIONSHIP WITH LUSHANG DEVELOPMENT GROUP

Lushang Development is a comprehensive property developer listed on the Shanghai Stock Exchange (stock code: 600223) and has developed a diversified portfolio of high-quality properties covering shopping malls, commercial pedestrian streets, residential buildings, office buildings and hotels. It was recognized as one of the Top 100 PRC Property Developers in terms of overall strength (中國房地產開發百強企業) by China Real Estate Top 10 Research Group (中國房地產Top 10研究組) in 2021.

We have a well-established and ongoing business relationship with Lushang Development Group, as we have been providing property management services and value-added services to non-property owners to Lushang Development Group since our establishment in 2006.

We consider the close business relationship between our Group and Lushang Development Group to be mutually beneficial and complementary, which CIA has confirmed is common among property management service providers and their related property development companies in the PRC. Over 15 years of cooperation, we and Lushang Development Group have developed a deep understanding of each other's business operations and share a similar service philosophy. Given the close and long-term cooperative relationship between our Group and Lushang Development Group, our familiarity with the specific requirements of Lushang Development Group and expected deliverables has enabled us to reduce communication costs, build mutual trust and consistently provide quality services that meet Lushang Development Group's demands and requirements for its properties.

We believe that our close and long-term cooperative relationship with Lushang Development Group is instrumental to its success in developing its brand image, as well as our own success in accumulating experience in providing property management services, reinforcing our existing market position and enhancing our competitiveness.

During the Track Record Period, we were engaged by Lushang Development Group to provide property management services and value-added services to non-property owners. Our Directors confirm that, to the best of their knowledge and belief, we provided property management services to all of the properties developed by Lushang Development Group, and our bidding success rate for such projects was 100.0%, during the Track Record Period. We believe that our competitive advantages allowed us to secure property management service engagements for properties developed by Lushang Development Group during the Track Record Period, which include, among others:

(a) we are a leading comprehensive property management service provider in Shandong Province with proven track record of robust growth;

(b) we provide property management to a diversified portfolio of properties, including both residential properties and non-residential properties such as commercial complexes, municipal facilities, schools and industrial parks; and

(c) we have established various procedures and systems to monitor and maintain the quality of our services.

As of December 31, 2019, 2020 and 2021, our total GFA under management for properties developed by Lushang Development Group amounted to 10.7 million sq.m., 11.8 million sq.m. and 12.4 million sq.m., respectively, representing 99.8%, 76.6% and 54.3% of our total GFA under management as of the same dates, respectively. For each of the years ended December 31, 2019, 2020 and 2021, revenue generated from property management services provided to properties developed by Lushang Development Group amounted to RMB178.1 million, RMB197.9 million and RMB224.0 million, respectively, representing 98.7%, 97.0% and 87.7% of our total revenue generated from the provision of property management services.

We believe it is commercially beneficial for both Lushang Development Group and our Group to maintain such a stable and strategic business relationship. Our Directors therefore consider that our business relationship with Lushang Development Group is unlikely to terminate or materially or adversely change due to its mutual and complementary nature. Going forward, based on our mutual and complementary business relationship, and considering the amount of time and effort required to secure other service providers who can possibly provide services with comparable standard and scope to Lushang Development Group, we consider we have competitive advantage which distinguishes us from our competitors and we believe we will continue to secure future engagements from Lushang Development Group. Our provision of property management services and value-added services to Lushang Development Group will constitute continuing connected transactions for our Company upon [**REDACTED**]. For more information, see "Connected Transactions" in this document.

OUR BUSINESS RELATIONSHIP WITH SHANDONG COMMERCIAL GROUP

Shandong Commercial is a large-scale holding company with a wide range of investments in retail, healthcare, finance and commercial tourism and hotel administration, among other sectors, which was directly and indirectly interested in approximately 53.7% of shares of Lushang Development as of the Latest Practicable Date.

We have maintained a close and long-term relationship with Shandong Commercial Group. During to Track Record Period, Shandong Commercial Group under the Listing Rules, taken as a group, was our largest customer to whom we provided property management and value-added services since our inception. For our business relationship with Lushang Development Group, see "Our Business Relationship with Lushang Development Group" in this section. Apart from Lushang Development Group, as of December 31, 2019, 2020 and 2021, our total GFA under management for properties developed by Shandong Commercial Remaining Group amounted to nil, 1.0 million sq.m. and 0.9 million sq.m., respectively, representing nil, 6.2% and 4.0% of our total GFA under management as of the same dates. For each of the years ended December 31, 2019, 2020 and 2021, revenue generated from property management services provided to properties developed by Shandong Commercial Remaining Group amounted to nil, RMB1.1 million and RMB10.8 million, respectively, representing nil, 0.6% and 4.2% of our total revenue generated from the provision of property management services.

We believe it is commercially beneficial for both Shandong Commercial Group and our Group to maintain such a stable and strategic business relationship. Our Directors therefore consider that our business relationship with Shandong Commercial Group is unlikely to terminate or materially or adversely change. Our provision of property management services and value-added services to Shandong Commercial Group will constitute continuing connected transactions for our Company upon [**REDACTED**]. For more information, see "Connected Transactions" in this document.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after [**REDACTED**] for the following reasons:

Management Independence

Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management. Save for the following members of our Board, there is no overlap of Directors or senior management members between our Group and our Controlling Shareholders (and their respective close associates):

Member of our Board	Role(s) in our Group	Role(s) in our Controlling Shareholders or their respective close associates
Mr. Zhao Yanfeng	• Non-executive Director and chairman of the Board	• Chief strategy officer of Shandong Commercial
Ms. Li Lu	• Non-executive Director	• Board secretary of Lushang Development • Chairman of the labor union and officer of the board of directors' office of Lushang Development

As our non-executive Directors, Mr. Zhao Yanfeng and Ms. Li Lu are not involved in our day-to-day operations and do not need to devote substantial amounts of time to the management of our Group. For more information on the respective responsibilities of our Directors, see "Directors, Supervisors and Senior Management—Board of Directors—Non-executive Directors".

As of the Latest Practicable Date, save for (i) Mr. Wang Zhongwu, our executive Director, vice chairman of our Board and general manager, who was interested in 100,000 shares of Lushang Development; and (ii) Ms. Li Lu, our non-executive Director, who was interested in 100,000 shares of Lushang Development, none of our other Directors held equity interests in our Controlling Shareholders. Each of our Directors is aware of his/her fiduciary duties, which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Any Director who has equity interest and/or share options in Lushang Development shall abstain from voting at any board meeting on the relevant resolution approving any transaction with Lushang Development Group. In addition, we have an independent senior management team to carry out the business operations of our Group independently from our Controlling Shareholders.

We have independent non-executive Directors whose previous experience and insight in areas such as human resources, capital markets and academia are valuable to our decision-making process and they will be able to make decisions in the best interests of our Company and its Shareholders as a whole. Should our Directors require further advice and support, they can also consult the senior management of our Group, who have educational backgrounds and work experience in areas such as accounting and business management. Taking into account the skills and experience possessed by our Directors and senior management, we believe there is a balanced mix of knowledge, skills and experience to uphold the effective functioning of our Board and promote good corporate governance.

Based on the reasons above, our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after [**REDACTED**].

Financial Independence

All loans, advances and balances due from and/or to our Controlling Shareholders and/or their respective close associates which were not arising out of the ordinary course of our business will be fully settled before [**REDACTED**]. As of the Latest Practicable Date, our Group had not provided any guarantee in respect of any loans of our Controlling Shareholders and their respective close associates and vice versa.

In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

Operational Independence

The business operations of our Group are carried out separately from the business operated by our Controlling Shareholders and their respective close associates (other than our Group).

In respect of our property management services, we generally secure our preliminary property management service contracts through a standard tender and bidding process, in which tender bids would be evaluated by a tender evaluation committee organized under the

Interim Measures for Tender and Bidding Management for Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》). The tender process is a well-established, competitive and fairly structured process where neither Lushang Development Group nor our Group is able to exert influence on the selection of property management service providers. In evaluating the bids, the tender evaluation committee would consider a number of factors, including reputation, quality of service, and the proposed management plan. Our Group does not enjoy a preferential right to be engaged as the provider of preliminary-stage property management and value-added services for projects developed by Lushang Development Group, and our tender bids are considered on the same basis as tender bids submitted by other property management companies. We undergo the same tender process to secure preliminary property management service contracts with respect to residential property projects developed by Independent Third Party property developers. For more information in relation to the tender process, in which tender bids would be evaluated by a tender evaluation committee organized under, see "Business—Property Management Services—Tender Process" in this document.

After properties are delivered by property developers, we provide property management services directly to property owners or residents, who may be represented by property owners' associations. Property owners' associations are operated by property owners and entitled to enter into property management contracts with property management service providers. The property owners' association, which is independent of Lushang Development Group, has the right to engage or dismiss us as the property management service provider after reviewing and evaluating our performance. According to the Regulation on Property Management (《物業管理條例》) of the PRC, a general meeting of the property owners of a property can engage or dismiss a property management service provider with affirmative votes of property owners who own more than half of the total construction area of the property and who account for more than half of the total number of the property owners. The general meeting can select a new property management service provider through a public tender procedure or enter into contract with a specific property management service provider directly, based on certain selection criteria, including the term of the services, the overall service quality and the service fee. After obtaining the approval from the general meeting of the property owners, the property owners' association will enter into a contract with the selected property management service provider. Lushang Development Group does not have any decisive influence over the decisions of property owners or their property owners' associations to engage or dismiss property management service providers. We have to provide quality services to the residents/owners of the properties in order to secure our continuous engagement by the property owners' association.

With regards to the selection of property management service providers, the choice of the homeowners' associations to not enter into a new management contract with another property management service provider could be perceived as a testament that the property owners are satisfied with the services provided under the preliminary property management company. During the Track Record Period, we did not experience any early termination of our property management contracts due to the establishment of property owners' associations or our Group failing to be engaged as the property management services provider after the establishment of the property owners' associations.

The following table sets forth a breakdown of our number of projects and GFA under management as of the dates indicated and the total revenue from the property management service for the periods indicated, by the type of property developer:

	As of and/or for the year ended December 31,								
	2019			2020			2021		
	Number of projects	Revenue	GFA under management	Number of projects	Revenue	GFA under management	Number of projects	Revenue	GFA under management
		(RMB'000)	*(sq.m.'000)*		*(RMB'000)*	*(sq.m.'000)*		*(RMB'000)*	*(sq.m.'000)*
Projects developed by Lushang Development Group[(1)]	35	178,147	10,719	41	197,943	11,839	45	224,025	12,424
Projects developed by Shandong Commercial Remaining Group[(2)]	–	–	–	6	1,125	951	5	10,809	918
Subtotal	35	178,147	10,719	47	199,068	12,790	50	234,834	13,342
Projects developed by Independent Third Parties[(3)]	1	2,328	24	14	4,933	2,658	32	20,651	9,527
Total	**36**	**180,475**	**10,742**	**61**	**204,001**	**15,447**	**82**	**255,485**	**22,869**

(1) Refer to properties solely developed by Lushang Development Group or jointly developed by Lushang Development Group and independent third-party property developers in which project Lushang Development Group held a controlling interest.

(2) Refer to properties developed by Shandong Commercial Remaining Group by engaging third-party qualified property developers for the entire process of developing the property projects while Shandong Commercial Remaining Group held the ownership of such projects for own use.

(3) Refer to properties developed solely by independent third-party property developers. Our revenue generated from the one project developed by an independent third-party property developer in 2019 mainly consisted of one-time fee for our provision of property management services, with the average property management fee of RMB4.7 per sq.m. The average property management fees under one-time fee differ from the typical property management fee which is priced by GFA. Under the one-time fee, we negotiated and determined the total consideration for our property management services provided to the properties under our management as a whole, taking the service type, standard and equipments into account, as compared to the typical property management fee which is priced by GFA. We renewed such property management in 2020 and 2021, and continued charging a one-time fee for the provision of our property management services for the two years, respectively.

We have been growing our portfolio of property management projects during the Track Record Period primarily by obtaining new property management service agreements. Going forward, we intend to grow our business scale and market share by (a) making substantial efforts to participate in more tender biddings organized by potential customers (such as property developers that are Independent Third Parties); (b) pursuing strategic acquisitions and investments in property management companies that we believe will allow us to diversify our service portfolio and customer base; and (c) further explore business collaboration with local governments and public entities such as local city investment companies and establish joint ventures with local governments and public entities to consolidate resources in Shandong Province. In addition, subsequent to the Track Record Period and up to the Latest Practicable Date, we had submitted 12 tenders to 12 independent third-party customers for property management projects such as commercial plazas, schools, exhibition halls, automobile 4S stores and government office building projects and had won five tenders. Moreover, as detailed in "Future Plans and Use of [**REDACTED**]", we plan to pursue selective acquisitions and investments in property management companies with a focus on managing residential projects and property management companies with a focus on managing non-residential projects. We believe that the aforesaid strategic cooperation and acquisitions will further solidify our market position, contribute to our enlarged scale and increased variety of managed properties and help enhance our market development capabilities for obtaining service engagements from different sources. We believe that with our strong business development capabilities and market reputation, our revenue attributable to independent property owners and property developers will continue to grow due to the increase in income derived from (a) independent individual property owners of residential properties developed by Lushang Development Group for which we have been engaged to provide services, which is expected to account for the majority of our revenue; and (b) property developers other than Lushang Development Group, due to (i) our continuous efforts to participate in more tender biddings conducted by other property developers and potential customers that are Independent Third Parties; and (ii) potential strategic acquisitions and investments in property management companies.

Intellectual property rights and licenses required for operation

Lushang Group, a non-wholly owned subsidiary of Shandong Commercial has granted us a non-transferable right to use certain trademarks owned by Lushang Group for a perpetual term. For details, see "Connected Transactions – (A) Continuing Connected Transactions Fully Exempt from Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this document. Save as disclosed above, we have full rights, hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independent from our Controlling Shareholders and their respective close associates and will continue to do so after [**REDACTED**].

Operational facilities

As of the Latest Practicable Date, we leased properties in Shandong from the associates of our Controlling Shareholders with a total GFA of 1,289.01 sq.m. for office use. Save as disclosed above, all the properties, facilities and equipment necessary to our business operations are independent from our Controlling Shareholders and their respective close associates.

Access to customers, suppliers and business partners

We have a diversified base of customers that are unrelated to our Controlling Shareholders and/or their respective close associates. We have independent access to such customers, our suppliers as well as our other business partners.

Employees

We have our own independent team of personnel, who are experienced in the property management industry and recruited independently from our Controlling Shareholders and their respective close associates. We recruit our employees primarily through various channels, such as campus recruitment, advertisement placing and recruiters, recruitment markets and online-platforms.

Continuing Connected Transactions with our Controlling Shareholders

Details of the continuing connected transactions between our Group and our Controlling Shareholders or their associates which will continue after the completion of the [**REDACTED**] are set out in "Connected Transactions" in this document. In determining the fees for services between our Group and our Controlling Shareholders or their associates, factors such as the nature, size and location of the property projects, the service scope, and the anticipated operational costs (including labor costs, material costs and administrative costs) were taken into consideration, with reference to the rates generally offered by us to Independent Third Parties in respect of comparable services and the fees for similar services and types of projects in the market.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has irrevocably and unconditionally undertaken to us in the Deed of Non-competition that it will not, and will procure its close associates (other than members of our Group) not to directly or indirectly conduct or be involved in any business (other than our business) that directly or indirectly competes, or may compete, with our business, which includes providing property management services, community value-added services and value-added services to non-property owners (collectively referred to as the "**Restricted Businesses**"), or directly or indirectly hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time, or conduct any Restricted Businesses, except where our Controlling Shareholders and their close associates hold less than 30% of the total issued share capital of any company which is engaged in any business that is or may be in competition with any business engaged by any member of our Group, and they do not possess the right to control the board of directors of such company. The above restrictions also do not apply when our Group engages in a new business that is not a Restricted Business and at the time of commencement of such new business, any of our Controlling Shareholders had already been conducting or has been involved in, or otherwise been interested in, the relevant business.

Further, each of our Controlling Shareholders has undertaken that if any new business investment/other business opportunity relating to the Restricted Businesses (the "**Competing Business Opportunity**") is identified by/made available to it or any of its close associates, it shall, and shall procure that its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the "**Offer Notice**") within 30 Business Days of identifying such Competing Business Opportunity, the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall seek approval from a board committee comprising of independent non-executive Directors who do not have an interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity). The Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and legal advisers to assist in the decision making process in relation to such Competing Business Opportunity. The Independent Board shall, within 30 Business Days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity.

The relevant Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days' period mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Controlling Shareholder, it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-competition will lapse automatically if our Controlling Shareholders and their respective close associate cease to hold, whether directly or indirectly, 50% or above of our Shares with voting rights or our Shares cease to be [**REDACTED**] on the Stock

Exchange. Each of our Controlling Shareholders has further undertaken to us that it will provide and procure its close associates to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-competition. They will make an annual declaration in our annual report on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report.

In addition, our Company has taken, or will take, the following measures to safeguard good corporate governance standards in respect of the Deed of Non-competition:

- our independent non-executive Directors shall review, at least on an annual basis, compliance with the Deed of Non-competition by our Controlling Shareholders;

- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) and the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement in compliance with the requirements of the Listing Rules; and

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-competition, he/it may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders and its respective close associates may not compete with us as provided in the Deed of Non-competition. Each of our Controlling Shareholders has confirmed that it fully comprehends its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest between our Group on one hand and our Controlling Shareholders and/or our Directors on the other after [**REDACTED**]. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the [**REDACTED**], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interests and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Director(s) and independent non-executive Directors. We have appointed independent non-executive Directors and believe that they possess sufficient experience, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. See "Directors, Supervisors and Senior Management—Board of Directors—Independent non-executive Directors" for further details;

(d) we have appointed Zhongtai International Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance;

(e) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and

(f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by our Controlling Shareholders and their compliance with such undertakings.

Our Group has entered into a number of agreements with parties who will, upon completion of the [**REDACTED**], become our connected persons, and the transactions disclosed in this section will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

(A) CONTINUING CONNECTED TRANSACTION FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

1. Trademark Licensing Agreement and Deed

On [●], 2022, our Company entered into a trademark licensing agreement with Lushang Group (the “**PRC Trademark Licensing Agreement**”), pursuant to which Lushang Group agreed to irrevocably and unconditionally grant to us, a non-transferable and non-exclusive right to use certain trademarks (the “**PRC Trademarks**”) owned by Lushang Group in the PRC for a perpetual term commencing from the date of the PRC Trademark Licensing Agreement, which is subject to the renewal of the licensed trademarks, on a royalty-free basis. See “Statutory and General Information—B. Further Information about Our Business—2. Intellectual property rights of our Group” in Appendix VII to this document for details.

On [●], 2022, our Company (for ourselves and on behalf of our subsidiaries) entered into a trademark licensing deed with Lushang Group (the “**Hong Kong Trademark Licensing Deed**”), pursuant to which Lushang Group agreed to irrevocably and unconditionally grant to our Group an exclusive right to use the trademark (the “**Hong Kong Trademark**”), a trademark registered in Hong Kong (registration number: 305705947), on royalty-free basis, for a perpetual term commencing from the date of registration of the Hong Kong Trademark. For further details on the Hong Kong Trademark, please refer to “Statutory and General Information—B. Further Information About Our Business—2. Intellectual property rights of our Group” in Appendix VII to this document.

We believe that the entering into of the PRC Trademark Licensing Agreement and Hong Kong Trademark Licensing Deed with a term of more than three years can ensure the stability of our operations, and is beneficial to us and in the interests of our Shareholders as a whole. The Sole Sponsor is of the view that it is normal business practice for agreements or deeds of this type to be of more than three years duration.

Lushang Group is owned as to approximately 68.2% by Shandong Commercial. Shandong Commercial is one of our Controlling Shareholders and Lushang Group is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the PRC Trademark Licensing Agreement and Hong Kong Trademark Licensing Deed will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

As the rights to use the PRC Trademarks and the Hong Kong Trademark are granted to us on a royalty-free basis, the transactions under the PRC Trademark Licensing Agreement and the Hong Kong Trademark Licensing Deed will be within the *de minimis* threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Master Engineering Services Agreement

On [●], 2022, our Company entered into a master engineering services agreement with Shandong Commercial (the "**Master Engineering Services Agreement**"), pursuant to which we agreed to provide to Lushang Development Group and its associates ("**Lushang Development Associates**") and Shandong Commercial and its associates (excluding Lushang Development Associates) ("**Shandong Commercial Associates**") certain engineering services, including but not limited to (i) landscape construction engineering services; (ii) maintenance engineering services; and (iii) landscape technology engineering services (the "**Engineering Services**"). The Master Engineering Services Agreement has a term commencing from the [**REDACTED**] to December 31, 2023, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate engineering agreements setting out the specific terms and conditions based on the principles provided in the Master Engineering Services Agreement.

The historical amounts for the Engineering Services provided by our Group to Lushang Development Associates and Shandong Commercial Associates are as follows:

	For the year ended December 31,		
	2019	**2020**	**2021**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*
Lushang Development Associates.	7.8	31.6	48.2
Shandong Commercial Associates	0.2	0.5	17.6
Total	**8.0**	**32.1**	**65.8**

The fees to be charged for the Engineering Services shall be determined on arm's length negotiations with reference to (i) the size, location and positioning of the projects; (ii) the nature, complexity and scope of services; (iii) the anticipated operational costs, including but not limited to labor costs, administration costs and costs of materials used for providing the services; (iv) the fees for similar services and similar types of projects in the market; and (v) the prices charged by us for providing comparable services to Independent Third Parties. The fees for the provision of the Engineering Services are calculated by multiplying the total numbers of projects which require our Engineering Services and the average service fees per project, taking into account the location, nature and total GFA of the projects and the scope and complexity of the services.

The estimated maximum annual amounts payable by Lushang Development Associates and Shandong Commercial Associates to our Group under the Master Engineering Services Agreement for each of the two years ending December 31, 2023 are as follows:

	For the year ending December 31,	
	2022	**2023**
	(RMB'million)	*(RMB'million)*
Lushang Development Associates	64.4	72.0
Shandong Commercial Associates	7.6	8.0
Total	**72.0**	**80.0**

The estimated increase in the annual caps for the Engineering Services as compared to the historical transaction amounts is primarily due to the expected increase in demand for the Engineering Services for the two years ending December 31, 2023, having taken into account the following factors:

(i) we have provided a variety of landscape construction services to certain projects developed or owned by Lushang Development Associates and Shandong Commercial Associates since April 2020, whereas no such landscape construction engineering services were provided by our Group prior to 2020. We had provided landscape construction services for seven projects developed by Lushang Development Associates and four projects owned by Shandong Commercial Associates with an average service fee of approximately RMB5.4 million per project for the year ended December 31, 2021, respectively. It is anticipated that we may be engaged to provide landscape construction engineering services for 13 and 15 projects developed by Lushang Development Associates and for one and three projects owned by Shandong Commercial Associates with an average service fee of approximately RMB5.1 million per project for each of the two years ending December 31, 2023, respectively; and

(ii) the increased transaction amount of the Engineering Services for the year ended December 31, 2021 which was approximately RMB65.8 million, comparing to the transaction amount of the Engineering Services for the year ended December 31, 2020 amounted to approximately RMB32.1 million.

In arriving at the above annual caps, our Directors have considered the following factors:

- the historical transaction amounts and growth trend during the Track Record Period;

- the estimated revenue to be recognized in relation to the Engineering Services provided by us pursuant to the existing contracts with Lushang Development Associates and Shandong Commercial Associates. As of December 31, 2021, the contracted amounts of existing contracts entered into with Lushang Development Associates and Shandong Commercial Associates for the Engineering Services for the year ending December 31, 2022 were estimated to be approximately RMB20.6 million and RMB1.9 million, respectively;

- the estimated service fee to be charged for the Engineering Services, which is based on the historical service fee charged during the Track Record Period and the expected increase in operational costs associated with the Engineering Services, including but not limited to labor costs, administration costs and costs of materials used for providing the services; and

- the estimated number of projects to be developed or owned by Lushang Development Associates and Shandong Commercial Associates for which we anticipate to provide the Engineering Services based on the development plan of Lushang Development Associates. It is anticipated that we may be engaged to provide maintenance engineering or landscape technology engineering services for 10 and 12 projects developed and owned by Lushang Development Associates, and landscape construction engineering services for 13 and 15 projects developed by Lushang Development Associates and for one and three projects owned by Shandong Commercial Associates for each of the two years ending December 31, 2023, respectively.

Shandong Commercial is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Engineering Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Engineering Services Agreement is expected to be more than 5% on an annual basis, the transactions under the Master Engineering Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Master Design Services Agreement

On [●], 2022, our Company entered into a master design services agreement with Shandong Commercial (the "**Master Design Services Agreement**"), pursuant to which we agreed to provide to Lushang Development Associates and Shandong Commercial Associates certain design services, including but not limited to (i) architectural design services; (ii) landscape design services; (iii) decorative design services; and (iv) decoration management services (the "**Design Services**"). The Master Design Services Agreement has a term commencing from the [**REDACTED**] to December 31, 2023, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate design agreements setting out the specific terms and conditions based on the principles provided in the Master Design Services Agreement.

The historical amounts for the Design Services provided by our Group to Lushang Development Associates and Shandong Commercial Associates are as follows:

	For the year ended December 31,		
	2019	**2020**	**2021**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*
Lushang Development Associates.	16.9	20.2	50.2
Shandong Commercial Associates	4.3	3.5	12.0
Total	**21.2**	**23.7**	**62.2**

The fees to be charged for the Design Services shall be determined on arm's length negotiations with reference to (i) the nature, complexity and scope of services; (ii) the anticipated operational costs, including but not limited to labor costs, administration costs and costs of materials used for providing the services; (iii) the fees for similar services and similar types of projects in the market; and (iv) the prices charged by us for providing comparable services to Independent Third Parties. The fees for the provision of the Design Services are calculated by multiplying the total number of projects which require our Design Services and the average service fees per project, taking into account the nature and size of the project and the complexity and design requirement of the services.

The estimated maximum annual amounts payable by Lushang Development Associates and Shandong Commercial Associates to our Group under the Master Design Services Agreement for each of the two years ending December 31, 2023 are as follows:

	For the year ending December 31,	
	2022	**2023**
	(RMB'million)	*(RMB'million)*
Lushang Development Associates	53.9	70.0
Shandong Commercial Associates	14.5	19.3
Total	**68.4**	**89.3**

The estimated increase in the annual caps for the Design Services as compared to the historical transaction amounts is primarily due to the expected increase in demand for the Design Services for the two years ending December 31, 2023, having taken into account the following factors:

(i) we commenced to provide decoration management services to certain projects developed or owned by Lushang Development Associates and Shandong Commercial Associates in April 2021, whereas no such services were provided by our Group prior to April 2021. It is anticipated that we may be engaged by Lushang Development Associates to provide decoration management services for 40 and 52 projects and by Shandong Commercial Associates to provide decoration management services for two and three projects with an average service fee of approximately RMB0.2 million per project for each of the two years ending December 31, 2023, respectively;

(ii) the expected increase in the number of projects developed or owned by Lushang Development Associates and Shandong Commercial Associates for which we anticipate to provide the Design Services. For the year ended December 31, 2021, we provided the Design Services for 118 projects developed and owned by Lushang Development Associates and for 19 projects owned by Shandong Commercial Associates. It is anticipated that we may be engaged to provide the Design Services for 140 and 183 projects developed and owned by Lushang Development Associates and for 16 and 21 projects owned by Shandong Commercial Associates for each of the two years ending December 31, 2023, respectively; and

(iii) the increased transaction amount of the Design Services for the year ended December 31, 2021 amounted to approximately RMB62.2 million, whereas the transaction amount of the Design Services for the year ended December 31, 2020 amounted to approximately RMB23.7 million.

In arriving at the above annual caps, our Directors have considered the following factors:

- the historical transaction amounts during the Track Record Period;

- the estimated revenue to be recognized in relation to the Design Services provided by us pursuant to the existing contracts with Lushang Development Associates and Shandong Commercial Associates. As of December 31, 2021, the contracted amounts of existing contracts entered into with Lushang Development Associates and Shandong Commercial Associates for the Design Services for the year ending December 31, 2022 were estimated to be approximately RMB16.9 million and RMB2.3 million, respectively;

- the estimated service fee to be charged for the Design Services, which is based on the historical service fee charged during the Track Record Period and the expected increase in operational costs associated with the Design Services, including but not limited to labor costs, administration costs and costs of materials used for providing the services;

- the estimated number of projects to be developed and owned by Lushang Development Associates for which we anticipate we may be engaged to provide the Design Services for the two years ending December 31, 2023. It is anticipated that we may be engaged by Lushang Development Associates to provide architectural design services for 35 and 46 projects, landscape design services for 21 and 27 projects, decorative design services for 44 and 58 project and decoration management services for 40 and 52 projects for each of the two years ending December 31, 2023, respectively;

- the estimated number of projects for which we anticipate we may be engaged to provide the Design Services for the two years ending December 31, 2023. It is anticipated that we may be engaged by Shandong Commercial Associates to provide architectural design services for five and six projects, landscape design services for three and five projects, decorative design services for six and seven projects and decoration management services for two and three projects for each of the two years ending December 31, 2023, respectively; and

- the estimated increase in costs to be involved in the Design Services taking into account the historical increase in costs during the Track Record Period.

Shandong Commercial is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Design Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Design Services Agreement is expected to be more than 5% on an annual basis, the transactions under the Master Design Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Master Property Agency Services Agreement

On [●], 2022, our Company entered into a master property agency services agreement (the "**Master Property Agency Services Agreement**") with Lushang Development, pursuant to which we agreed to provide sales assistance services (the " **Property Agency Services**") in respect of the sales of the unsold properties and car parks to Lushang Development Associates. The Master Property Agency Services Agreement has a term commencing from the [**REDACTED**] to December 31, 2023, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate property agency services agreements setting out the specific terms and conditions based on the principles provided in the Master Property Agency Services Agreement.

We commenced providing the Property Agency Services to Lushang Development Associates in 2018. For each of the three years ended December 31, 2021, the total amount of service fee payable by Lushang Development Associates for the Property Agency Services amounted to approximately RMB20,000, RMB5.3 million and RMB7.7 million, respectively.

The fees to be charged for the Property Agency Services shall amount to a percentage of the sales price of the unsold properties and car parks, and will be determined on arm's length negotiations with reference to (i) the prevailing market price for similar services in the vicinity of the project taking into account the size, type and location of the unsold properties and car parks; (ii) the terms offered to Independent Third Parties by Lushang Development Associates for similar services. The terms offered to our Group shall not be less favourable than those offered to Independent Third Parties.

Our Directors estimate that the maximum annual fee payable by Lushang Development Associates in relation to the Property Agency Services for each of the two years ending December 31, 2023 will not exceed RMB13.0 million and RMB15.0 million, respectively. The estimated increase in the annual caps for the Property Agency Services as compared to the historical transaction amounts is primarily due to the following reasons:

(i) we commenced to provide the agency services for the unsold properties developed by Lushang Development Associates in August 2021, whereas no such services were provided by our Group prior to August 2021. From August 2021 to December 2021, the aggregate amount of service fee payable by Lushang Development Associates to our Group for such agency services in respect of the sales of unsold properties amounted to approximately RMB2.4 million;

(ii) the estimated increase in the number of unsold properties and car parks for which we may be engaged by Lushang Development Associates to provide the Property Agency Services, which was estimated with reference to the development plan and delivery schedule of Lushang Development Associates;

(iii) the estimated increase in the number of car parks situated in properties developed by Lushang Development Associates to be sold through our Property Agency Services, which is estimated to be approximately 380 and 430, for each of the two years ending December 31, 2023, respectively; and

(iv) the expected increase in our capacity in providing the Property Agency Services through the expansion of the service team of our Group and the accumulation of experience in selling the unsold properties and car parks.

In arriving at the above annual caps, our Directors have considered the following factors:

- the historical transaction amounts during the Track Record Period;
- the estimated revenue to be recognized in relation to the Property Agency Services provided by us based on the existing signed contracts with Lushang Development Associates;
- the estimated number and property value of the properties which will require our agency services for the two years ending December 31, 2023 based on the existing projects available for sale and projects under development and land bank of Lushang Development Associates as of December 31, 2021. As of December 31, 2021, the aggregate value of the properties sold under the Master Property Agency Services Agreement was approximately RMB61.5 million;
- the prevailing market rate for the provision of similar property agency services; and
- our capacity in providing the Property Agency Services for the two years ending December 31, 2023.

Lushang Development is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Agency Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

4. Master Parking Lots Entrusted Management Services

On [●], 2022, our Company entered into a master parking lots entrusted management services agreement (the "**Master Parking Lots Entrusted Management Services Agreement**") with Lushang Development, pursuant to which we agreed to provide operational management services to certain parking lots owned by Lushang Development Associates (the "**Parking Lots Entrusted Management Services**"). Under such arrangement, we are entrusted with full authority to operate and manage the parking lots and entitled to receive the income generated from the Parking Lots Entrusted Management Services and will pay to Lushang Development Associates an amount equal to a pre-agreed percentage of the income generated from the Parking Lots Entrusted Management Services (after deducting the operating costs). The Master Parking Lots Entrusted Management Services Agreement has a term commencing from the [**REDACTED**] to December 31, 2023, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate parking lots entrusted management services agreements setting out the specific terms and conditions based on the principles provided in the Master Parking Lots Entrusted Management Services Agreement.

For each of the three years ended December 31, 2021, the amount of fees payable by our Group to Lushang Development Associates for the Parking Lots Entrusted Management Services amounted to approximately RMB1.4 million, RMB1.1 million and RMB1.5 million, respectively.

The fees to be paid by our Group under the Master Parking Lots Entrusted Management Services Agreement shall be determined on arm's length basis with reference to (i) the prevailing market price for similar services in the vicinity of the projects taking into account the location and type of the parking lots; (ii) the estimated operating costs under our operational management; and (iii) the estimated total revenue generated from the Parking Lots Entrusted Management Services.

Our Directors estimate that the maximum annual fee payable to Lushang Development Associates in relation to the Parking Lots Entrusted Management Services for each of the two years ending December 31, 2023 will not exceed RMB1.8 million and RMB2.2 million, respectively.

The estimated increase in the annual caps for the Parking Lots Entrusted Management Services as compared to the historical transaction amounts is primarily due to the following reasons:

(i) the estimated increase in the number of parking lots projects for which we will be entrusted to provide the Parking Lots Entrusted Management Services, which was estimated to be increased from 14 with a total of 6,931 car parks under our management for the year ended December 31, 2021 to approximately 16 and 18 with a total of 7,620 and 8,370 car parks under our management, respectively, for each of the two years ending December 31, 2023, having taken into account the development plan and delivery schedule of Lushang Development Associates;

(ii) the estimated increase in the revenue generated from our Parking Lots Entrusted Management Services for the two years ending December 31, 2023, having taken into account the estimated increase in the number of parking lots projects for which we will be entrusted to provide the Parking Lots Entrusted Management Services; and

(iii) the expected increase in our capacity in operating and managing the parking lots through the expansion of our team and the accumulation of experience in managing the parking lots.

In arriving at the above annual caps, our Directors have considered the following factors:

- the historical transaction amounts during the Track Record Period;
- the estimated revenue to be generated from the Parking Lots Entrusted Management Services based on the existing signed contracts with Lushang Development Associates for parking lots projects we have been entrusted to provide the Parking Lots Entrusted Management Services;
- the prevailing market price for similar services in the vicinity of the parking lots projects, having taken into account the location and type of the parking lots; and
- our capacity in providing the Parking Lots Entrusted Management Services for the two years ending December 31, 2023.

Lushang Development is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Parking Lots Entrusted Management Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

5. Master Property Management and Related Services Agreement

On [●], our Company entered into a master property management and related services agreement (the "**Master Property Management and Related Services Agreement**") with Shandong Commercial, pursuant to which we agreed to provide to Lushang Development Associates and Shandong Commercial Associates certain property management and related services, including but not limited to (i) property pre-delivery services, including but not limited to (a) management services for the on-site sales offices and display units; (b) house inspection services; (c) pre-delivery cleaning services; and (d) pre-delivery preparation; (ii) property management services for the properties owned or used by Lushang Development

Associates and Shandong Commercial Associates, including but not limited to the unsold residential property units, office buildings, schools and commercial properties; and (iii) other related services (the "**Property Management and Related Services**"). The Master Property Management and Related Services Agreement has a term commencing from the [**REDACTED**] to December 31, 2023, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate agreements setting out the specific terms and conditions based on the principles provided in the Master Property Management and Related Services Agreement.

The historical amounts for the Property Management and Related Services provided by our Group to Lushang Development Associates and Shandong Commercial Associates are as follows:

	For the year ended December 31,		
	2019	**2020**	**2021**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*
Lushang Development Associates.	46.5	60.3	66.6
Shandong Commercial Associates	4.5	8.3	15.4
Total	**51.0**	**68.6**	**82.0**

The fees to be charged for the Property Management and Related Services shall be determined on arm's length negotiations with reference to (i) the size, location and positioning of the properties; (ii) the scope of services to be provided; (iii) the anticipated operational costs (including but not limited to labor costs, administration costs and costs of materials); (iv) the fees for similar services and similar types of projects in the market; and (v) the prices charged by us for providing comparable services to Independent Third Parties. The service fees for the provision of property management services to Lushang Development Associates and Shandong Commercial Associates are calculated mainly based on the total GFA of properties owned or used by Lushang Development Associates and Shandong Commercial Associates under our management multiplying the service fee per square meter, which shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) or lower than the standards fees to be charged by Independent Third Parties.

The estimated maximum annual amounts payable by Lushang Development Associates and Shandong Commercial Associates to our Group under the Master Property Management and Related Services Agreement for each of the two years ending December 31, 2023 are as follows:

	For the year ending December 31,	
	2022	**2023**
	(RMB'million)	*(RMB'million)*
Lushang Development Associates	78.0	82.4
Shandong Commercial Associates	14.0	16.0
Total	**92.0**	**98.4**

The higher annual cap of RMB92.0 million for the Property Management and Related Services for the year ending December 31, 2022 as compared to the historical transaction amounts is estimated based on (i) the transaction amount of the Property Management and Related Services for the year ended December 31, 2021, which was approximately RMB82.0 million; and (ii) the GFA of properties to be delivered by Lushang Development Associates for the year ending December 31, 2022 and the vacancy rate of approximately 6%. The estimated transaction amounts for the Property Management and Related Services for the two years ending December 31, 2023 are expected to increase by approximately 7%-8% each year, having taken into account of (a) the estimated increase in the GFA of properties to be delivered by Lushang Development Associates for the two years ending December 31, 2023; and (b) the estimated increase in related fees charged by us due to the expected increase in the operational costs (including labor costs, material costs and administrative costs) for the provision of the Property Management and Related Services.

In arriving at the above annual caps, our Directors have considered the following factors:

- the historical transaction amounts and growth trend during the Track Record Period;

- the estimated revenue to be recognized in relation to the Property Management and Related Services provided by us based on the existing contracts with Lushang Development Associates and Shandong Commercial Associates. As of December 31, 2021, the contracted amounts of existing contracts entered into with Lushang Development Associates and Shandong Commercial Associates for the Property Management and Related Services for the year ending December 31, 2022 were estimated to be approximately RMB20.0 million and RMB12.7 million, respectively;

- the estimated increment of the GFA for properties under development and contracted sales GFA of Lushang Development Associates for the two years ending December 31, 2023, which is estimated based on the development plan and delivery schedule of Lushang Development Associates;

- in respect of the property pre-delivery services, (i) the estimated GFA and number of projects to be sold by Lushang Development Associates for the two years ending December 31, 2023 and the estimated number of the sales offices and display units to be established in the relevant period based on the development plan and the land bank of Lushang Development Associates as of December 31, 2021, as well as their historical sales GFA and the related growth rate during the Track Record Period; (ii) the bidding success rate during the Track Record Period and our estimated capacity for the two years ending December 31, 2023; and (iii) the estimated service fee based on the historical service fee and the expected increase in operational costs associated with the provision of property pre-delivery services, including but not limited to labor costs, administration costs and costs of materials;

- in respect of the property management services to be provided for the unsold residential properties, (i) the estimated GFA of the unsold residential properties developed or to be developed by Lushang Development Associates for the two years ending December 31, 2023, which is estimated based on the land bank of Lushang Development Associates, the total GFA under development as of December 31, 2021, as well as their development plan and delivery schedule; and (ii) the estimated service fee per sq.m. which management services will be charged based on the historical service fee and the expected increase in operational costs associated with the provision of such services; and

- in respect of the property management services to be provided for the commercial properties, the estimated GFA and number of commercial properties developed or used by Lushang Development Associates and Shandong Commercial Associates to be managed by our Group for the two years ending December 31, 2023 as estimated based on the existing contracts with Lushang Development Associates and Shandong Commercial Associates and the land bank of Lushang Development Associates as of December 31, 2021.

Shandong Commercial is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Management and Related Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

6. Master Deposit Services Agreement

On [●], 2022, our Company entered into a master deposit services agreement (the "**Master Deposit Services Agreement**") with Shandong Commercial Group Finance Co., Ltd. (山東省商業集團財務有限公司) ("**Commercial Finance**"), pursuant to which we agreed to use the deposit services provided by Commercial Finance. The Master Deposit Services Agreement has a term commencing from the [**REDACTED**] to the earlier of (i) one year after the [**REDACTED**]; or (ii) the date of our first annual general meeting after [**REDACTED**] (the "**Deposit Waiver Term**"), which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Commercial Finance is a non-bank financial institution established in May 1996 with a credit rating of 2A provided by China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) ("**CBIRC**"). Under the PRC laws, the establishment of non-banking financial institution is subject to approval by CBIRC and its operation is subject to the ongoing supervision of the CBIRC. Non-banking financial institution shall comply with applicable regulations relating to interests rates issued by the People's Bank of China (中國人民銀行). In the PRC, finance companies are usually referred to non-banking financial institutions which provide financial management services to the group member entities for the purpose of strengthening the centralized management of enterprise group funds and improving the efficiency of the utilization of the funds. As a non-banking financial institution, Commercial Finance is subject to various regulatory and capital adequacy requirements, including capital adequacy ratios, loan-to-deposit ratios, limit on interbank loans and deposit reserve thresholds. The CBIRC issued a regulatory guideline《企業集團財務公司管理辦法》in July 2004 (and as amended in December 2006) with respect to the establishment and ongoing regulation of such non-banking financial institutions. Commercial Finance has adopted the same standard of other PRC commercial banks to protect the principals of its customer deposits. As at the Latest Practicable Date, based on public record, the Finance Permit Licence (金融許可證) held by Commercial Finance is valid and has not been withdrawn or revoked.

As of December 31, 2021, Commercial Finance had total assets of approximately RMB8,761.1 million, registered capital of RMB2 billion and a capital adequacy ratio of 27.1%. During the Track Record Period, our deposit in Commercial Finance only accounted for a very small scale of the total deposits placed in it and hence, we are not its major customer.

We have adopted internal policies and measures in relation to cash management. In particular, our finance department will be responsible for closely monitoring the ongoing and continuing cash deposits at Commercial Finance. Our management will, periodically, review information such as the maximum daily balance of the deposits with Commercial Finance. In addition, the implementation and enforcement of such transactions with Commercial Finance would be independently scrutinized by our independent non-executive Directors so that appropriate measures can be taken by us to adjust the level of deposits with Commercial Finance on a timely basis.

Pursuant to the Master Deposit Services Agreement, we may deposit our funds in Commercial Finance from time to time. The terms offered by Commercial Finance (including interest rates and other salient terms) should be comparable to those offered by banks or other financial institutions in China for the same type and term/interest period. Our Group and Commercial Finance will monitor the deposits of our Group from time to time.

For avoidance of doubt, the Master Deposit Services Agreement does not restrict our use of services provided by other commercial banks or independent financial institutions in China. Our Group may make choices at our discretion based on our business needs and the costs and quality of relevant services. Our Group may (but is not obliged to) use the deposit services provided by Commercial Finance in order to deploy and manage our financial resources in a more flexible and efficient manner.

For each of the years ended December 31, 2019, 2020 and 2021, the historical maximum daily deposit balances (including paid interests) our Group deposited in Commercial Finance was approximately RMB82.3 million, RMB48.7 million and RMB247.2 million, respectively. The significant increase in the maximum daily deposit balances in 2021 was primarily due to the collection of receivables from related parties by our Group in March 2021 with the aim to reduce the amount of payables due from the related parties. For each of the years ended December 31, 2019, 2020 and 2021, the interest income generated from our deposits at Commercial Finance amounted to approximately RMB46,610, RMB0.2 million and RMB1.8 million, respectively, with an interest rate of 1.485% per annum for three-month term deposit, an interest rate of 0.35% per annum for demand deposit (deposit amount less than RMB0.5 million) and an interest rate of 1.38% per annum for demand deposit (deposit amount at RMB0.5 million or above). The terms offered by Commercial Finance (including interest rates and other salient terms) were comparable to those offered by banks or other financial institutions in China during the Track Record Period.

Our Directors estimate that the maximum daily deposit balances (including paid interests) we propose to deposit with Commercial Finance for the year ending December 31, 2022 and the period from January 1, 2022 until the expiry of the Deposit Waiver Term pursuant to the Master Deposit Services Agreement will not exceed RMB250.0 million and RMB250.0 million, respectively.

The above daily caps for deposit balances (including paid interests) are determined with reference to (i) the maximum daily deposit balances (including paid interests) during the Track Record Period; (ii) our cash and cash equivalent of approximately RMB275.5 million as of December 31, 2021; and (iii) our deposit balance of approximately RMB201.9 million with Commercial Finance as of December 31, 2021, and are considered to be proper and reasonable.

Commercial Finance is a wholly-owned subsidiary of Shandong Commercial, one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Deposit Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

As each of the applicable percentage ratios under the Listing Rules in respect of the maximum daily deposit balance under the Master Deposit Services Agreement is expected to be more than 5%, the transactions under the Master Deposit Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(C) APPLICATION FOR WAIVER

Since the Master Property Agency Services Agreement, the Master Parking Lots Entrusted Management Services Agreement and the Master Property Management and Related Services Agreement were entered into by our Company with parties who are connected with one another, and the transactions are similar in nature, the transactions under the three agreements shall be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of transactions under the Master Property Agency Services Agreement, the Master Parking Lots Entrusted Management Services Agreement and the Master Property Management and Related Services Agreement are aggregated, and such aggregated amounts are used when calculating the relevant percentage ratios under the Listing Rules. As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Property Agency Services Agreement, the Master Parking Lots Entrusted Management Services Agreement and the Master Property Management and Related Services Agreement, on an annual basis and as aggregated, is expected to be more than 5%, the transactions thereunder are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The transactions described in "—(B) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted], waivers exempting our Group from strict compliance with the announcement, circular and independent Shareholders' approval requirements in respect of the continuing connected transactions as disclosed in "—(B) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). Apart from the above waivers sought on the strict compliance of the announcement, circular and independent Shareholders' approval requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

If any terms of the transactions contemplated under the agreements mentioned above are altered or if our Company enters into any new agreements with any connected person in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

(D) DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in "—(B) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section have been and will be entered into (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better and in accordance with the respective terms that are in the interests of our Company and our shareholders as a whole; and (iii) the proposed annual caps or the proposed maximum daily deposit balance in relation thereto are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

(E) SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view (i) that the continuing connected transactions described in "—(B) Continuing Connected Transactions subject to the Reporting, Annual review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section have been and will be entered into (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or better and in accordance with the respective terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual caps or the proposed maximum daily deposit balance of such continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BOARD OF DIRECTORS

Our Board consists of eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles. We have entered into service contracts with each of our executive Directors. We have also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors.

Members of our Board

The table below shows certain information in respect of the members of our Board:

Name	Age	Date of joining our Group *(Note)*	Position(s) in our Company	Date of appointment as Director	Key responsibilities	Relationship with other Director(s)
Executive Directors						
Wang Zhongwu (王忠武)	47	August 16, 2010	Executive Director, vice chairman of our Board and general manager	March 2, 2021	Responsible for daily business operations and strategic decision-making of our Group	N/A
Zhang Tiebo (張鐵波)	50	April 9, 2014	Executive Director and general manager of Lushang Design	March 2, 2021	Responsible for the overall management of the construction design business of our Group	N/A
Shao Meng (邵萌)	33	July 21, 2011	Executive Director and chief financial officer	March 30, 2021	Responsible for financial management of our Group	N/A
Non-executive Directors						
Zhao Yanfeng (趙衍峰)	50	March 2, 2021	Non-executive Director and chairman of our Board	March 2, 2021	Responsible for the provision of guidance for the overall development of our Group	N/A
Li Lu (李璐)	46	March 2, 2021	Non-executive Director	March 2, 2021	Responsible for the provision of guidance for the overall development of our Group	N/A

Name	Age	Date of joining our Group *(Note)*	Position(s) in our Company	Date of appointment as Director	Key responsibilities	Relationship with other Director(s)
Independent Non-executive Directors						
Leung Bik San (梁碧珊)	51	June 6, 2022	Independent non-executive Director	June 6, 2022	Responsible for providing independent advice to our Board	N/A
Chen Xiaojing (陳曉靜)	52	June 6, 2022	Independent non-executive Director	June 6, 2022	Responsible for providing independent advice to our Board	N/A
Ma Tao (馬濤)	64	June 6, 2022	Independent non-executive Director	June 6, 2022	Responsible for providing independent advice to our Board	N/A

Note: Denotes the date from which the relevant Director first became involved in the operations of our business.

Chairman of the Board and non-executive Director

Mr. Zhao Yanfeng (趙衍峰), aged 50, was appointed as our non-executive Director and chairman of our Board on March 2, 2021. He is primarily responsible for the provision of guidance for the overall development of our Group.

From June 2008 to June 2017, Mr. Zhao served successively as general manager, director and chairman of Yater Holding Group Company Limited (亞特爾控股集團股份有限公司) (formerly known as Shandong Yater Property Development Company Limited (山東亞特爾房地產股份有限公司)), a property developer, where he was primarily responsible for overall management of the group and implementation of business strategies. From June 2017 to August 2018, Mr. Zhao served as party committee member and deputy general manager of Shandong Taishan Geological Surveying Group Limited (山東泰山地勘集團有限公司), a comprehensive geological prospecting company, where he was primarily responsible for property development and assisting general manager in operating management of the group, among others.

From August 2018 to January 2020, Mr. Zhao served various positions within Shandong Commercial Group, including the head of the policy research department (政策研究部) of Shandong Commercial from August 2018 to January 2019, the deputy general manager of Lushang Group from August 2018 to January 2020 and a member of the Party Committee and director of Shandong Cultural Tourism Development Group Company Limited (山東省國欣文化旅遊發展集團有限公司) (formerly known as Shandong Cultural Tourism Development Group Company Limited (山東省文化旅遊發展集團有限公司)). From January 2021 to October 2021, Mr. Zhao served as the secretary of the Party Committee and chairman of the board of directors of Lushang Development and the chairman of the board of directors of Shandong Freda Pharmaceutical Group Company Limited (山東福瑞達醫藥集團有限公司). Since January 2021, Mr. Zhao has been serving as the chief strategy officer of Shandong Commercial.

Mr. Zhao graduated from professional studies in law from the Shandong Provincial Party School of the Communist Party of China (中共山東省委黨校) in the PRC in December 2009 and obtained a master's degree in public administration from Guangxi Normal University (廣西師範學院) in the PRC in December 2013.

Executive Directors

Mr. Wang Zhongwu (王忠武), aged 47, joined our Group in August 2010 and was appointed as our executive Director, vice chairman of our Board and general manager on March 2, 2021. He is primarily responsible for daily business operations and strategic decision-making of our Group.

Prior to joining our Group, from July 1995 to August 2001, Mr. Wang served as a manager of the property management department in Shandong World Trade Centre (山東世界貿易中心), where he was primarily responsible for overseeing the overall management of common areas and the operation of power equipment systems. From August 2001 to November 2005, he served as a deputy manager of the engineering department of Yinzuo Jiuxin, a property developer, where he was primarily responsible for managing its engineering operations. From November 2005 to May 2009, he served successively as a manager of engineering department, deputy general manager and executive deputy general manager of Tai'an Yinzuo Real Estate Development Company Limited (泰安銀座房地產開發有限公司), a property developer, where he was primarily responsible for operations of engineering projects and devising and implementing administrative management. From May 2009 to June 2010, Mr. Wang served as a deputy general manager of Chongqing Lushang Property Company Limited (重慶魯商地產有限公司), a property developer, where he was primarily responsible for project operation and to implement the development plans of the company. From June 2010 to August 2010, Mr. Wang served as a project general manager of the Guoao City project of Lushang Property, where he was primarily responsible for overall supervision and management of the project.

Mr. Wang joined our Group by overseeing our property management business in August 2010. He served as a general manager of a project in Jining developed by Lushang Development from August 2010 to January 2018 where he was primarily responsible for overall management of the project, including overseeing our property management business in Jining. Mr. Wang also served as the general manager at Heze Lushang Real Estate Company Limited (菏澤魯商置業有限公司), an indirect wholly-owned subsidiary of Lushang Development, from April 2016 to September 2017, where he was primarily responsible for overall management of daily business operations of the company and ensuring the smooth operation of property management projects. From January 2018 to December 2019, he served as a general manager of the Qingdao Region of Lushang Property and he was primarily responsible for the overall management of daily business operations of the company, including overseeing our property management business in Qingdao. From February 2019 to March 2021, Mr. Wang served as general manager assistant at Lushang Development and he was primarily responsible for overall business operation of Lushang Development Group, including the business of our Group.

Mr. Wang completed an undergraduate course in civil engineering from China University of Geosciences (中國地質大學) in the PRC in July 2007 through distance learning, and a master's degree in business management from Northwestern Polytechnical University (西北工業大學) in the PRC in March 2018. In November 2004, he was certified as an engineer by the Shandong Commercial Group Headquarters Mediate Professional Engineering Services Committee (山東省商業集團總公司工程專業技術職務中級評審委員會). Mr. Wang was recognized as an Outstanding Communist of Shandong Provincial Enterprise (山東省省管企業優秀共產黨員) by the Shandong SASAC in June 2017 and as an Outstanding Individual in Economic Work (經濟工作先進個人) by Nanyuan Street Office and Chinese Communist Party Working Committee in Central District of Jining City (濟寧市市中區南苑街道辦事處及中共濟寧市市中區南苑街道工作委員會) in February 2013.

Mr. Zhang Tiebo (張鐵波), aged 50, was appointed as our executive Director on March 2, 2021. He is primarily responsible for the overall management of the construction design business of our Group. Mr. Zhang joined our Group in April 9, 2014 and has been serving as the general manager of Lushang Design since January 2018.

Prior to joining our Group, from July 1993 to March 2010, Mr. Zhang served successively as a designer and design team manager in Shandong Lushang Binglun Architecture Design Company Limited (山東省魯商冰輪建築設計有限公司), a company principally engaged in commercial engineering design, where he was primarily responsible for designing drainage systems of buildings and overall management of design operations. From April 2010 to April 2014, Mr. Zhang served as a department head assistant at Lushang Development, where he was primarily responsible for project design and management.

Upon joining our Group in April 2014, Mr. Zhang served as a deputy general manager of Lushang Design until January 2018, where he assisted the general manager for overseeing and managing overall operation of Lushang Design. Since January 2018, Mr. Zhang has been serving as the general manager of Lushang Design and has been primarily responsible for the overall management of the construction design business of our Group and the overall management of Lushang Design.

Mr. Zhang obtained a bachelor's degree in environmental engineering from Tongji University (同濟大學) in the PRC in July 1993. In November 2004, he was certified as a senior engineer by the Shandong Province Senior Engineering Technical Service Committee (山東省工程技術職務高級評審委員會).

Mr. Shao Meng (邵萌), aged 33, was appointed as our executive Director on March 30, 2021. He also serves as our chief financial officer. He is primarily responsible for financial management of our Group.

Mr. Shao joined our Group by becoming involved in the operations of our property management business in July 2011. From July 2011 to November 2020, Mr. Shao served successively as an accountant and financial manager at Harbin Lushang Property Development Company Limited (哈爾濱魯商置業有限公司) ("**Harbin Lushang**"), a property developer and a subsidiary of Lushang Development, where he was primarily responsible for overseeing the financial affairs of the property management business of our Group in Harbin, Heilongjiang province. From December 2020 to January 2021, Mr. Shao served as a financial manager of Zibo Lushang Property Development Company Limited (淄博魯商置業有限公司), a property developer and a subsidiary of Lushang Development, where he was primarily responsible for overseeing the financial affairs of the property management business of our Group in Zibo, Shandong province.

Mr. Shao obtained a bachelor's degree in enterprise management from Shandong University of Finance and Economics (山東財經大學) in the PRC in December 2013. He was certified as an Intermediate Accountant by the Department of Human Resources and Social Welfare (人力資源和社會保障部) and Ministry of Finance of the PRC in September 2017 and as an Intermediate Statistician (中級統計師) by the same institutes in the PRC in October 2017.

Non-executive Directors

Ms. Li Lu (李璐), aged 46, was appointed as our non-executive Director on March 2, 2021. She is primarily responsible for the provision of guidance for the overall development of our Group.

From July 1999 to January 2009, Ms. Li served successively as president's office secretary, and securities matter representative of INZONE Group Company Limited (銀座集團股份有限公司) (formerly known as Bohai Group Company Limited (渤海集團股份有限公司)), a company listed on Shanghai Stock Exchange (stock code: 600858), a conglomerate, where she was primarily responsible for handling disclosure matters, handling administrative and secretarial affairs of the board and managing corporate documents. Since January 2009 to April 2020, Ms. Li served various positions at Lushang Development, including securities matter representative and officer of the board of directors office from January 2009 to June 2011, board secretary and officer of the board office from June 2011 to April 2013, human resources department head, board secretary and officer of the board of directors' office from April 2013 to March 2017, deputy secretary of the discipline commission, secretary of the board, officer of the board of directors' office and human resources department head from March 2017 to August 2019, and general manager assistant, secretary of the board, deputy secretary of the discipline commission, officer of the board of directors' office and officer of the office of Lushang Development. Since April 2020, Ms. Li has been serving as a chairman of the labor union, officer of the board of the directors' office and secretary of the board of Lushang Development.

Ms. Li obtained a bachelor's degree in thermal engineering from Shandong Industrial University (山東工業大學) in the PRC in July 1999 and master's degree in software engineering from Shandong University (山東大學) in the PRC in June 2010. She was certified as an Economist (經濟師) by Shandong Human Resources Department (山東人事廳) in November 2008 and as a chartered company secretary by the Shanghai Stock Exchange in November 2008. Ms. Li was awarded the title of "Excellent Communist Party Member of Enterprises Administered by the People's Government of Shandong Province" by the Shandong SASAC in June 2015, the "2015 Excellent Board Secretary of Listed Companies in Shandong Province" by the Listed Company Association of Shandong in December 2016 and was awarded the "Best Secretary of the Board of Directors" award at the 12th China Listed Companies Investor Relations Forum (第十二屆中國上市公司投資者關係論壇"最佳董秘"獎項).

Independent Non-executive Directors

Ms. Leung Bik San (梁碧珊), aged 51, was appointed as our independent non-executive Director on June 6, 2022. Ms. Leung is responsible for providing independent advice on the operations and management of our Group.

Ms. Leung has accumulated over 28 years of experience in the capital markets, regulatory and compliance and corporate finance fields. From February 1993 to January 1997, Ms. Leung consecutively served as audit assistant, audit semi-senior, audit senior, audit supervising senior and audit supervisor in Grant Thornton Byrne Hong Kong, an accounting firm, where she was primarily responsible for providing audit services. From January 1997 to April 2001, Ms. Leung served as a manager at KPMG, an international accounting firm, where she was primarily responsible for preparing audit management and financial reports. From April 2001 to October 2009, Ms. Leung served at Fox-Pitt Kelton (Asia) Limited, an investment bank, with her last position as a chief operating officer, where she was primarily responsible for overseeing business operations. From November 2009 to December 2012, Ms. Leung served as a chief operating officer at Keefe, Bruyette & Woods Asia Limited, an investment bank, where she was primarily responsible for overseeing overall operations and formulating business strategies. Since January 2013, Ms. Leung has been serving as a chief financial officer at Canaccord Genuity Hong Kong, a financial service firm, where she is primarily responsible for the overall financial and operational management of Asia Pacific.

Ms. Leung obtained a bachelor's degree in commerce from the University of New South Wales in Australia in April 1993 and a master's degree of business administration from Warwick University in the United Kingdom in June 2009. Ms. Leung was certified as a certified practising accountant of the CPA Australia in May 1996 and as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 1996.

Ms. Chen Xiaojing (陳曉靜), aged 52, was appointed as our independent non-executive director on June 6, 2022. She is primarily responsible for providing independent advice to our Board.

Prior to joining our Group, from February 1994 to June 2000, Ms. Chen served as a training manager at Jinan Xingao Technology Industry Development Area Property Management Company (濟南高新技術產業開發區物業管理總公司), a property management company, where she was primarily responsible for hiring and training employees. From July 2000 to November 2019, she served as deputy general officer at Shandong Real Estate Education Training Centre (山東房地產教育培訓中心), where she was primarily responsible for management of daily business operations. Since January 2020, she has served as a general manager of Zhongfang Vocational Education and Management Centre Co., Ltd. (中房職教院管理中心有限公司) and since April 2020 and until now, she has served as a general manager of Zhongfang Vocational (Jinan) Education Consulting Co., Ltd. (中房職教(濟南)教育諮詢有限公司), respectively, where she is primarily responsible for general management and operations.

Ms. Chen obtained her diploma in economic management from Shandong Communist Party College (山東省委黨校) in the PRC in December 2002. She was certified as an assistant lecturer by Tianjin Human Resources Department (天津人事局) in September 2002, and she was engaged by Shandong Property Management Association as the Deputy Secretary-General of Shandong Property Management Association in March 2020. She served as a member of the second session of the Human Resources Development Committee of China Property Management Association in December 2020.

Mr. Ma Tao (馬濤), aged 64, was appointed as our independent non-executive director on June 6, 2022. He is primarily responsible for providing independent advice to our Board.

Prior to joining our Group, from 1985 to September 1993, he served as a lecturer in history at Hebei Normal University (河北師範大學). From January 1998 to February 2001, he served as a professor at the Business Administration School of Tongji University (同濟大學). Since April 2001, he has served as a professor at the School of Economics Fudan University (復旦大學).Since June 2015, he has served as an independent non-executive director at Lushang Development, a company listed on Shanghai Stock Exchange (stock code: 600223), where he is primarily responsible for providing independent advice to the board of directors. Since January 2021, he has served as an independent non-executive director at Shandong Sacred Sun Power Sources Co., Ltd (山東聖陽電源股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002580) and principally engaged in manufacturing led-acid battery, where he is primarily responsible for providing independent advice to the board.

Mr. Ma obtained a bachelor's degree in history from North West University (西北大學) in the PRC in July 1982, a master's degree in history from Hebei Normal University (河北師範大學) previously known as Hebei Normal College (河北師範學院) in the PRC in June 1985, a doctorate degree in philosophy from Fudan University in the PRC in January 1996 and a post-doctorate degree in economics from Fudan University in the PRC in January 1998. Mr. Ma was certified as a professor by Tongji University (同濟大學) in July 2000.

SUPERVISORS

In accordance with the Company Law of the PRC, all shareholding corporations are required to establish a supervisory committee, responsible for supervising the Directors and senior management officers on fulfilling their respective duties, financial performance, internal control management and risk management. The Supervisory Committee consists of three members, all of which are employees of our Company.

The table below shows certain information in respect of our Supervisors:

Name	Age	Date of joining our Group	Existing position(s) in our Company	Date of appointment	Responsibilities
Wang Hongtao (王洪濤) . . .	47	March 2, 2021	President of the Supervisory Committee and Supervisor	March 2, 2021	Responsible for supervising the work of the Supervisory Committee, the Board and senior management officers of our Group
Zhang Xiangqian (張向乾) . .	48	May 20, 2009	Supervisor	March 2, 2021	Responsible for supervising the Board and senior management officers of our Group
Wang Pin (王品)	31	January 18, 2016	Employee representative Supervisor	March 2, 2021	Responsible for supervising the Board and senior management officers of our Group

Mr. Wang Hongtao (王洪濤), aged 47, was appointed as our Supervisor and president of the Supervisory Committee on March 2, 2021. Mr. Wang is primarily responsible for supervising the work of the Supervisory Committee, the Board and senior management officers of our Group.

Prior to joining our Group, from July 1995 to December 2003, Mr. Wang served successively as a finance department employee and financial manager of Shandong World Trade Centre, where he was primarily responsible for formulating financial plans, to ensure the normal operation of financial work of the company. From December 2003 to February 2006, Mr. Wang served as head of the finance department of Qingdao Haidunfuruida Bio-Engineering Company Limited (青島海盾福瑞達生物工程有限公司) (formerly known as Qindao Yinzuo Haizun Bio-Engineering Company Limited (青島銀座海尊生物工程有限公司)), a company principally engaged in researching and developing pharmaceutical products, where he was primarily responsible for accounting matters. From February 2006 to October 2006, he served as a financial director of Dongguan Yinsheng Shoes Industry Company Limited (東莞市銀升

鞋業有限公司), a footwear manufacturer, where he was primarily responsible for formulating financial plans and leading accounting-related operations. From October 2006 to November 2008, Mr. Wang served as head of the finance department at Jining Yinzuo Hypermall Company Limited (濟寧銀座商城有限公司), an operator of commercial center, where he was primarily responsible for leading finance and accounting operations. From November 2008 to August 2010, Mr. Wang served as a senior manager of Operation Management Department of Strategic Management Center at Shandong Commercial, where he was primarily responsible for management of business operations and formulating business objectives. From August 2010 to October 2013, Mr. Wang served as financial director at Qingdao Seaview (International) Hotel Development Company Limited (青島海景(國際)大酒店發展有限公司), a hotel development company where he was primarily responsible for formulating financial plans and leading accounting-related operations. From October 2013 to December 2016, Mr. Wang served successively as manager of financial department and deputy general manager at Shandong Lushang Construction Management Company Limited (山東省魯商建設管理有限公司), where he was primarily responsible for leading finance and accounting operations. From December 2016 to April 2017, Mr. Wang served as financial director of the Qilu Hotel Project (齊魯賓館項目) of Lushang Development Group where he was primarily responsible for formulating financial plans, to ensure the normal operation of financial work of the company. From April 2017 to July 2019, Mr. Wang successively served as head accountant and financial director of Lushang Real Estate Qingdao Company Limited (魯商置業青島有限公司), a property developer and a subsidiary of Lushang Development where he was primarily responsible for financial and accounting-related matters. From July 2019 to May 2020, Mr. Wang served concurrently as head of the audit department and head of legal department at Lushang Development, where he was primarily responsible for devising and managing internal auditing procedures and handling legal matters. From May 2020 to October 2020, Mr. Wang served as deputy secretary of the discipline commission of Lushang Development, where he was primarily responsible for assisting the secretary of the discipline commission in handling the daily affairs, auditing affairs and legal affairs, among others, of the discipline commission. From October 2020 onwards, Mr. Wang has served as general manager of the financial technology center of Lushang Development, where he was primarily responsible for finance, accounting and fund management.

Mr. Wang completed an undergraduate course in accounting from Yantai University (煙台大學) in PRC in January 2009, and obtained a master's degree in business management from Xi'an University of Science and Technology (西安科技大學) in the PRC in July 2015. Mr. Wang was certified as a Senior Accountant (高級會計師) by the Shandong Senior Accountant Examination Committee (山東省會計專業資格高級評審委員會) in June 2017.

Mr. Zhang Xiangqian (張向乾), aged 48, was appointed as our Supervisor on March 2, 2021. He is primarily responsible for supervising the Board and senior management officers of our Group. Mr. Zhang joined our Group in May 2009.

Prior to joining our Group, from July 1996 to October 1999, Mr. Zhang served as finance department manager at the Shandong World Trade Centre, where he was primarily responsible for managing accounting affairs. From October 1999 to May 2000, Mr. Zhang served as finance department manager at the Shandong Inzone Tourism Group Company Limited (山東文旅酒店管理集團有限公司) (formerly known as Shandong Yinzuo Restaurant Company Limited (山東銀座大飯店有限公司)), where he was primarily responsible for managing accounting affairs. From May 2000 to December 2005, Mr. Zhang served as audit department manager of Shandong World Trade Centre, where he was primarily responsible for managing auditing operations and assisting the head of the audit department in devising audit policy. From December 2005 to May 2009, Mr. Zhang served as finance manager and assistant of general manager of Qingdao Yinzuo Property Development Company Limited (青島銀座地產有限公司), where he was primarily responsible for managing financial affairs.

Upon first joining our Group in May 20, 2009, Mr. Zhang served as a head accountant at the Company until August 2009, where he was primarily responsible for internal coordination and financial management. From August 2009 to January 2010, Mr. Zhang served as deputy general manager, head accountant and financial controller at Shandong Yilin Real Estate Development Company Limited (山東藝林房地產開發有限公司), where he was primarily responsible for assisting the general manager in handling daily operation. From January 2010 to June 2010, Mr. Zhang served as a general manager assistant and financial controller at Shandong Lushang Property Company Limited, where he was primarily responsible for assisting the general manager in formulation of financial plans and management of finance team. From June 2010 to August 2010, Mr. Zhang served as deputy general manager and head accountant at Linyi Lushang Real Estate Company Limited (臨沂魯商地產有限公司), where he was primarily responsible for assisting the general manager in formulation of financial plans and management of finance team. From August 2010 to December 2019, Mr. Zhang successively served as deputy general manager, head accountant and head of finance of Jining Lushang Real Estate Co., Ltd.* (濟寧魯商置業有限公司) and, Jining Lushang Real Estate Company Limited (濟寧魯商地產有限公司), where he was primarily responsible for internal and external coordination of finance and funds and handling accounting affairs. From December 2019 to November 2020, Mr. Zhang served as financial director of Jinan Region of Lushang Development, where he was primarily responsible for internal and external coordination and handling accounting affairs. From January 2021 to March 2021, Mr. Zhang served as the assistant to the head of the general management department of Lushang Development, where he was primarily responsible for handling audit matters. Since March 2021, Mr. Zhang has served at Lushang Development as the assistant to the general manager of the audit, legal and safety management center, where he was primarily responsible for handling audit matters.

Mr. Zhang completed an undergraduate course in accounting from Nanjing University of Science & Technology (南京理工大學) in the PRC in July 2004. He was certified as an Intermediate Accountant by the Ministry of Finance in the PRC in August 2003 and as a Senior Accountant by the Shandong Senior Accountant Examination Committee (山東省會計專業資格高級評審委員會) in June 2017.

Ms. Wang Pin (王品), aged 31, was appointed as our employee representative Supervisor on March 2, 2021. She is primarily responsible for supervising the Board and senior management officers of our Group. Ms. Wang joined our Group in January 18, 2016 and has since served as an accountant at our Company, where she is primarily responsible for handling various financial tasks.

Ms. Wang obtained a bachelor's degree in accounting from Taishan Technology College of Shandong Technology University (山東科技大學泰山科技學院) in the PRC in June 2016. She was certified as an Intermediate Accountant by the Department of Human Resources and Social Welfare (人力資源和社會保障部) and the Ministry of Finance in the PRC in September 2018.

SENIOR MANAGEMENT

The general manager and other members of the senior management of the Group, together with our executive Directors, are responsible for the day-to-day operations and management of the business of our Group. Please refer to the paragraph entitled "—Executive Directors" for the biographical details of Mr. Wang Zhongwu, Mr. Zhang Tiebo and Mr. Shao Meng. Members of the senior management of our Group also include the following:

Name	Age	Date of joining our Group *(Note)*	Senior management position in our Company	Date of appointment as senior management	Key Responsibilities
Liu Jiapeng (劉加朋)	45	January 10, 2011	executive deputy general manager	March 2, 2021	Responsible for assisting the general manager of our Company for overall management of daily business operations of our Group
Li Zhaopan (李兆攀)	37	October 12, 2007	General manager assistant	January 7, 2021	Responsible for assisting the general manager of the Company for management and overseeing property management projects of our Group
Yang Zhen (楊振)	35	May 1, 2014	secretary of our Board and joint company secretary	May 20, 2022	Responsible for corporate secretarial matters of our Group

Note: Denotes the time from which the relevant senior management member first became involved in the operation of our business.

Mr. Liu Jiapeng (劉加朋), aged 45, is the executive deputy general manager. Mr. Liu assists the general manager for overall management of daily business operations of our Group. Mr. Liu joined our Group in January 2011 as a manager of our financial department.

Prior to joining our Group, from July 1996 to May 2002, Mr. Liu served as an accounting supervisor at Shandong World Trade Centre, where he was primarily responsible for overseeing daily accounting operations. From May 2002 to January 2007, Mr. Liu served as an accountant of Shandong Yinzuo Commercial City Limited (山東銀座商城股份有限公司), a company principally engaged in retail business, where he was primarily responsible for handling accounting matters. From January 2007 to August 2007, Mr. Liu served as a deputy manager of the finance department at Lushang Property, where he was primarily responsible for auditing and management of the daily operation of finance department. From August 2007 to December 2009, he served successively as a deputy manager and manager of the finance department at Tai'an Yinzuo Real Estate Development Company Limited, where his primary duty was to formulate the financial plans. From December 2009 to July 2010, Mr. Liu served as the financial manager of the assets management center at Lushang Development where his primary duty was to formulate the financial plans. From July 2010 to January 2011, Mr. Liu served as a general manager assistant and the head of finance at Tai'an Yinzuo Real Estate Development Company Limited, where he was primarily responsible for internal coordination and communication, assisting the general manager in managing the company and overseeing the daily work of finance department.

Upon joining our Group in January 2011, Mr. Liu served successively as finance department manager, head accountant and executive deputy general manager at Harbin Lushang Property Development Company Limited until September 2019. In addition to managing financial and accounting affairs and overseeing daily operations in the aforementioned roles, Mr. Liu was also responsible for general management of the property management business of our Group in Harbin, Heilongjiang province. From September 2019 to March 2021, Mr. Liu served as the general manager of the Company, where he was primarily responsible for overall management of our Company.

Mr. Liu completed an undergraduate course in accounting from Shandong Province Financial College (山東財政學院) in the PRC in July 2009. He was certified as an Intermediate Accountant by the Ministry of Finance in the PRC in May 2005, was awarded as a model builder (建設者標兵) by Harbin Federation of Trade Unions (哈爾濱市總工會) in January 2018, and was engaged by Shandong Property Management Institute as the vice chairman of Shandong Property Management Institute in December 2019.

Mr. Li Zhaopan (李兆攀), aged 37, was appointed as the general manager assistant of our Company on January 7, 2021. He joined our Group in October 2007 and is primarily responsible for assisting general manager of our Company for management and oversight of property management projects.

Upon joining our Group, in October 2007, Mr. Li served as a staff member and engineering manager of project Yinzuo Garden, a property management project of our Company until February 2012. From February 2012 to September 2013, Mr, Li was successively served as an engineering director and deputy project manager of our project in Qingdao, and was primarily responsible for supervising and ensuring the quality of engineering-related operations. From September 2013 to July 2015, Mr. Li served as a project screening manager and was primarily responsible for inspection of new projects we have undertaken and providing the Company with implementation advise in accordance with the inspection results. From July 2015 to January 2021, Mr. Li served as an executive deputy general manager and general manager of the Harbin project of our Company, where he was primarily responsible for overall project management and daily operation of the project.

Mr. Li completed an undergraduate course in real estate development and management from Shandong Normal University (山東師範大學) in the PRC in January 2013.

Mr. Yang Zhen (楊振), aged 35, was appointed as the secretary of our Board on May 20, 2022. He is also serving as our joint company secretary and is primarily responsible for handling corporate secretarial matters. Mr. Yang joined our Group in May 1, 2014 and has served as manager of the securities affairs department since May 20, 2021, where he has been primarily responsible for managing capital markets affairs and daily business operations.

Prior to joining our Group, from June 2011 to June 2012, Mr. Yang worked as recruitment specialist at China Railway No, 5 Engineering Group Co., Ltd. (中鐵五局集團建築工程有限責任公司), an infrastructure company, where he was primarily responsible for employee recruitment. From July 2012 to May 2014, he served as a member of the research and design department at Lushang Property, where he was primarily responsible for design and management work.

Upon joining our Group in May 2014, Mr. Yang served successively as the head of human resources management of the general department and deputy manager of the general department and manager of the marketing department at Lushang Design until January 2021, where he was primarily responsible for managing human resources affairs, market expansion and business operations, and formulating marketing plans in accordance with market changes. From January 2021 to May 2021, he served as a deputy head of the comprehensive management department of our Company, where he was primarily responsible for managing capital markets affairs and daily business operations.

Mr. Yang obtained his bachelor's degree in human resources management from Guizhou University (貴州大學) in the PRC in July 2011.

JOINT COMPANY SECRETARIES

Mr. Yang Zhen (楊振), aged 35, was appointed as our joint company secretary on June 24, 2021. For details of his biography, see "Senior Management" in this section.

Mr. Wong Wai Chiu (黃偉超), aged 67, was appointed as our joint company secretary on June 24, 2021. He is primarily responsible for handling corporate secretarial matters.

Mr. Wong is an associate director of SWCS Corporate Services Group (Hong Kong) Limited. He has extensive experience in compliance and secretarial related works.

Mr. Wong obtained his bachelor's degree in social science from University of Hong Kong (香港大學) in Hong Kong in October 1977. He obtained his master's degrees of applied science from Univers ity of Technology Sydney in Australia in May 1990, corporate governance from Hong Kong Polytechnic University (香港理工大學) in Hong Kong in November 2010 and arbitration and disputes resolution from City University of Hong Kong (香港城市大學) in Hong Kong in November 2007. He was certified as a chartered secretary by The Hong Kong Chartered Governance Institute in September 2018 and a certified public accountant by the Institute of Certified Public Accountants of Australia in December 2010. Mr. Wong was also admitted as a certified trust practitioner of Hong Kong Trustees' Association in September 2019.

BOARD COMMITTEES

Strategy Committee

The Board has established a Strategy Committee with written terms of reference. The Strategy Committee consists of three Directors, namely Mr. Zhao Yanfeng (趙衍峰), Mr. Wang Zhongwu (王忠武) and Ms. Chen Xiaojing (陳曉靜). Mr. Zhao Yanfeng (趙衍峰) currently serves as the chairman of the Strategy Committee. The primary duties of the Strategy Committee include:

- reviewing and making recommendations to the Board on, our business objectives, general strategic development plan and specific strategic development plans;
- evaluating factors which may affect our strategic development plans and their implementation, in light of domestic and foreign economic and financial conditions and market development trends, and making recommendations to the Board on adjustment to our strategic development plans in a timely manner;
- evaluating the general development conditions relating to various financial businesses, and making recommendations to the Board on adjustment to our strategic development plans in a timely manner;

- reviewing our strategic capital allocation and objectives of asset and liability management, and making recommendations to the Board;
- reviewing our business development plans, major investment and financing proposals submitted by senior management, and making recommendations to the Board;
- reviewing plans for establishment or adjustment of our internal bodies, tier-1 branches, direct branches or other direct affiliates, or overseas affiliates, and making recommendations to the Board;
- supervising and inspecting the implementation of our business plans and investment plans;
- reviewing proposals for our annual financial budget and final accounts submitted by senior management, and making recommendations to the Board;
- reviewing our plans for establishment of a legal entity or merger and acquisition proposals, and making recommendations to the Board;
- reviewing our matters on external investment, acquisition of assets, disposal of assets, asset write-off and provision of guarantees, and making recommendations to the Board;
- evaluating our corporate governance and making recommendations to the Board;
- other matters required by laws, administrative regulations, departmental rules and authorized by the Board.

Audit Committee

We have established an audit committee on June 6, 2022 pursuant to Rule 3.21 of the Listing Rules with written terms of reference in compliance with paragraph D.3 of Part 2 of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

The audit committee consists of three members, namely Ms. Leung Bik San (梁碧珊), Ms. Li Lu (李璐) and Ms. Chen Xiaojing (陳曉靜). The chairlady of the audit committee is Ms. Leung Bik San (梁碧珊), who is an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise.

Remuneration Committee

We have established a remuneration committee on June 6, 2022 pursuant to Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph E.1 of Part 2 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee are to (i) establish, review and provide advice to our Board on our policies concerning remuneration of Directors and senior management officers and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, (ii) to determine the terms of the specific remuneration package of each executive Director and senior management and (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

The remuneration committee consists of three members, namely Mr. Ma Tao (馬濤), Mr. Wang Zhongwu (王忠武) and Ms. Chen Xiaojing (陳曉靜). The chairman of the remuneration committee is Mr. Ma Tao (馬濤).

Nomination Committee

We have established a nomination committee on June 6, 2022 pursuant to Rule 3.27A of the Listing Rules with written terms of reference in compliance with paragraph B.3 of Part 2 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the nomination committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations regarding any proposed changes to the composition of our Board, (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board and (iii) assess the independence of our independent non-executive Directors and make recommendations on matters relating to the appointment, reappointment and removal of our Directors and succession planning.

The nomination committee consists of three members, namely Ms. Chen Xiaojing (陳曉靜), Mr. Ma Tao (馬濤) and Ms. Li Lu (李璐). The chairlady of the nomination committee is Ms. Chen Xiaojing (陳曉靜).

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and education background, ethnicity, professional experience, independence, knowledge and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time.

All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Directors have a balanced mix of knowledge, skills and experience, including property management, business management, engineering operation, construction design, audit, finance and investment. They obtained degrees in various majors, including public administration, business management, engineering, commerce and economics. We have three independent non-executive Directors who have different industry backgrounds, representing over one-third of our Board members. Furthermore, our Board has a wide age range of 32 to 63 years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, our Directors consider that the composition of our Board upon the [**REDACTED**] satisfies our board diversity policy.

Our nomination committee is responsible for ensuring the diversity of our Board members. After [**REDACTED**], our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors receive compensation from our Company in the form of fees, salaries, housing allowances and contributions to a retirement benefit scheme.

The emoluments (including fees, basic salaries, allowances, discretionary bonus, retirement benefit contribution and share-based payment) paid to our Directors and Supervisors in aggregate for each of the three years ended December 31, 2021 were approximately RMB0.8 million and RMB0.7 million and RMB1.6 million, respectively.

The emoluments (including salaries and other emoluments, discretionary bonuses, retirement scheme contributions and share-based payment) paid to our Group's five highest paid individuals in aggregate for each of the three years ended December 31, 2021 were approximately RMB3.1 million, RMB2.9 million and RMB3.2 million, respectively.

During the Track Record Period, no emoluments were paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company as compensation for their office for each of the three years ended December 31, 2021.

None of our Directors had waived or agreed to waive the receipt of any emoluments during the Track Record Period. Pursuant to existing arrangements that are currently in force as of the date of this document, the emoluments (including fees, basic salaries, allowances, discretionary bonus, retirement benefit contribution and share-based payment) payable to our Directors and Supervisors by our Company for the year ending December 31, 2022 will amount to approximately RMB3.7 million in aggregate.

Our Board will review and determine the emoluments and compensation packages of our Directors and senior management officers and will, following the [**REDACTED**], receive recommendations from our remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Save as disclosed above, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period. For additional information on our Directors' emoluments during the Track Record Period as well as information on the highest paid individuals, please refer to Notes 8 and 9 in the Accountants' Report set out in Appendix I to this document.

COMPLIANCE ADVISOR

Our Company has appointed Zhongtai International Capital Limited as our compliance advisor pursuant to Rule 3A.19 and 19A.05 of the Listing Rules. The material terms of the compliance advisor's agreement entered into between our Company and the compliance advisor are as follows:

(a) the compliance advisor shall provide our Company with services including guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany our Company to any meetings with the Stock Exchange;

(b) our Company may terminate the appointment of the compliance advisor by giving no less than 30 days' prior written notice. Our Company will exercise such right in compliance with Rule 3A.26 of the Listing Rules. The compliance advisor will have the right to terminate its appointment as compliance advisor under certain specific circumstances and upon notification of the reason of its resignation to the Stock Exchange; and

(c) during the period of appointment, our Company must consult with, and if necessary, seek advice from the compliance advisor on a timely basis in the following circumstances:

    i. before the publication of any regulatory announcement, circular or financial report;

    ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

iii. where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this document; and

iv. where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the [**REDACTED**] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and the associated Listing Rules after the [**REDACTED**].

So far as is known to our Directors, as of the Latest Practicable Date and immediately prior to and following the completion of the [**REDACTED**] (taking no account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**]), the following persons will have interests or short positions in our Shares or underlying Shares which fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

INTERESTS IN SHARES OF OUR COMPANY

			Shares held as of the Latest Practicable Date and immediately prior to the completion of the [REDACTED][1]		Shares held in the total share capital of the Company immediately following the completion of the [REDACTED][1]	
Name of Shareholder	**Nature of interest**	**Class of Shares**	**Number**	**Percentage**	**Number**	**Percentage**
				(approx.)		*(approx.)*
Lushang Development[2][3] . .	Beneficial Owner	Domestic Shares	95,100,000 (L)	95.1%	[REDACTED] (L)	[REDACTED]%
	Interest in a controlled corporation	Domestic Shares	4,900,000 (L)	4.9%	[REDACTED] (L)	[REDACTED]%
Shandong Commercial[3] . . .	Interest in controlled corporation	Domestic Shares	100,000,000 (L)	100%	[REDACTED] (L)	[REDACTED]%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Lushang Development is expected to hold 95,100,000 and [**REDACTED**] Shares, representing approximately 95.1% and [**REDACTED**]% of our Shares in issue immediately prior to and following the completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**]), respectively.

(3) Lushang Innovation is expected to hold 4,900,000 and [**REDACTED**] Shares, representing approximately 4.9% and [**REDACTED**]% of our Shares in issue immediately prior to and following the completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**]), respectively. As of the Latest Practicable Date, Lushang Innovation was wholly owned by Lushang Development, which is owned as to approximately 52.0% by Shandong Commercial and 1.7% by Lushang Group, a company owned as to approximately 68.2% by Shandong Commercial. By virtue of the SFO, Lushang Development is deemed to be interested in the Shares held by Lushang Innovation and Shandong Commercial is deemed to be interested in the Shares held by Lushang Development.

INTEREST IN EQUITY INTEREST OF MEMBERS OF OUR GROUP

Name of shareholder	Name of subsidiary	Nature of interest	Equity interest held as of the Latest Practicable Date and immediately prior to the [REDACTED](1) Percentage	Equity interest held immediately following the completion of the [REDACTED](1) Percentage
Jinan Shangxin	Lushang Tang'an	Beneficial owner	10%	10%
Tang'an Hengye	Lushang Tang'an	Beneficial owner	49%	49%

Save as disclosed above, our Directors are not aware of any person will, immediately prior to and following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

As of the Latest Practicable Date, the share capital of our Company was RMB100,000,000, divided into 100,000,000 Shares, with a nominal value of RMB1.00 each.

Assuming the [**REDACTED**] is not exercised, the share capital of our Company immediately after the completion of the [**REDACTED**] will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
100,000,000	Domestic Shares	[**REDACTED**]%
[**REDACTED**]	H Shares to be issued under the [**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	**Total**	100%

Assuming the [**REDACTED**] is exercised in full, the share capital of our Company immediately after the completion of the [**REDACTED**] will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
100,000,000	Domestic Shares	[**REDACTED**]%
[**REDACTED**]	H Shares to be issued under the [**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	**Total**	100%

PUBLIC FLOAT REQUIREMENTS

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which [**REDACTED**] is sought and for a sufficient public float of an issuer's [**REDACTED**] securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued shares must at all times be held by public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which [**REDACTED**] is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of [**REDACTED**] must be at least 25% of the issuer's total issued shares. However, the class of securities for which [**REDACTED**] is sought must not be less than 15% of the issuer's total issued shares and must have an expected market capitalization at the time of [**REDACTED**] of not less than HK$125 million.

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the [**REDACTED**] (whether or not the [**REDACTED**] is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after the [**REDACTED**].

The above tables assume the [**REDACTED**] becomes unconditional and is completed.

SHARE CLASSES

Upon the completion of [**REDACTED**], the Shares of our Company will be divided into two categories: Domestic Shares and H Shares. The two classes of Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to the relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors. We must pay all dividends in respect of H Shares in Hong Kong dollars, all dividends in respect of Domestic Shares in RMB.

Except as described above and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, methods of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix VI to this document, our Domestic Shares and H Shares will rank equally with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document (save for the dividends payment in RMB for Domestic Shares, in foreign currency except for RMB for Domestic Shares and in Hong Kong dollars for H Shares). However, the transfer of Domestic Shares is subject to such restrictions as PRC laws may impose from time to time. Save for the [**REDACTED**], we do not propose to carry out any public or private issue or to place securities simultaneously with the [**REDACTED**] or within the next six months from the [**REDACTED**]. We have not approved any share issue plan other than the [**REDACTED**].

CONVERSION OF OUR UNLISTED DOMESTIC SHARES INTO H SHARES

We have two classes of ordinary shares, Domestic Shares and H Shares. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted shares may be [**REDACTED**] or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and [**REDACTED**] shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the [**REDACTED**] of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the [**REDACTED**] of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any [**REDACTED**] of additional Shares after our [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [**REDACTED**] at the time of our [**REDACTED**] in Hong Kong. According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (CSRC [2019] No. 22) (《H股公司境內未上市股份申請"全流通"業務指引》(中國證券監督管理委員會公告[2019]22號)), the unlisted shares of H-share companies (including (i) unlisted domestic shares held by domestic shareholders before overseas listing; (ii) unlisted domestic shares issued domestically after overseas listing; and (iii) unlisted shares held by foreign shareholders) are allowed to be listed and traded on the Stock Exchange, and it stipulates the application procedures for the full circulation of unlisted shares of H-share company in China. On December 31, 2019, CSDC and Shenzhen Stock Exchange jointly announced the Measures for Implementation of H-share "Full Circulation" Business (《H股「全流通」業務實施細則》) (the "**Measures for Implementation**") which stipulates the requirements for cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the "Full Circulation" of the H-shares. Please refer to "Regulatory Overview—Laws and Regulations on Foreign Exchange Control—Regulations on the "Full Circulation" of H-share" in this document for more information on the details of the relevant requirements under the Measures for Implementation.

No separate class meeting is required for the [**REDACTED**] and trading of the converted shares on an overseas stock exchange. Any application for [**REDACTED**] of the converted shares on the Stock Exchange after our [**REDACTED**] is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed conversion.

In view of the above, our PRC Legal Advisors, Commerce & Finance Law Offices, has advised us that the Articles of Association does not contradict to any PRC laws and regulations in the conversion of Domestic Shares.

TRANSFER OF SHARES ISSUED PRIOR TO [REDACTED]

The Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the [**REDACTED**] shall be subject to this statutory restriction and not be transferred within a period of one year from the [**REDACTED**].

Please refer to "[**REDACTED**]" for details of the lock-up undertaking given by our Controlling Shareholders to the Stock Exchange. Please refer to "[**REDACTED**]" for details of the lock-up undertaking given by our Controlling Shareholders under the [**REDACTED**].

INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisors, Commerce & Finance Law Offices, pursuant to the Articles of Association and subject to the requirements of the relevant PRC laws and regulations, our Company, upon the [**REDACTED**] of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class of Shareholders whose interest is affected in a separate meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution. Resolutions of a class of Shareholders shall be passed by votes representing more than two thirds of Shareholders with voting rights attending the class meeting.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) within 15 business days upon the listing and provide a written report to the CSRC regarding the centralized registration and deposit of its unlisted Shares as well as the current offering and listing of shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which our Shareholders' general meeting and class meeting are required, please refer to "Appendix VI—Summary of Articles of Association—8. General Meetings" in this document.

You should read the following discussion and analysis in conjunction with our historical financial information, including the notes thereto set forth in the Accountants' Report in Appendix I to this document. The historical financial information contained in the Accountants' Report has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in "Risk Factors," "Forward-looking Statements" and elsewhere in this document.

OVERVIEW

We are a comprehensive property management service provider with a market leading position in Shandong Province and a proven track record of rapid growth. Headquartered in Jinan, Shandong Province, we have, through over 15 years of development since our inception in 2006, expanded our coverage to nearly all prefecture-level cities in Shandong Province and to Beijing and Harbin. According to CIA, we were ranked 41st among the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業) in terms of overall strength and were recognized as an "Outstanding Enterprise in the Property Management Industry with Diversified Operations in 2021" (2021物業管理行業多元化運營優秀企業) and one of the "Leading Property Management Brands in Specialized Operations in 2021" (2021物業服務專業化運營領先品牌企業).

Deeply rooted in Shandong Province, as of December 31, 2021, we were contracted to manage 82 properties with an aggregate contracted GFA of over 26.2 million sq.m., covering 12 cities in China. As of the same date, we had 82 projects under our management with GFA under management of approximately 22.9 million sq.m. Among these projects, 75 contracted properties with contracted GFA of 23.9 million sq.m. and 75 managed properties with GFA under management of approximately 20.3 million sq.m. were located in Shandong Province, serving approximately 80,000 households and business customers. As a result of our efficient operation and quality services, we experienced rapid growth during the Track Record Period. Our revenue increased at a CAGR of 34.7% from RMB321.1 million in 2019 to RMB582.8 million in 2021. Our net profit increased at a CAGR of 63.2% from RMB28.9 million in 2019 to RMB77.0 million in 2021.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in Note 2 in the Accountants' Report in Appendix I to this document.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this historical financial information, we have adopted all applicable new and revised IFRSs that are effective during the Track Record Period, consistently throughout the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2021. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning January 1, 2021 are set out in Note 29 in 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:

Our GFA under Management

During the Track Record Period, we generated more revenue from our property management services, as compared to revenue from value-added services to non-property owners and community value-added services. Our revenue from property management services amounted to RMB180.5 million, RMB204.0 million and RMB255.5 million, respectively, for December 31, 2019, 2020 and 2021, accounting for approximately 56.2%, 50.6% and 43.8% of our total revenue for the same periods, respectively. Accordingly, our business 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 and renew existing property management service agreements. During the Track Record Period, we experienced a steady growth in our GFA under management, which was 10.7 million sq.m., 15.4 million sq.m. and 22.9 million sq.m. as of December 31, 2019, 2020 and 2021, respectively.

During the Track Record Period, a significant percentage of the projects we managed were developed by Lushang Development Group. In 2019, 2020 and 2021, revenue generated from property management services provided to properties developed by Lushang Development Group amounted to RMB178.1 million, RMB197.9 million and RMB224.0 million, respectively, accounting for 98.7%, 97.0% and 87.7%, respectively, of our total revenue generated from property management services for the same periods. We have made continuous efforts to enlarge our customer base to include Independent Third Parties, with a view to generating additional revenue from extra sources and diversifying our project portfolio.

As a result, we have experienced a general growth in our GFA under management from properties developed by Independent Third Parties during the Track Record Period. As a result, the percentage of revenue generated from Independent Third Parties of our total revenue generated from property management services generally increased during the Track Record Period. Our increasing number of projects developed by Independent Third Parties diversified our project portfolio and will help drive the continuing growth of our revenue and profits. However, see "Risk Factors—Risks Relating to Our Business and Industry—We cannot assure you that we can secure new or renew our existing property management service contracts with property developers, including Lushang Development Group and Shandong Commercial Remaining Group, or other relevant entities, on favorable terms, or at all" for further discussion.

Our Branding and Pricing Ability

Our financial condition and results of operations are affected by our ability to continuously maintain or increase the fee rates we charge for our services, which is, in part, affected by our brand recognition and positioning in China's property management industry. We leverage our branding in pricing our services, and take into account factors such as characteristics, project size, locations, market price, our budget, target profit margins, property owners' and residents' profiles and the scope and quality of our services. In addition, 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. Our ability to effectively balance the aforementioned considerations is key to our financial condition and results of operations.

Our pricing ability can materially affect our results of operations. We set forth below a sensitivity analysis of our revenue and profit and total comprehensive income for the periods with reference to the fluctuations of average property management fees for property management services during the Track Record Period for illustrative purposes. The sensitivity analysis below demonstrates the impact of a hypothetical decrease in average property management fees for property management services on our revenue and profit and total comprehensive income, while all other factors remain unchanged:

	For the year ended December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue from our property management service business	180,475	204,001	255,485
Profit and total comprehensive income for the year	28,934	45,362	77,017

	For the year ended December 31,		
	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Assuming 5% decrease in our average property management fees			
Decrease in revenue from our property management service business	9,024	10,200	12,774
Decrease in profit and total comprehensive income for the year[(1)]	6,768	7,650	9,581
Assuming 10% decrease in our average property management fees			
Decrease in revenue from our property management service business	18,048	20,400	25,548
Decrease in profit and total comprehensive income for the year[(1)]	13,535	15,300	19,161

(1) Impact on profit and total comprehensive income for the year was calculated under the assumption that EIT was 25.0% for the year.

We strive to continuously standardize and enhance our property management services, and we may experience increases in costs from time to time. In response, we endeavor to maintain or raise our property management fee rates when renewing the expiring property management service agreements to maintain or improve our profit margin. Our ability to raise our fee rates will be impacted by our ability to uphold and enhance our branding and any pricing controls imposed by the relevant PRC authorities. We also endeavor to improve our management efficiency to reduce cost.

Business Mix

During the Track Record Period, our financial condition and results of operations were affected by our business mix. Our profit margins vary across our three business lines, namely, property management services, value-added services to non-property owners and community value-added services. 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 gross profit margin.

In general, the gross profit margins of our value-added services to non-property owners were higher than those of our property management services and community value-added services during the Track Record Period. The relatively high gross profit margins for our value-added services to non-property owners during the Track Record Period were primarily due to the fact that pre-delivery services and design services of value-added services to non-property owners are less labor-intensive than property management services and community value-added services. See "—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Gross Profit and Gross Profit Margin" for more discussion on the fluctuation in our gross profit margins during the Track Record Period.

Ability to Mitigate the Impact of Rising Labor Costs

Since property management is labor intensive, labor costs constitute a substantial portion of our cost of sales. During the Track Record Period, our labor costs increased considerably as a result of the expansion of our business, increases in our average salary and increases in the market prices for labor. In 2019, 2020 and 2021, our labor costs recorded under our cost of sales were RMB116.3 million, RMB120.6 million and RMB140.6 million respectively, accounting for 43.9%, 37.3% and 32.3% of our cost of sales in the same periods, respectively. To cope with rising labor costs, we continue to implement a number of cost control measures including (i) employing technological solutions to replace manual labor and control labor costs; (ii) utilizing internal operation platforms to optimize operating efficiency and (iii) optimizing resource allocation to lower our per capita costs.

Changes in Tax Policies

Our operations are subject to PRC corporate income tax, value added tax and other local taxes. In 2019, 2020 and 2021, our effective income tax rates, calculated as income tax expenses divided by profit before tax, were approximately 27.4%, 23.0% and 21.3%, respectively. The general corporate income tax rate in PRC is 25%. Certain members of our Group in the PRC have been entitled to preferential income tax rates since 2020. See "—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Income Tax Expenses" for more information. If there is any material adverse change in the preferential income tax treatment currently enjoyed by such subsidiaries, our profitability may be materially and adversely affected.

Competition

As a reputable player in property management segment, according to the CIA report, we primarily compete against large national brands and local property management companies. In recent years, the percentage of our GFA under management for properties developed by Lushang Development Group to our overall portfolio has decreased, while the percentage of our GFA under management for properties developed by Independent Third Parties increased. This demonstrates that while we are able to enjoy the support from Lushang Development Group, we are also capable of searching for, and taking advantage of, market opportunities independently. For example, we were engaged to provide property management services to an airline base property in Beijing Daxing Airport, which signifies our continuous expansion in terms of diversity of customers and type of properties under management. See "Business—Competition" and "Industry Overview" for more information. Our ability to compete effectively against our competitors and continue to strengthen our market position depends on our ability to enhance our competitive strengths and successfully implement our growth strategies. If we fail to compete effectively and grow our GFA under management, we may lose our existing market position and experience decreased revenue and weakened profitability.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

When reviewing our historical financial information, you should consider (i) our significant accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. Our significant accounting policies, judgments and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 in the Accountants' Report in Appendix I, respectively, to this document. We set forth below those accounting policies and estimates that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue recognition

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

We provide property management services, value-added services to non-property owners and community value-added services.

(i) *Property management services.* For property management services, we bill a fixed amount for services provided on an annual, quarterly or monthly basis and recognize as revenue in the amount to which we have a right to invoice and that corresponds directly with the value of performance completed. For property management services income from properties managed under lump sum basis, where we act as principal and are responsible for providing the property management services to the property owners, we are entitled to revenue at the value of property management services fee received or receivable and recognize all related property management costs as our cost of service.

(ii) *Value-added services to non-property owners.* Value-added services to non-property owners mainly include preliminary property management services, design services, landscaping services, pre-delivery services and other customized services, such as repair and maintenance services and property agency services. We agree on the price for each service with our customers. For value-added services to non-property owners other than landscaping services, we recognize revenue at a point in time when the relevant service is rendered. For landscaping services, we recognizes revenue over the period of the contract by reference to the progress towards complete satisfaction of the performance obligations. The progress towards complete satisfaction of the performance obligation, in an amount that reflects the consideration expected to be entitled and, depending on the nature of the contract, is measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract; or (b) completion of physical proportion of the contract work.

(iii) *Community value-added services.* For community value-added services mainly relating to services to property owners and residents of our managed properties, which include community space and resource management services, parking space management services, utility management services and community living services, such as customized waste cleaning and housekeeping services, revenue is recognized when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

Interest income

Interest income is recognized as it accrues under the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset.

Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attached to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the assets by way of recognized in other income.

Credit losses from financial instruments and contract assets

We recognizes a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost (including cash and cash equivalents, trade and bills receivables, other receivables and amount due from related parties and contract assets.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to us in accordance with the contract and the cash flows that we expect to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and bills receivables, other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which we are exposed to credit risk.

In measuring ECLs, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, we recognize a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities 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 periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future year.

	For the year ended December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	**321,145**	**402,844**	**582,803**
Cost of sales	(265,122)	(323,223)	(434,954)
Gross profit	**56,023**	**79,621**	**147,849**
Other net income	998	1,836	3,296
Administrative and other expenses	(21,994)	(27,258)	(52,724)
Recognition of expected credit loss on financial assets	(220)	(205)	(3,757)
Profit from operations	**34,807**	**53,994**	**94,664**
Finance income	5,021	5,773	5,845
Finance costs	–	(878)	(2,700)
Finance income, net	5,021	4,895	3,145
Profit before taxation	**39,828**	**58,889**	**97,809**
Income tax	(10,894)	(13,527)	(20,792)
Profit and total comprehensive income for the year	**28,934**	**45,362**	**77,017**
Profit and total comprehensive income attributable to:			
Equity shareholders of our Company	28,934	45,302	75,810
Non-controlling interests	–	60	1,207

Revenue

During the Track Record Period, we derived our revenue primarily from the following three business lines, namely (i) property management services, (ii) value-added services to non-property owners and (iii) community value-added services:

	For the year ended December 31,					
	2019		2020		2021	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	180,475	56.2	204,001	50.6	255,485	43.8
Value-added services to non-property owners	70,963	22.1	119,884	29.8	204,816	35.1
Community value-added services	69,707	21.7	78,959	19.6	122,502	21.1
Total	**321,145**	**100.0**	**402,844**	**100.0**	**582,803**	**100.0**

Revenue from Property Management Services

Our property management services primarily include cleaning, security, greening, repair and maintenance services, public area maintenance and other property management related services. Our revenue from our property management services accounted for 56.2%, 50.6% and 43.8% of our total revenue for 2019, 2020 and 2021, respectively. The growth in our revenue was primarily driven by the increases in our total GFA under management as a result of our business expansion. During the Track Record Period, we experienced a steady growth in our total GFA under management, which was approximately 10.7 million sq.m., 15.4 million sq.m. and 22.9 million sq.m. as of December 31, 2019, 2020 and 2021, respectively.

Property management fees may be charged on either a lump-sum or a commission basis. During the Track Record Period, we charged property management fees under the lump-sum basis for substantially all properties under our management, except for property management services provided to an airline base property in Beijing Daxing Airport, which is charged on the commission basis. According to CIA, the lump sum fee model is the dominant method of collecting property management fees in China. It dispenses with certain collective decision-making procedures among property owners and residents for making large expenditures, which instead are required under the commission fee model. Another advantage of the lump sum fee model is that it incentivizes property management companies to optimize their cost structure and streamline their business operations to enhance profitability, which is conducive to the development of the PRC property management industry as a whole. We expect property management fees charged on a lump sum basis to continue to account for substantially all of our revenue from property management services in the foreseeable future.

During the Track Record Period, we derived the majority of our property management services revenue from managing properties developed by Lushang Development Group. In 2019, 2020 and 2021, revenue from property management services provided to properties developed by Lushang Development Group amounted to RMB178.1 million, RMB197.9 million and RMB224.0 million, respectively, accounting for approximately 98.7%, 97.0% and 87.7%, respectively, of our total revenue derived from property management services for the same periods. The decrease in our percentage of total revenue from managing properties developed by Lushang Development Group during the Track Record Period was primarily due to our continuous efforts to expand our customer base and manage more properties developed by Independent Third Parties. Our revenue from property management services provided to properties developed by Independent Third Parties increased from RMB4.9 million in 2020 to RMB20.7 million in 2021, primarily due to the increase in the number of properties developed by Independent Third Parties under our management as a result of our continuous efforts to expand our customer base and type of properties.

The table below sets forth a breakdown of our revenue from property management services for the periods indicated and the GFA under management as of the dates indicated by type of property developer:

	As of and/or for the year ended December 31,								
	2019			2020			2021		
	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)*	*(%)*
Properties developed by Lushang Development Group[(1)]	10,719	178,147	98.7	11,839	197,943	97.0	12,424	224,025	87.7
Projects developed by Shandong Commercial Remaining Group[(2)]	–	–	–	951	1,125	0.6	918	10,809	4.2
Subtotal	**10,719**	**178,147**	**98.7**	**12,790**	**199,068**	**97.6**	**13,342**	**234,834**	**91.9**
Properties developed by Independent Third Parties[(3)]	24	2,328	1.3	2,658	4,933	2.4	9,527	20,651	8.1
Total	**10,742**	**180,475**	**100.0**	**15,447**	**204,001**	**100.0**	**22,869**	**255,485**	**100.0**

(1) Refer to properties solely developed by Lushang Development Group or jointly developed by Lushang Development Group and independent third-party property developers in which Lushang Development Group held a controlling interest.

(2) Refer to properties owned and controlled by Shandong Commercial Remaining Group.

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

During the Track Record Period, a majority of our revenue from property management services was derived from residential properties, which accounted for 70.0%, 71.4% and 66.8%, respectively, of our total revenue from property management services in 2019, 2020 and 2021. The percentage of revenue derived from managing residential properties increased from 70.0% in 2019 to 71.4% in 2020, primarily due to the increase in GFA under management for residential properties developed by Lushang Development Group. The percentage of revenue derived from managing residential properties decreased from 71.4% in 2020 to 66.8% in 2021, primarily due to our continuous efforts to expand our customer base and type of properties under management.

The table below sets forth a breakdown of our revenue from property management services for the periods indicated and the GFA under management as of the dates indicated by type of properties:

	As of and/or for the year ended December 31,								
	2019			2020			2021		
	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	8,989	126,339	70.0	11,501	145,586	71.4	12,153	170,633	66.8
Non-residential properties									
Commercial Properties	1,753	54,136	30.0	2,104	57,585	28.2	2,405	69,762	27.3
Others[1]	–	–	–	1,843	830	0.4	8,311	15,090	5.9
Total	**10,742**	**180,475**	**100.0**	**15,447**	**204,001**	**100.0**	**22,869**	**255,485**	**100.0**

(1) Primarily include municipal facilities such as city roads, schools, theme towns, hospitals, banks, industrial parks and airline base property.

During the Track Record Period, we managed properties in three regions, namely, Shandong Province, Beijing and Harbin. The table below sets forth a breakdown of our revenue from property management services for the periods indicated and the GFA under management as of the dates indicated by geographical location:

	As of and/or for the year ended December 31,								
	2019			2020			2021		
	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)*	*(%)*
Shandong Province	8,845	148,050	82.0	13,347	168,247	82.5	20,269	210,693	82.5
Beijing	188	9,923	5.5	188	9,928	4.9	413	15,172	5.9
Harbin	1,710	22,502	12.5	1,912	25,826	12.7	2,188	29,620	11.6
Total	**10,742**	**180,475**	**100.0**	**15,447**	**204,001**	**100.0**	**22,869**	**255,485**	**100.0**

Revenue from Value-added Services to Non-property Owners

We provide value-added services to non-property owners, which are primarily property developers, primarily including (i) landscaping services; (ii) design services; (iii) preliminary property management services; (iv) pre-delivery services and (v) other customized services, such as repair and maintenance services and property agency services. See "Business—Value-added Services to Non-Property Owners" in this document for details. The following table sets forth a breakdown of our revenue from value-added services to non-property owners for the periods indicated by business line:

	For the year ended December 31,					
	2019		2020		2021	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Design services	22,965	32.4	25,324	21.1	67,728	33.1
Landscaping services	8,938	12.6	33,184	27.7	65,848	32.1
Preliminary property management services	23,892	33.7	27,817	23.2	24,881	12.1
Pre-delivery services	9,621	13.6	19,247	16.1	28,469	14.0
Other customized services	5,547	7.8	14,312	11.9	17,890	8.7
Total	**70,963**	**100.0**	**119,884**	**100.0**	**204,816**	**100.0**

Our revenue from value-added services to non-property owners increased from RMB71.0 million in 2019 to RMB119.9 million in 2020, primarily due to the increase in revenue from (i) landscaping services, as we expanded our service scope to include landscaping construction services, which in general have higher contract price as compared to landscaping management services due to the higher technical and manpower requirement of construction activities; (ii) pre-delivery services, primarily due to the increase in delivery of properties developed by Lushang Development Group, which was in line with its business expansion and property delivery schedule in 2020; and (iii) other customized services, primarily due to the increase in property agency services, in particular our agency services to property developers in their sale of unsold properties and car parks. Our revenue from value-added services to non-property owners increased from RMB119.9 million in 2020 to RMB204.8 million in 2021, primarily due to the increase in revenue from landscaping services and design services, as we continued to expand our landscaping construction services in more cities in Shandong Province and took more design projects in various cities in Shandong Province. We obtained new projects from our related parties for landscaping services and design services, which was in line with our related parties' business expansion into more cities in Shandong Province. After our related parties obtained new projects in Shandong Province, including cities such as Taishan, Yantai and Qingdao, we were appointed to provide landscaping services and design services through tender process.

Revenue from Community Value-added Services

We provide community value-added services to property owners and residents of the properties managed by us. Our community value-added services primarily consist of (i) parking space management services; (ii) community living services; (iii) utility fee management and (iv) community space and resource management services. The increase in our community value-added services was generally in line with our business expansion and the continuous growth in our GFA under management. The following table sets forth a breakdown of our revenue from community value-added services for the periods indicated by business line:

	For the year ended December 31,					
	2019		2020		2021	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Parking space management services	22,963	32.9	30,293	38.4	34,256	28.0
Community living services	12,755	18.3	14,528	18.4	53,735	43.9
Utility management services	26,487	38.0	26,643	33.7	26,881	21.9
Community space and resource management services	7,502	10.8	7,495	9.5	7,630	6.2
Total	**69,707**	**100.0**	**78,959**	**100.0**	**122,502**	**100.0**

Our revenue from our community value-added services, including revenue for each segment under our community value-added services, remained relatively stable from 2019 to 2021. Our revenue increased from RMB79.0 million in 2020 to RMB122.5 million in 2021, primarily due to the increase in revenue from community living services. Under our community living services, we purchased car parks and retail and storage spaces from Lushang Development Group and resell car parks and retail and storage spaces to property owners and residents at a certain markup on top of our original purchase price. For the year ended December 31, 2019, 2020 and 2021, we recorded revenue from resale of car parks and storage spaces of nil, nil and RMB9.9 million, respectively. In addition, under our community living services, our revenue from customized waste cleaning services increased in 2021, as we took more waste cleaning projects and expanded our community retail business in Shandong province as compared to 2020.

Cost of Sales

Our cost of sales primarily consists of (i) labor costs, (ii) utilities expenses, (iii) maintenance, greening, cleaning, security maintenance and garbage disposal expenses, (iv) landscaping costs, (v) office expenses and (vi) design costs.

The following table sets forth the components of our cost of sales for the periods indicated:

	For the year ended December 31,		
	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Labor costs	116,265	120,568	140,553
Utilities expenses	30,331	28,106	34,195
Maintenance, greening, cleaning, security maintenance and garbage disposal expenses	96,952	116,425	147,964
Landscaping costs	1,499	25,011	54,658
Office expenses	10,537	16,699	23,220
Design costs	1,206	2,999	7,357
Others(1)	8,332	13,415	27,007
Total	**265,122**	**323,223**	**434,954**

(1) Primarily represent parking costs, tax and surcharges and depreciation and amortization expenses.

During the Track Record Period, the main components of our cost of sales were (i) labor costs, (ii) maintenance, greening, cleaning, security maintenance and garbage disposal costs and (iii) landscaping costs. The increase in our labor costs during the Track Record Period was mainly due to the increase in the number of employees and the compensation level for our employees. The increase in maintenance, greening, cleaning, security maintenance and garbage disposal costs during the Track Record Period was generally in line with our business expansion. The increase in landscaping costs was primarily due to our expansion of landscaping services to include landscaping construction services.

As the property management industry is labor-intensive, substantially all of our cost of sales during Track Record Period were variable costs that would vary depending on the fluctuations in, among others, our labor costs, which accounted for 43.9%, 37.3% and 32.3% of our cost of sales in 2019, 2020 and 2021, respectively. Accordingly, we consider all of our cost of sales for the Track Record Period were variable costs except for depreciation and amortization charges. Depreciation and amortization charges accounted for approximately 0.5%, 0.4% and 0.5% of our total cost of sales in 2019, 2020 and 2021, respectively. For illustrative purpose only, assuming 1% increase in our employee benefit expenses, while keeping all other factors unchanged, our gross profit margin would be reduced by less than 0.5%, 0.5% and 0.3% for each of 2019, 2020 and 2021 as a result.

The following table sets forth the breakdown of our cost of sales by business line for the periods indicated:

	For the year ended December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Property management services	166,335	181,311	210,609
Value-added services to non-property owners	44,830	82,027	132,144
Community value-added services	53,957	59,885	92,201
Total	**265,122**	**323,223**	**434,954**

Gross Profit and Gross Profit Margin

Our overall gross profit margin in 2019, 2020 and 2021, was 17.4%, 19.8% and 25.4% respectively. Our overall gross profit margin was slightly below the average gross profit margin for the Top 100 Property Management Companies in 2019 and 2020, which, according to CIA, was 24.0% and 24.5%, respectively. Our overall gross profit margin was slightly above the average gross profit margin for the Top 100 Property Management Companies in 2021, which, according to CIA, was 25.1%. The difference in 2019 and 2020 was primarily because (i) our gross profit margin for community value-added services was relatively low as revenue from our utility management services generally accounted for more than 30% of our revenue from community value-added services. Utility management service had relatively low gross profit margin as it is charged at a pre-negotiated moderate markup, due to the nature that utility management service relates to people's livelihood; and (ii) we incurred relatively high labor costs and, as a state-owned company, we had relatively high employee benefit expense, in line with the market practice of the listed state-owned companies in the PRC, according to CIA. In 2021, our gross profit margin increased to 25.4% from 19.8% in 2020, as a result of the increase in gross profit margin in three business lines, in particular property management services and value-added services to non-property owners. The increase in gross profit margin of property management services in 2021 was primarily because (i) we obtained new projects developed by Independent Third Parties with relatively high average property management fee; and (ii) we achieved greater economies of scope from our business expansion. The increase in gross profit margin of value-added services to non-property owners was primarily attributable to the increased demands for value-added services to non-property owners, as such demands resumed with the COVID-19 epidemic under control in 2021. In addition, the percentage of revenue generated from value-added services to non-property owners and community value-added services increased in 2021. Both of these value-added services have a higher gross profit margin than property management services. See "—Results of Operations—2021 Compared to 2020—Gross profit and gross profit margin." Our overall gross profit margins are affected by the mix of revenue derived from each of our business lines. The following table sets forth our gross profit and gross profit margin by business line for the years indicated:

	For the year ended December 31,					
	2019		**2020**		**2021**	
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	14,140	7.8	22,690	11.1	44,876	17.6
Value-added services to non-property owners	26,133	36.8	37,857	31.6	72,672	35.5
Community value-added services	15,750	22.6	19,074	24.2	30,301	24.7
Total/overall	**56,023**	**17.4**	**79,621**	**19.8**	**147,849**	**25.4**

According to CIA, our gross profit margin of property management services during the Track Record Period falls within the range of gross profit margin for the same services of the Top 100 Property Management Companies, which ranged between 7% and 47%, 11% and 39% and 7% and 50% in 2019, 2020 and 2021, respectively. According to CIA, our gross profit margin of value-added services to non-property owners during the Track Record Period falls within the range of gross profit margin for the same services of the Top 100 Property Management Companies. According to CIA, our gross profit margin of community value-added services during the Track Record Period falls within the range of gross profit margin for the same services of the Top 100 Property Management Companies. According to CIA, gross profit margin of value-added services of the Top 100 Property Management Companies, including value-added services to non-property owners and community value-added services, ranged between 12% and 67%, 16% and 67% and 11% and 54% in 2019, 2020 and 2021, respectively.

Property Management Services

Gross profit margin for our property management services is affected by the percentage of revenue and GFA under management attributable to properties developed by Lushang Development Group, Shandong Commercial Remaining Group and Independent Third Parties. The gross profit margin of our property management services is also affected by the combined effect of property management fees we charge for our property management services and our cost of sales for providing such services. According to CIA, during the Track Record Period, the gross profit margin for our property management services was within the range of those of PRC property management companies listed on the Stock Exchange that had similar business line. The gross profit margin for our property management services was 7.8%, 11.1% and 17.6% in 2019, 2020 and 2021, respectively. The gross profit margin for property management services of listed property management companies on the Stock Exchange in the PRC ranged from 6.5% to 46.6% and 10.6% to 39.4% in each of 2019 and 2020, respectively, according to CIA. Our gross profit margin for property management services was in the lower range of the PRC property management companies listed on the Stock Exchange in the PRC primarily because we, as a state-owned company, had relatively high employee benefit expense, including holiday reimbursement and childcare reimbursement, which was in line with the market practice of the listed state-owned companies in the PRC, according to CIA. As we achieved greater economies of scope through our business expansion, our gross profit margin for property management services increased during the Track Record Period. See "Financial Information – Key Factors Affecting Our Results of Operations – Ability to Mitigate the Impact of Rising Labor Costs" for details.

The table below sets forth our gross profit and gross profit margin from property management services by property developer for the periods indicated:

	For the year ended December 31,					
	2019		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Properties developed by Lushang Development Group	14,320	8.0	23,487	11.9	40,630	18.1
Projects developed by Shandong Commercial Remaining Group	–	–	(49)	(4.4)	870	8.0
Subtotal	**14,320**	**8.0**	**23,438**	**11.8**	**41,500**	**17.7**
Properties developed by Independent Third Parties	(180)	(7.7)	(748)	(15.2)	3,376	16.3
Total/overall	**14,140**	**7.8**	**22,690**	**11.1**	**44,876**	**17.6**

Our gross profit margin for property management services increased from 7.8% in 2019 to 11.1% in 2020, primarily due to (i) our receipt of certain social insurance contribution exemptions for our employees from local governments of approximately RMB7.7 million as part of the COVID-19 pandemic relief measures of which RMB3.2 million was allocated to this segment which led to the absolute percentage of our gross profit margin increased by approximately 1.6% (calculated by adding back these social insurance contribution exemption under cost of sales and without considering other potential variables); and (ii) the greater economies of scope achieved during our business expansion, as we were able to share costs more efficiently among the business lines, such as property management services and community value-added services, within a particular project. As such, our cost of sales attributable to overall property management services increase in a slower scale at 9.0% from 2019 to 2020, as compared to the increase in revenue from overall property management services at 13.0% from 2019 to 2020. Our gross profit margin for property management services increased from 11.1% in 2020 to 17.6% in 2021, primarily due to (i) a lesser extent of COVID-19 pandemic reduction to property management fee in 2021 as the pandemic was generally under control in 2021, which led to an increase of approximately 3.6% in an absolute amount in gross profit margin (calculated by adding back such reductions to the revenue and without considering other potential variables); (ii) the increase in gross profit margin attributable to properties developed by Independent Third Parties, as we obtained certain new projects developed by Independent Third Parties with relatively high average property management fee; and (iii) the greater economies of scope achieved. As such, our cost of sales attributable to overall property management services increase in a slower scale at 16.2% from 2020 to 2021, as compared to the increase in revenue from overall property management services at 25.2% from 2020 to 2021.

Our gross profit margin for managing properties developed by Lushang Development Group increased from 8.0% in 2019 to 11.9% in 2020, primarily due to (i) our receipt of certain social insurance contribution exemptions for our employees from local governments, among which RMB3.1 million was allocated property management services provided to Lushang Development Group. Such exemption led to the absolute percentage of our gross profit margin increased by approximately 1.6% (calculated by adding back these social insurance contribution exemption under cost of sales and without considering other potential variables); and (ii) the greater economies of scope achieved during our business expansion, as we were able to enhance cost efficiency by sharing costs among adjacent projects. Our gross profit margin for managing properties developed by Lushang Development Group increased from 11.9% in 2020 to 18.1% in 2021, primarily due to (i) a decreased in reduction of property management fees charged to Lushang Development Group, as the pandemic was generally under control in 2021. Such reduction amounted to RMB0.5 million in 2021, as compared to RMB7.2 million in 2020, which led to an increase of approximately 3.3% in an absolute amount in gross profit margin (calculated by adding back such reductions to the revenue and without considering other potential variables); and (ii) the greater economies of scope achieved during our business expansion. In 2019, 2020 and 2021, our direct labor costs allocated to property management services provided to Lushang Development Group amounted to RMB62.6 million, RMB59.5 million and RMB62.9 million, respectively, which remained relatively stable despite our continuous business expansion. As a result of the greater economies of scope achieved, the ratio of the direct labor costs allocated to property management services provided to Lushang Development Group divided by revenue from property management services provided to Lushang Development Group decreased from approximately 35.1% in 2019 to approximately 30.1% in 2020, and further decrease to approximately 28.1% in 2021. Our cost of sales attributable to property management services provided to Lushang Development Group increased in a slower scale at 6.5% from 2019 to 2020 and 5.1% from 2020 to 2021, as compared to the increase in revenue attributable to property management services provided to Lushang Development Group at 11.1% from 2019 to 2020 and 13.2% from 2020 to 2021.

Our gross profit margin for managing projects developed by Lushang Development Group was considerably higher than gross profit margin for managing project developed by Shandong Commercial Remaining Group and Independent Third Parties. We had gross loss in 2020 with respect to property management services for projects owned by Shandong Commercial Remaining Group, primarily because we managed only a limited number of projects owned by Shandong Commercial Remaining Group, and incurred relatively more costs at their early stage of operations. In 2021, we have turned projects owned by Shandong Commercial Remaining Group profitable. We had gross loss in 2019 and 2020 with respect to property management services for projects developed by Independent Third Parties, primarily because we managed certain public facilities developed by Independent Third Parties and the costs of managing these early-stage public facilities were relatively high. These early-stage costs primarily include cleaning expenses and waste disposal expenses to prepare for the opening of public facilities. We procured and leased garbage trucks that are specifically designed to collect and transport construction waste at relatively high price. In addition, these properties had a relatively lower average property management fee than that of properties developed by Lushang Development Group. In 2021, we obtained certain new projects developed by Independent Third Parties with relatively high average property management fee. As a result, the gross profit margin for our property management services for properties developed by Independent Third Parties increased to 16.3% in 2021.

Average Property Management Fee

The gross profit margin of our property management services is affected by the property management fees we charge for our property management services. Our average property management fee is generally weighted average property management fee charged calculated on revenue-bearing GFA of each property which we are charged for property management services.

The table below sets forth our average property management fee for our managed properties by property developer, property type and region for property management services for the periods indicated:

	For the year ended December 31,		
	2019	2020	2021
	(RMB per sq.m. per month)		
By property developer:			
Lushang Development Group[(1)]	2.18	2.24	2.24
Shandong Commercial Remaining Group[(2)]	–	0.86	0.86
Subtotal	**2.18**	**2.11**	**2.13**
Independent Third Parties[(3)]	–	0.68	0.72
By property type:			
Residential properties	1.85	1.71	1.69
Commercial properties	3.97	4.28	4.31
Others	–	0.61	0.46
By region:			
Shandong Province	2.17	1.69	1.64
Other regions	2.21	2.21	2.20
Overall average property management fee	**2.18**	**1.75**	**1.70**

(1) Refers to properties solely developed by Lushang Development Group or jointly developed by Lushang Development Group and independent third-party property developers in which Lushang Development Group held a controlling interest.

(2) Refer to properties owned and controlled by Shandong Commercial Remaining Group.

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

Our average property management fee decreased from RMB2.2 per sq.m. per months in 2019 to RMB1.8 per sq.m. per months in 2020. The decrease was primarily because we commenced property management services for properties with a lower average property management fee, including projects owned by Shandong Commercial Remaining Group and Independent Third Parties, in the second half of 2020. Our overall average property management fee remained stable at RMB1.7 per sq.m. per month in 2020 and in 2021, respectively. These projects had a lower average property management fee, as these are public facilities, which have a relatively large area under management, but our fee are charged based on the volume of services provided and are not tied to GFA under management.

Our average property management fee for our managed properties developed by Lushang Development Group is generally higher than our average property management fee for our managed properties owned by Shandong Commercial Remaining Group and Independent Third Parties. The higher average property management fee was primarily because the properties developed by Lushang Development Group under our management during the Track Record Period consisted of a higher portion of commercial properties, for which we typically charge higher property management fee. In addition, certain properties developed by Independent Third Parties are resettlement housing, which have lower property management fee due to the nature of such property.

Value-added Services to Non-property Owners

Gross profit margin for our value-added services to non-property owners was 36.8%, 31.6% and 35.5%, respectively, in 2019, 2020 and 2021, which was generally in line with those of listed property management companies in the PRC that had similar business line, according to CIA. The gross profit margin for our value-added services to non-property owners was 36.8%, 31.6% and 35.5% in 2019, 2020 and 2021, respectively, as compared to the gross profit margin of the listed property management companies on the Stock Exchange in the PRC that had the similar business line of 31.7% and 34.0% for 2019 and 2020, respectively, according to CIA. The gross profit margin for value-added services to non-property owners provided by the PRC property management companies listed on the Stock Exchange in the PRC ranged from 12.0% to 60.7% and 20.1% to 58.1% in each of 2019 and 2020, respectively, according to CIA. The table below sets forth our gross profit and gross profit margin from value-added services to non-property owners by service type for the periods indicated:

	For the year ended December 31,					
	2019		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Design services	11,804	51.4	10,666	42.1	40,265	59.5
Landscape services	4,443	49.7	5,379	16.2	7,008	10.6
Preliminary property management services	3,146	13.2	3,806	13.7	3,592	14.4

	For the year ended December 31,					
	2019		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Pre-delivery services . .	5,176	53.8	10,476	54.4	12,331	43.3
Other customized services	1,564	28.2	7,530	52.6	9,476	53.0
Total/overall	**26,133**	**36.8**	**37,857**	**31.6**	**72,672**	**35.5**

Our gross profit for value-added services to non-property owners increased from RMB26.1 million in 2019 to RMB37.9 million in 2020, primarily because of the increases in gross profit from (i) our design services resulting from the expansion of service scope in 2019 to include more types of properties for which we provided services; (ii) our landscape services resulting from the expansion of service scope including the launch of landscaping construction services in 2020; and (iii) our pre-delivery services due to the increase in the GFA under management from projects delivered to us by Lushang Development Group for which we provided pre-delivery services. Our gross profit for value-added services to non-property owners increased significantly from RMB37.9 million in 2020 to RMB72.7 million in 2021 primarily because of the increases in gross profits from (i) our design services resulting from expansion of business scale; and (ii) our pre-delivery services as we undertook more projects from Lushang Development Group.

Our gross profit margin for value-added services to non-property owners decreased from 36.8% in 2019 to 31.6% in 2020, primarily due to the significant decrease in gross profit margin from our landscaping services. The decrease in gross profit margin from our landscaping services from 49.7% in 2019 to 16.2% in 2020 was primarily due to our commencement of landscaping construction services, which incurred relatively high costs, including machine costs for renting excavators, hedge trimmers and grass croppers and labor costs, among other things. As landscaping construction services require more manpower, we incurred additional labor cost as we subcontract landscaping construction services to third-party subcontractors. In addition, the subcontracting cost is relatively high in absolute amount as we did not have strong bargaining power due to our relatively short operating history. Our gross profit margin for value-added services to non-property owners increased from 31.6% in 2020 to 35.5% in 2021, due to the increased demands for value-added services to non-property owners, as such demands resumed with the COVID-19 epidemic under control.

According to CIA, our gross profit margin for design services were slightly above that of industry peers in 2019 and 2020. Our gross profit margin of design services was 51.4%, 42.1% and 59.5% in 2019, 2020 and 2021, as compared to the gross average profit margin of our industry peers that had the similar business line of 41.5% and 40.2% in 2019 and 2020, according to CIA. Our slightly higher gross profit margin of design services was primarily because we hired experienced personnel which reduced our overall labor cost. In particular, in 2019, 2020 and 2021, more than 35.0% of our design service employees had more than ten years' related experience. Accordingly, our labor cost for design services was approximately RMB1,827 per employee per working day and RMB1,118 per employee per working day and RMB1,221 per employee per working day in 2019, 2020 and 2021 respectively, which was in the lower range of that of our industry peers ranging from RMB1,100 per employee per working day to RMB2,750 per employee per working day in 2019 and 2020, respectively, according to CIA.

According to CIA, our gross profit margin for landscaping services were slightly above that of industry peers in 2019 and slightly below that of industry peers in 2020. Our gross profit margin for landscaping services was 49.7%, 16.2% and 10.6% in 2019, 2020 and 2021, as compared to the average gross profit margin of our industry peers that had the similar business line of 21.8%, 22.1% in 2019 and 2020, according to CIA. The differences between our gross profit margin and that of the industry peers were primarily because (i) in 2019, we primarily provide landscaping management services, which generally only incur labor cost and do not require intensive manpower. In 2019, our gross profit margin of landscaping management services ranged from 40.0% to 50.0% and our revenue from landscaping management services represented approximately 45.9% of our total revenue from landscaping services and (ii) since 2020, we began to provide landscaping construction services, which require more manpower during the construction process. Due to its labor intensive nature and our relatively short operating history as mentioned above, the gross profit margin of landscaping construction services is lower than that of landscaping management services.

According to CIA, our gross profit margin for preliminary property management services, pre-delivery services and other customized services are generally in line with those of industry peers, respectively, during the Track Record Period. Our gross profit margin for preliminary property management services was 13.2%, 13.7% and 14.4% in 2019, 2020 and 2021, as compared to the gross profit margin of our industry peers that had the similar business line ranged from 10.7%-34.7% and 10.8%-35.2% in 2019 and 2020, respectively, according to CIA. Our gross profit margin for pre-delivery services was 53.8%, 54.4% and 43.3% in 2019, 2020 and 2021, as compared to the gross profit margin of our industry peers that had the similar business line, ranged from 12.5%-60.5% and 14.6%-63.7% in 2019 and 2020, respectively according to CIA.

Our gross profit margin for other customized services, including businesses such as property agency services has a gross profit margin of 28.2%, 52.6% and 53.0% in 2019, 2020 and 2021. The gross profit margin for property agency services provided by our industry peers generally ranged from 20.0% to 60.0% in 2019 and 2020, according to CIA.

Community Value-added Services

Gross profit margin for our community value-added services in 2019, 2020 and 2021 was generally in the range of, while being relatively below, those of listed property management companies in the PRC that had similar business line, according to CIA. Gross profit margin for our community value-added services was 22.6%, 24.2% and 24.7% in 2019, 2020 and 2021, respectively, while the average gross profit margin of PRC property management companies listed on the Stock Exchange in the PRC that had similar business line of 46.1% and 46.5% in 2019 and 2020, respectively, according to CIA. The gross profit margin for community value-added services provided by the PRC property management companies listed on the Stock Exchange in the PRC ranged from 29.9% to 67.2% and 30.3% to 67.3% in each of 2019 and 2020, respectively, according to CIA. The difference was primarily because (i) our gross profit margin for community value-added services was relatively low as revenue from our utility management services generally accounted for more than 30% of our revenue from community value-added services. Utility management service had relatively low gross profit margin as it is charged at a pre-negotiated moderate markup, due to the nature that utility management service relates to people's livelihood; and (ii) we incurred relatively high labor costs and, as a state-owned company, we had relatively high employee benefit expense, in line with the market practice of the listed state-owned companies in the PRC, according to CIA.

Our gross profit margin of community value-added services increased from 22.6% in 2019 to 24.2% in 2020, primarily due to the increase in gross profit margin of parking space management services, primarily due to the increased number of our managed parking space in commercial properties, which generally have a higher parking fee. Our gross profit margin of community value-added services increased from 24.2% in 2020 to 24.7% in 2021, primarily due to the expanded service scope of our community space and resource management services. Community space and resource management services are less labor intensive, and thus have a higher gross profit margin.

Under our parking space management services, we provide services including (i) community parking space management, (ii) temporary parking management and (iii) management of entrusted parking lots. We recorded revenue of parking space management services in the amount of RMB23.0 million, RMB30.3 million and RMB34.3 million in 2019, 2020 and 2021, respectively. Cost of providing parking space management services amounted to RMB16.1 million, RMB20.5 million and RMB22.1 million, in the same period, respectively. As such, the gross profit margin of the parking space management services was 30.0%, 32.4% and 35.6%, in the same period, respectively. Among the total revenue of parking space management, revenue from management of entrusted parking lots amounted to RMB3.9 million, RMB5.4 million and RMB5.8 million, in 2019, 2020 and 2021, respectively. Cost of providing parking space management services cannot be divided by sub-segment.

Other Net Income/(Losses)

Our other income/(losses) primarily consists of (i) government grants and (ii) net gain/(losses) on disposal of property, plant and equipment. The increase in our other income from RMB1.0 million in 2019 to RMB1.8 million in 2020, and further to RMB3.3 million in 2021 was primarily due to the increase in government grants for creating and maintaining local jobs, as well as the increase in our increment in exemption of value-added tax.

The following table sets forth a breakdown of our other income/(losses) for the periods indicated:

	For the year ended December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Government grants	1,202	2,106	3,454
Net (losses)/gains on disposal of property, plant and equipment	38	(11)	(51)
Others[1]	(242)	(259)	(107)
	998	**1,836**	**3,296**

(1) Losses of others primarily represent administrative penalties. Income of others primarily represents increment in exemption of value-added tax.

Administrative and Other Expenses

Our administrative and other expenses primarily consist of (i) employee benefit expenses for our administrative staff, (ii) traveling and entertainment expenses, (iii) office expenses, (iv) bank charges, which mainly include transaction fees charged by banks and (v) research and development expenses to research and develop design softwares for our design services. In 2019, 2020 and 2021, our administrative expenses were RMB22.0 million, RMB27.3 million and RMB52.7 million, respectively.

The table below sets forth a breakdown of our administrative expenses for the periods indicated by nature:

	For the year ended December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Employee benefit expenses	13,228	16,124	26,991
Traveling and entertainment expenses	935	1,029	1,675
Office expenses	330	457	230
Bank charges	704	763	859
Depreciation and amortization charges	237	1,016	2,945
Research and development expenses	3,914	3,411	6,186
Others[(1)]	2,646	4,458	13,838
Total	**21,994**	**27,258**	**52,724**

(1) Primarily include consultancy fee for procuring professional services, including audit services and legal services, and for organizing service demonstration events to our target customers and other activity fees.

Recognition of Expected Credit Loss on Financial Assets

Our recognition of expected credit loss on financial assets primarily are provisions for expected credit loss in respect of our trade receivables in the ordinary course of business. In 2019, 2020 and 2021, we recorded recognition of expected credit loss on financial assets of RMB0.2 million, RMB0.2 million and RMB3.8 million, respectively. Our recognition of expected credit loss on financial assets increased from RMB0.2 million in 2020 to RMB3.8 million in 2021, primarily due to an increase of our trade receivables aging over three years, which was in line with our business expansion.

Finance Income, net

In 2019, 2020 and 2021, we recorded net finance income of RMB5.0 million, RMB4.9 million and RMB3.1 million, respectively.

The following table sets forth a breakdown of our finance income for the periods indicated:

	For the year ended December 31,		
	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Interest income from cash at bank	214	133	647
Interest income from financial institution/ Interest income on other advances	4,807	5,640	5,198
Finance income	**5,021**	**5,773**	**5,845**
Interest expense on interest-bearing borrowings	–	(878)	(2,553)
Interest expense on lease liabilities	–	–	(147)
Finance Income, Net	**5,021**	**4,895**	**3,145**

Income Tax Expenses

In 2019, 2020 and 2021, our effective income tax rates, calculated as income tax expenses divided by profit before tax, were approximately 27.4%, 23.0% and 21.3%, respectively. Certain member of our Group benefitted from the preferential income tax rate of 15% during the Track Record Period for being qualified as high-tech enterprises. See "Regulatory Overview—Laws and Regulations on Taxation—Income Tax" for more information on these tax policies. The rest of our subsidiaries in the PRC were subject to the statutory income tax rate of 25% for the Track Record Period. In 2019, 2020 and 2021, the tax we paid amounted to RMB5.1 million, RMB9.7 million and RMB48.5 million, respectively.

We make our annual tax filings in accordance with the EIT Law requirement, which provides that the annual tax filings for a year (the "EIT Annual Tax Filing") shall be made and any final tax payment shall be settled within five months after the relevant year end. We recorded current income tax expenses charged to profit or loss of RMB11.6 million, RMB14.0 million and RMB21.8 million for 2019, 2020 and 2021, respectively. We made payment of income tax of RMB5.1 million, RMB9.7 million and RMB48.5 million in 2019, 2020 and 2021, respectively. See Note 22 to the Accountants' Report in Appendix I to this document for more details on our income tax paid. The differences between the tax payments and the current income tax expenses were mainly due to timing differences in recognition of revenue and expenses in preparing the tax computation and our historical financial information for the years from 2018 to 2020.

Before the adoption of the Accrual Basis (as defined below) for tax computation in the preparation of our EIT Annual Tax Filing for 2018 and 2019 as discussed below, we calculated taxes based on the amounts of property management fees we received and relevant expenses that we paid (the "Cash Basis") in the relevant year. We originally adopted the Cash Basis, rather than the Accrual Basis (as defined below), mainly because the personnel responsible for preparing our tax filings mistakenly believed that tax filings should be prepared based on the revenue earned under the Cash Basis which was consistent with how the relevant subsidiaries kept their accounting record in the past. Pursuant to the relevant PRC accounting requirements, accounts to be filed for tax computation purpose should, in principle, be determined based on when the revenue from the delivery of goods or rendering of services to customer is earned (the "Accrual Basis"), regardless of the timing of payment or collections; and for value-added tax computation purpose, it should be determined on the basis of the occurrence of the taxable activities and the earlier of payments being received by us or having achieved the basis upon which we would be entitled to such payments. Upon identification of this issue when preparing our historical financial information for the [**REDACTED**], we took the initiative to inform the local tax authority and adopted the Accrual Basis in preparing our tax filings starting from the fourth quarter of 2020. We also applied such change to adopt the Accrual Basis retrospectively to determine the accumulated underpaid tax for the years before December 31, 2017 (inclusive), and for the year ended December 31, 2018 and 2019. As of the Latest Practicable Date, we had paid the amount of underpaid income tax and value-added tax of RMB33.3 million in full for all of our relevant PRC subsidiaries and branch offices to rectify the differences due to the retrospective adoption of Accrual Basis.

In addition to the adjustments made for the retrospective application of Accrual Basis, we also made other adjustments mainly including but not limited to accounting reclassification between different account captions the recognition of certain revenue and expenses on a net basis (instead of gross basis), change of certain accounting estimates, and elimination of intra-group transactions.

With respect to revenue, we primarily made the following adjustments to our management account:

- Adjustments made for the adoption of Accrual Basis

  We had historically adopted the Cash Basis for tax computation. Since the fourth quarter of 2020, we took the initiative to adopt the Accrual Basis in preparing our tax filings. Under the Cash Basis, the Group recognized revenue when cash payments were received, and under Accrual Basis, the Group recognizes revenue when the service is actually delivered regardless of when the payment is actually received. Due to the timing difference between the Cash Basis and the Accrual Basis, we made certain adjustments in our revenue. Such adjustments cover revenue from property management services, value-added services to non-property owners and community value-added services.

As a result, we made adjustments to reflect under recorded revenue of RMB55.9 million, RMB25.9 million and RMB19.0 million in 2017 and years before 2017, 2018 and 2019, respectively, and over recorded revenue of RMB108.7 million in 2020.

- Adjustment made for revenue that are not attributable to the Group

  Under community space and resource management services, we previously recorded all cash received and paid on our management account as revenue. However, we acted as an agent to collect and make payments when managing community space and resource on behalf of the property owner. As such, property owners are entitled to all fees received and all expenses incurred. We should only record part of the service fee that the we are entitled to. Relevant adjustments were therefore made.

  As a result, we made adjustments to reflect over recorded revenue of RMB2.7 million and RMB3.1 million in 2018 and 2019, respectively, and under recorded revenue of RMB5.7 million in 2020.

- Adjustments made due to our inaccurate interpretation of accounting policies

  For landscaping management and construction services, we recorded revenue pursuant to the progress of the service progress. We relied on our internal estimation in preparing our management accounts, while we should have relied on progress confirmation from independent third parties. As such, corresponding adjustments were made in preparing the historical financial information for the [**REDACTED**].

  We made additional revenue adjustments, which were primarily in relation to: (i) inaccurate calculation of utility fees that should be charged from property owners and residents; and (ii) inaccurate estimate on the progress of service contract, which affect the timing and amount of revenue recognition. After recognizing our inaccurate understandings and recordings, we made adjustments to properly reflect our financial information.

  As a result of the above, we made adjustments to reflect under recorded revenue of RMB6.1 million, RMB2.5 million and RMB16.0 million in 2017 and years before 2017, 2019 and 2020, respectively, and over recorded revenue of RMB1.1 million in 2018.

As a result of these adjustments, we made adjustment to reflect under recorded revenue of RMB62.0 million, RMB22.1 million and RMB18.4 million in 2017 and years before 2017, 2018 and 2019, respectively, and over recorded revenue of RMB87.0 million in 2020.

With respect to cost of sales, we primarily made the following adjustments to our management account:

- Adjustments made for the adoption of Accrual Basis

  As mentioned above, we had historically adopted the Cash Basis for tax computation. Since the fourth quarter of 2020, we took the initiative to adopt the Accrual Basis in preparing our tax filings. As there are timing differences with respect to the recognition of costs of sales under the Cash Basis and the Accrual Basis, we made certain adjustments to reflect the difference in cost of sales recognition under the two basis.

  As a result, we made adjustments to reflect under recorded cost of sales of RMB7.6 million, RMB5.1 million, RMB6.5 million and RMB4.3 million in 2017 and years before 2017, 2018, 2019 and 2020, respectively.

- Adjustment made for cost of sales that are not attributable to the Group

  Under community space and resource management services, we previously recorded all cash-out expenses as costs of sales. However, we acted as an agent to collect and make payments when managing community space and resource on behalf of the property owner. As such, we should only record part of the expenses that should be borne by us instead of all cash-out expenses.

  As a result, we made adjustments to reflect over recorded cost of sales of RMB1.6 million and RMB1.1 million in 2018 and 2019, respectively, and under recorded cost of sales of RMB2.7 million in 2020.

- Adjustments made for insufficient contribution for social insurance and housing provident funds

  During the Track Record Period, the Group did not make full contribution to social insurance and housing provident funds for certain employees. In preparation of our historical financial information for the [**REDACTED**], the Group made accruals in respect of the shortfall of the contribution to social insurance and housing provident funds.

  As a result, we made adjustments to reflect under recorded cost of sales of RMB8.8 million, RMB1.0 million, RMB1.3 million and RMB0.1 million in 2017 and years before 2017, 2018, 2019 and 2020, respectively.

- Adjustments made due to our inaccurate interpretation of accounting policies

  Under Parking Lot Entrusted Management Arrangements, we initially did not recognize any cost that needs to be paid to Lushang Development Group as cost for such entrustment arrangement. During the preparation of historical financial information for the [**REDACTED**], we made adjustment to fully reflect these costs to Lushang Development Group.

  We made additional adjustments of our cost of sales, which were primarily due to: the our (i) recorded deposit in an inappropriate accounting caption, (ii) failure to write-off long due payables (over five years) under retained earnings, and (iii) the mismatch of the bonus actually paid and bonus accounted in the management account. After recognizing our understandings, we made adjustments to properly record and reflect our cost of sales.

  As a result, we made adjustments to reflect over recorded cost of sales of RMB3.7 million and RMB1.4 million in 2017 and years before 2017 and 2019, respectively, and under recorded cost of sales of RMB2.0 million and RMB3.7 million in 2018 and 2020, respectively.

As a result of the above, we made adjustments to reflect over recorded cost of sales of RMB12.7 million, RMB6.5 million, RMB5.3 million and RMB10.8 million in 2017 and years before 2017, 2018, 2019 and 2020, respectively.

We also made adjustments to our finance income, administrative and other expenses, and other miscellaneous items, which in aggregate had adjustments to reflect under recorded amount of RMB3.6 million in 2017 and years before 2017, and over recorded amount of RMB7.3 million, RMB13.8 million and RMB11.6 million in 2018, 2019 and 2020, respectively.

As a result, we had resultant changes in profits before taxation of under recorded profits before taxation of RMB45.6 million, RMB18.6 million and RMB17.8 million in 2017 and years before 2017, and in 2018 and 2019, respectively, and over recorded profits before taxation of RMB88.7 million in 2020.

As a result of the above adjustments made to our management account, we have incurred underpaid income tax and value-added tax as set forth in the table below. As of the Latest Practicable Date, we had paid these underpaid income tax and value-added tax in full.

	For the year(s) ended December 31,			
	2017 and before	**2018**	**2019**	**2020**
	(RMB'000)			
Underpaid/(Overpaid) Income Tax	13,893	5,574	5,586	(3,062)
Underpaid Value-added Tax	4,534	1,877	2,199	2,661
Total Underpaid/(Overpaid) Tax	**18,427**	**7,451**	**7,785**	**(401)**

On January 13, 2021, April 25, 2021 and November 18, 2021, we received written confirmations from Shandong Lixia District Taxation Bureau of State Administration of Taxation ("Lixia Taxation Bureau"), and on October 26, 2021, through consultation, we re-confirmed with Lixia Taxation Bureau, which as advised by our PRC Legal Advisors, is the competent authority for tax filing related matters of the Company and to issue the abovementioned confirmations that (i) it was aware of, and had no disagreements on, our Company's tax adjustments and the adjusted taxable amount; (ii) it had no disagreements on the subsequent settlement of the tax liabilities by our Company which had historically adopted the Cash Basis for tax computation; (iii) our Company had no outstanding tax payment and was not subject to any late fees or fine as of the confirmation date; (iv) such tax adjustments did not constitute any non-compliance issue; and (v) our Company is in compliance with the state and local taxation laws and regulations. Based on the confirmations from the PRC Legal Advisors that Lixia Taxation Bureau is the competent authority for tax-filing-related matters of our Company and to issue the abovementioned confirmations, the Sole Sponsor confirms that nothing has come to its attention that may cast doubt on the competency of Lixia Taxation Bureau to issue the abovementioned confirmations. In addition, as we took the initiative to adopt Accrual Basis and paid the underpaid income tax and value-added tax, there was no late fee arising from the underpayment of income tax during the Track Record Period and up to the Latest Practicable Date. To the best of our knowledge, we were not aware that Lushang Development was subject to any tax disputes or tax investigation during the Track Record Period and up to the Latest Practicable Date.

Our Directors also confirmed that we had no tax payment or late fee outstanding resulting from the abovementioned change and adjustments as of the date of this document. Considering that (i) during the Track Record Period and up to the Latest Practicable Date, we had not been charged any material penalty with respect to tax filings we had made; (ii) we have adopted the Accrual Basis for tax computation in our income tax filings since the identification of the issue in relation to the Cash Basis; (iii) we have made an tax adjustment reflecting the adoption of the Accrual Basis and other aforementioned adjustments for tax computation, and paid the underpaid income tax and value-added tax in full; (iv) we have conducted consultation with the relevant tax authority in respect of the Company, which has been advised by our PRC Legal Advisors as the competent authority to consult with for such tax matter, and confirmed that the relevant tax authority had no objection to our tax adjustment nor any tax payment or late fee would be outstanding after such payment; and (v) we have obtained the confirmation letters from the relevant tax authorities which, as advised by our PRC Legal Advisors, are the competent authorities to issue such confirmation letters, confirming that there was no tax payment amount outstanding for the Track Record Period and/or that no material tax penalty had been imposed on us in relation to the above-mentioned tax filing matter, our Directors, after consulting our PRC tax advisor, are of the view that, as we have voluntarily made the tax adjustment and settled tax payment in full, the risk of us being penalized for any late fee or penalty by the relevant tax authority for such tax matter is remote. In addition, we were not subject to any investigation or inquiry by the relevant tax authorities during the Track Record Period and up to the Latest Practicable Date. As such, our Directors are of the view that the tax filing matters discussed above would not have any material and adverse impact on our business, financial performance and results of operations.

To prevent the recurrence of similar incidents, we have implemented the following enhanced internal control measures: (i) we have adopted a tax management policy which clearly requires the adoption of the Accrual Basis for tax filings; (ii) we require our subsidiaries and branches to collect and study local tax regulations and new policies which may be issued and amended from time to time; (iii) assigned a team, consisting of certified public accountants and certified tax advisors, with an average of more than eight years' experiences in accounting or taxation to prepare and review the preparation of its financial information and tax filing going forward; (iv) we have formulated future training plans and will arrange our relevant employees to attend trainings on applicable laws and regulations on a regular basis; and (v) we have formulated a strengthened financial and taxation management system and further enhanced internal procedures to conduct internal inspections on tax compliance from time to time when needed, will formulate correction measures and plans in a timely manner, designate responsible personnel and monitor and review correction progress to ensure compliance with the applicable laws and regulations. Our internal control consultant has recommended rectification and improvement measures in our internal control system based on its findings. Our internal control consultant has also performed a follow-up review on the implementation of measures and we did not receive any additional recommendations from our internal control consultant.

During the Track Record Period and up to the Latest Practicable Date, we had paid all applicable taxes when due and there were no matters in dispute or unresolved with any tax authorities.

RESULTS OF OPERATIONS

2021 Compared to 2020

Revenue

Our total revenue increased by 44.7% from RMB402.8 million in 2020 to RMB582.8 million in 2021, primarily due to the growth in revenue generated from each of our three business lines as discussed below:

- *Property management services.* Our revenue from property management services increased by 25.2% from RMB204.0 million in 2020 to RMB255.5 million in 2021, primarily due to the increase in our total GFA under management, which increased from approximately 15.4 million sq.m. as of December 31, 2020 to approximately 22.9 million sq.m. as of December 31, 2021 due to our continuous business expansion.

- *Value-added services to non-property owners.* Our revenue from value-added services to non-property owners increased by 70.8% from RMB119.9 million in 2020 to RMB204.8 million in 2021, primarily due to the expansion of our landscaping services and design services.

- *Community value-added services.* Our revenue from community value-added services increased by 55.1% from RMB79.0 million in 2020 to RMB122.5 million in 2021, primarily due to our overall business expansion and the continuous growth in our GFA under management.

Cost of Sales

Our total cost of sales increased by 34.6% to RMB435.0 million in 2021 from RMB323.2 million in 2020, primarily due to the increases in (i) labor costs as a result of our continued business expansion and (ii) the increase in maintenance, greening, cleaning, security maintenance and garbage disposal expenses, as an increase in the number of our managed properties.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by 85.7% from RMB79.6 million in 2020 to RMB147.8 million in 2021, primarily due to our continued business expansion and effective cost control measures. Our gross profit margin increased from 19.8% in 2020 to 25.4% in 2021, as a result of the increase in gross profit margin of each of our three business line.

- *Property management services.* Our gross profit margin for property management services increased from 11.1% in 2020 to 17.6% in 2021, primarily due to (i) a lesser extent of COVID-19 pandemic reduction to property management fee in 2021 as the pandemic was generally under control in 2021, which led to an increase of approximately 3.6% in an absolute amount in gross profit margin (calculated by adding back such reductions to the revenue and without considering other potential variables); (ii) the increase in gross profit margin attributable to properties developed by Independent Third Parties, as we obtained certain new projects developed by Independent Third Parties with relatively high average property management fee. As a result of these new projects, we recorded a gross profit of approximately RMB3.4 million from managing properties developed by Independent Third Parties in 2021, as compared to a gross loss of RMB0.7 million for 2020; and (iii) the greater economies of scope achieved during the our business expansion as we were able to enhance cost efficiently by sharing costs among the adjacent projects. As such, our cost of sales attributable to overall property management services provided increase in a slower scale at 16.2% from 2020 to 2021, as compared to the increase in revenue from overall property management services at 25.2% from 2020 to 2021.

- *Value-added services to non-property owners*. Our gross profit margin for value-added services to non-property owners increased from 31.6% in 2020 to 35.5% in 2021, primarily due to the increased demands for value-added services to non-property owners, as such demands resumed with the COVID-19 epidemic under control.

- *Community value-added services.* Our gross profit margin for community value-added services increased from 24.2% in 2020 to 24.7% in 2021 primarily due to the expanded service scope of our community space and resource management services. Community space and resource management services are less labor intensive, and thus have a higher gross profit margin.

Other Income, Net

Our other income increased significantly from RMB1.8 million in 2020 to RMB3.3 million in 2021, primarily due to the increase in government grants for creating and maintaining load jobs and the increase in increment in exemption of value-added taxes.

Administrative and Other Expenses

Our administrative and other expenses increased by 93.4% from RMB27.3 million in 2020 to RMB52.7 million in 2021, primarily due to (i) an increase in employee benefit expenses for our administrative staff as we hired more management staff to accommodate our continuous business expansion, and (ii) an increase in consultancy fee for procuring professional services.

Recognition of Expected Credit Loss on Financial Assets

Our recognition of expected credit loss on financial assets increased by 1,732.7% from RMB0.2 million in 2020 to RMB3.8 million in 2021, primarily due to an increase in trade receivables, which was in line with our business expansion.

Finance Income, Net

Our net finance income decreased from RMB4.9 million in 2020 to RMB3.1 million in 2021, primarily due to the interest cost from interest bearing borrowings.

Income Tax Expenses

Our income tax expenses increased to RMB20.8 million in 2021 from RMB13.5 million in 2020, primarily due to our increased profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB45.4 million in 2020 to RMB77.0 million in 2021.

2020 Compared to 2019

Revenue

Our total revenue increased by 25.4% from RMB321.1 million in 2019 to RMB402.8 million in 2020, primarily due to the growth in revenue generated from each of our three business lines as discussed below:

- *Property management services.* Our revenue from property management services increased by 13.0% from RMB180.5 million in 2019 to RMB204.0 million in 2020, primarily due to the increase in our total GFA under management, which increased from approximately 10.7 million sq.m. as of December 31, 2019 to approximately 15.4 million sq.m. as of December 31, 2020 due to our continuous business expansion.

- *Value-added services to non-property owners.* Our revenue from value-added services to non-property owners increased by 68.9% from RMB71.0 million in 2019 to RMB119.9 million in 2020, primarily due to our business expansion which resulted in the increases in revenue generated from landscaping services.

- *Community value-added services.* Our revenue from community value-added services increased by 13.3% from RMB69.7 million in 2019 to RMB79.0 million in 2020, primarily due to our overall business expansion and the continuous growth in our GFA under management, in particular due to the increases in the revenue derived from parking space management services.

Cost of Sales

Our total cost of sales increased by 21.9% to RMB323.2 million in 2020 from RMB265.1 million in 2019, primarily due to (i) the increase in landscaping cost, as we commenced landscaping construction services and (ii) the increase in office expenses.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by 42.1% from RMB56.0 million in 2019 to RMB79.6 million in 2020, primarily due to our continued business expansion and effective cost control measures. Our gross profit margin increased from 17.4% in 2019 to 19.8% in 2020, primarily due to the increase in gross profit margin of our property management services.

- *Property management services.* Our gross profit margin for property management services increased from 7.8% in 2019 to 11.1% in 2020, primarily due to (i) our receipt of certain social insurance contribution exemptions for our employees from local governments of approximately RMB7.7 million as part of the COVID-19 pandemic relief measures of which RMB3.2 million was allocated to this segment which led to the absolute percentage of our gross profit margin increased by approximately 1.6% (calculated by adding back these social insurance contribution exemption under cost of sales and without considering other potential variables); and (ii) the greater economies of scope achieved during our business expansion, as we were able to share costs more efficiently among the business lines, such as property management services and community value-added services, within a particular project. As such, our cost of sales attributable to overall property management services increase in a slower scale at 9.0% from 2019 to 2020, as compared to the increase in revenue from overall property management services at 13.0% from 2019 to 2020.

- *Value-added services to non-property owners.* Our gross profit margin for value-added services to non-property owners decreased from 36.8% in 2019 to 31.6% in 2020, primarily due to the significant decrease in profit margin from our landscaping services. The decrease in our landscaping services was primarily due to our commencement of landscaping planting services in 2020.

- *Community value-added services.* Our gross profit margin for community value-added services increased from 22.6% in 2019 to 24.2% in 2020, primarily due to the increase in gross profit margin of parking space management, primarily due to the increased number of our managed parking space in commercial properties, which generally charge a higher parking fee.

Other Income/(loss), Net

Our other income increased significantly from RMB1.0 million in 2019 to RMB1.8 million in 2020, primarily due to the increase in government grants awarded by local government for creating and maintaining local jobs, as well as the increase in our increment in exemption of value-added tax.

Administrative and Other Expenses

Our administrative and other expenses increased by 23.9% from RMB22.0 million in 2019 to RMB27.3 million in 2020, primarily due to (i) an increase in employee benefit expenses for our administrative staff as a result of our continuous business expansion and (ii) an increase in depreciation and amortization charges, as we purchased properties as our office premise which are subject to depreciation.

Recognition of Expected Credit Loss on Financial Assets

Our recognition of expected credit loss on financial assets remained stable at RMB0.2 million in 2019 and 2020.

Finance Income, Net

Our net finance income decreased slightly from RMB5.0 million in 2019 to RMB4.9 million in 2020, primarily due to the interest cost from interest bearing borrowings.

Income Tax Expenses

Our income tax expenses increased to RMB13.5 million in 2020 from RMB10.9 million for 2019, primarily due to our increased profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly from RMB28.9 million in 2019 to RMB45.4 million in 2020.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our Consolidated Statements of Financial Position as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Non-current assets			
Property, plant and equipment	16,212	18,937	57,398
Intangible assets	92	206	1,806
Deferred tax assets	5,360	5,926	9,617
Total non-current assets	**21,664**	**25,069**	**68,821**
Current assets			
Inventories	238	50,574	42,245
Contract assets	1,460	4,181	15,576
Trade and bills receivables	81,431	321,796	196,887
Prepayments, deposits and other receivables	7,432	5,265	33,264
Amounts due from related parties	165,789	291,042	2,117
Cash and cash equivalents	64,558	164,425	275,486
Total current assets	**320,908**	**837,283**	**565,575**
Current liabilities			
Interest-bearing borrowings	–	110,250	–
Trade payables	43,673	70,532	137,530
Accrued expenses and other payables	88,005	306,620	125,281
Contract liabilities	62,065	80,873	60,846
Lease liabilities	–	–	731
Current taxation	28,897	33,198	6,529
Amounts due to related parties	3,045	2,990	595
Total current liabilities	**225,685**	**604,463**	**331,512**
Net current assets	**95,223**	**232,820**	**234,063**
Total assets less current liabilities	116,887	257,889	302,884

	As of December 31,		
	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Non-current liabilities			
Lease liabilities	–	–	2,440
Net assets	**116,887**	**257,889**	**300,444**
Capital and reserves			
Paid-in/Share capital	5,000	100,000	100,000
Reserves	111,887	157,829	198,877
Total equity attributable to equity shareholders of our Company	**116,887**	**257,829**	**298,877**
Non-controlling interests	–	60	1,567
Total Equity	116,887	257,889	300,444

Property, Plant and Equipment

Our property, plant and equipment mainly consist of plant and buildings, machinery and other equipment and vehicles. Our property, plant and equipment was RMB16.2 million, RMB18.9 million and RMB57.4 million as of December 31, 2019, 2020 and 2021, respectively. The general increase in property, plant and equipment during the Track Record Period was primarily due to our purchase and lease of properties as our office for business operation.

Intangible Assets

Our intangible assets primarily consist of software. We had intangible assets of approximately RMB92,000, RMB206,000 and RMB1.8 million as of December 31, 2019, 2020 and 2021, respectively. The continuous increase was primarily because we procured additional software to enhance the efficiency of our community management.

Inventories

Our inventories mainly consist of raw material, consumable and merchandized goods for sale and car parks. Our inventories were RMB0.2 million, RMB50.6 million and RMB42.2 million as of December 31, 2019, 2020 and 2021, respectively. Our inventories increased from RMB0.2 million as at December 31, 2019 to RMB50.6 million as of December 31, 2020, primarily because we purchased car parks from Lushang Development Group and held for resale. We purchased these car parks in view of their potential appreciation. We resell car parks to individual customer at a certain markup on top of our original purchase price. Our inventories decreased from RMB50.6 million as of December 31, 2020 to RMB42.2 million as of December 31, 2021, primarily because we returned some car parks in the amount of RMB7.0 million to Lushang Development Group. Since early 2021, Lushang Development Group began property upgrade construction in properties where the returned car parks locate. The construction may delay the sales cycle of these car parks. We therefore returned these car parks upon mutual agreement with Lushang Development Group. We also sold our assets amounted to RMB9.9 million in 2021.

As of April 30, 2022, approximately RMB0.5 million, or 1.2% of our inventories as of December 31, 2021 were subsequently sold or utilized. The subsequent sale and utilization of inventories, in particular the car parks, were relatively slow, as our business operation of resale of car parks is at a relatively early stage. Our inventories are mostly moving items, such as raw material, consumables and merchandized goods, and items suitable for sale, such as the car parks. Our inventories are measured at the lower of cost and net realizable value in accordance with our accounting policies. To the best of our knowledge, we are not aware of any indication of any significant decline in the value of our inventories as of the Latest Practicable Date. In addition, we plan to implement measures to further promote sales of our inventories, car parks in particular, in view of the growing needs of car parks in city center and our growing experiences in the sale of car parks. As such, we believe that there is no recoverability issue for our inventories, and no write-down is considered necessary.

The following table sets out our average inventory turnover days for the Track Record Period:

	For the year ended December 31,		
	2019	**2020**	**2021**
		(days)	
Average inventory turnover days(1)	*	29	39

(1) Our average inventory turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of inventories by cost of sales for the relevant period and then multiplied by the number of days in the relevant period.

* Less than one day.

Our average inventory turnover days were less than one day as of December 31, 2019, due to the nature of consumables and merchandized goods. Our average inventory turnover days then increased to approximately 29 days as of December 31, 2020, primarily due to our purchase of car parks in 2020. Our average inventory turnover days further increased to 39 days in 2021, primarily as we purchased more car parks for sale in the first half of 2021.

Contract Assets

Our contract assets were RMB1.5 million, RMB4.2 million and RMB15.6 million as of December 31, 2019, 2020 and 2021, respectively. The general increase of our contract assets was primarily due to the increase in service fee payments due from our customers as a result of the expansion of our landscaping services. These service fee payments are due upon satisfaction of certain conditions under the relevant landscaping construction service agreement and landscaping management service agreement. Under these agreements, we are entitled to receive certain contract amounts upon the completion of landscaping construction or management, or reaching a certain percentage of the contract progress. In addition, under the landscaping construction service agreement, we will receive 3% to 5% of the contract amount upon expiration of the construction warranty period, typically two years. Once the payment conditions (including reaching certain percentage of contract progress, completion of landscaping construction or management or expiration of warranty period) are satisfied, which will be evaluated and confirmed by independent third parties, the contract assets will be billed as trade receivables. As of December 31, 2021, substantially all of our contract assets were less than one year. To the best of our knowledge, our customers are in sound financial condition. In addition, we did not experience any significant difficulty in recovering contract assets from these customers during the Track Record Period and up to the Latest Practicable Date. In addition, as of the Latest Practicable Date, all projects in relation to our contract assets are under normal construction or management. As of the same date, we did not encounter any material disruption or delay in providing these services. Once the payment conditions are satisfied, our contract assets will be settled in cash or reclassified to trade receivables in accordance with the terms in the relevant agreements. As such, as of the Latest Practicable Date, to the best of our knowledge, we do not believe there is recoverability issue of our contract assets.

As of April 30, 2022, nil of our contract assets as of December 31, 2021 were subsequently settled or reclassified.

Trade and Bills Receivables

The table below sets forth a breakdown of the trade and bills receivables as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Bills receivables	–	1,414	17,101
Trade receivables			
– Related parties	48,087	85,070	106,038
– Third parties	35,056	37,229	79,422
Non-trade bills receivables	–	200,000	–
Less: Loss allowance	(1,712)	(1,917)	(5,674)
Total	**81,431**	**321,796**	**196,887**

Our trade and bill receivables increase from RMB81.4 million as of December 31, 2019 to RMB321.8 million as of December 31, 2020, primarily due to (i) the increase in trade receivables from related parties as a result of the increase in revenue from value-added services to non-property owners and (ii) the increase in non-trade bill receivables of RMB200.0 million.

See "—Bill Receivables" for details. Our trade and bill receivables decreased from RMB321.8 million as of December 31, 2020 to RMB196.9 million as of December 31, 2021, primarily because we settled the non-trade bill receivables in the first quarter of 2021.

Trade Receivables

Trade receivables primarily arise from provision of various services in the ordinary course of business. We recognize trade receivables when we have an unconditional right to receive consideration. The right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Our trade receivables increased from RMB81.4 million as of December 31, 2019, and further to RMB120.4 million as December 31, 2020, primarily due to the increase in trade receivables from related parties. The increase was primarily due to the expansion of our services provided to related parties. Our trade receivables increased from RMB120.4 million as December 31, 2020 to RMB179.8 million as of December 31, 2021, primarily due to our business expansion.

The following table sets forth our trade receivable turnover days for the periods indicated, based on the invoice date:

	For the year ended December 31,		
	2019	**2020**	**2021**
		(days)	
Average trade receivable turnover days[(1)]	89	93	96
Average trade receivable from related parties turnover days[(1)]	200	187	160
Average trade receivable from independent third party turnover days[(1)]	52	48	58

(1) Average trade receivable turnover days for a certain year equals average trade receivables divided by revenue for the year and then multiplied 365 for a full year period. Average trade receivables are calculated as trade receivables as of the beginning of the year plus trade receivables as of the end of the year, divided by two.

The following table sets forth our turnover days for contract assets and trade receivable for the periods indicated, based on the invoice date:

	For the year ended December 31,		
	2019	2020	2021
		(days)	
Average turnover days for contract assets and trade receivable(1)	90	96	103

(1) Average turnover days for contract assets and trade receivable for a certain year equals average contract assets and trade receivable divided by revenue for the year and then multiplied 365 for a full year period. Average contract assets and trade receivable are calculated as contract assets and trade receivable as of the beginning of the year plus contract assets and trade receivable as of the end of the year, divided by two.

Average trade receivable turnover days indicate the average time required for us to collect cash payments from provision of services. Our average trade receivable turnover days increased generally during the Track Record Period, primarily due to the increase in average trade receivable turnover days from independent third party. Both increases were due to the increase in trade receivables during the Track Record Period, which were in line with our business expansion. Our average trade receivable turnover days from related parties decreased from 2019 to 2021, primarily due to our enhanced collection efforts with related parties.

For the year ended December 31, 2019, 2020 and 2021, our average turnover days of trade receivable due from related parties was around 200 days, 187 days and 160 days, respectively. The prolonged settlement with related parties was primarily because we were part of Lushang Development Group prior to the Reorganization, and therefore we did not actively request the intra-group outstanding trade receivables. After noting the average turnover days of trade receivables from related parties are longer than the granted credit term, we have endeavored to shorten the turnover days of trade receivables from related parties by enhancing the frequency of communication with related parties and reviewing the payment status of our trade receivables on a monthly basis after the Reorganization. We have also re-visited the payment frequency of our related parties and re-affirmed credit term ranging from 30 days to 90 days.

We believe there is no recoverability issue with trade receivables due from related parties. To the best of our knowledge, we are not aware of any material financial difficulty or major default which would materially affect payment capability of our related parties. In addition, since we re-emphasized the credit term from 30 days to 90 days, the trade receivable turnover days with related parties have decreased. We intend to maintain the credit policy with related parties and strengthen the adoption of the credit policy. We have enhanced the frequency of communication with related parties and reviewing the payment status of our trade receivables on a monthly basis. Our related parties are making payments in accordance with the re-affirmed credit term. We expect to settle the outstanding trade receivables in accordance with the re-affirmed credit term. For our outstanding trade receivables due from related parties as of

December 31, 2021, we have communicated with the relevant related parties, and our Directors confirm that these will be fully settled prior to [**REDACTED**]. We will continue to communicate with related parties with respect to these trade receivables on a regular basis and monitor the recovery status. We will incur new trade receivables from our related parties in the ordinary course of business. We will endeavor to collect trade receivables from related parties according to credit terms.

Our average trade receivable turnover days from independent third parties increase from 48 days as of December 31, 2020 to 58 days as of December 31, 2021, primarily due to our expanded projects portfolio with independent third parties.

The table below sets forth the collection rate of property management fees for residential properties and non-residential properties under our management during the Track Record Period:

	For the year ended December 31,		
	2019	**2020**	**2021**
Overall collection rate	**83.7%**	**85.6%**	**87.4%**
– Residential Properties	79.0%	83.7%	85.1%
– Non-residential Properties	94.8%	90.5%	92.9%

Our collection rates during the Track Record Period were slightly lower than the collection rate for Top 100 Property Management Companies, primarily due to the relatively slow settlement of property management fees from our related parties during the Track Record Period. In response to the relatively low collection rate, we have adopted enhanced policies to collect trade receivables from related parties and Independent Third Parties. For trade receivables aged over three months, we will send fee reminders through text messages, emails or letters and request outstanding fees to be paid within a prescribed time period. If we do not receive the payment within the prescribed time, we will call or visit relevant residents or tenants in person to collect property management fees and issue the fee notice. When trade receivables become aged over six months, we will send demand letters or attorney letters to related parties and/or Independent Third Parties. When trade receivables aged over 12 months, our legal department will consider initiating legal proceedings to claim outstanding trade receivables. Our finance management department, administration department and legal department will work collaboratively to collect trade receivables within our prescribed credit term. During the Track Record Period, we initiated proceedings against certain customers to collect property management fees and obtained judgment in favor of us. As a result of the enhanced collection efforts, our overall collection rate increase from 83.7% in 2019 to 85.6% in 2020. Our overall collection rate increased from 85.6% in 2020 to 87.4% in 2021, primarily as we enhanced our efforts to collect trade receivables as mentioned above.

Bill Receivables

Our bill receivables primarily represent (i) bank's acceptance bills from customers representing payments for our value-add services to non-property owners and (ii) non-trade bill receivables received from a financial institution. As of December 31, 2020 and 2021, we had bill receivables amounted to RMB201.4 million and RMB17.1 million, respectively.

Financing Arrangement with Lushang Innovation

In December 2020, in accordance with the instructions from Lushang Innovation, one of our Controlling Shareholder, we obtained financing of RMB200,000,000 from a financial institution that is under the supervision of the Banking and Insurance Regulatory Commission. Pursuant to the relevant financing agreements, with certain assets as lien, we received RMB200,000,000 in the form of bank acceptance notes that were issued by this financial institution. We agreed to receive financing proceeds in the form of bank acceptance notes to obtain a lower financing cost. Pursuant to the financing agreements, there was no limitation on the use of proceeds received from the financing arrangement. In January 2021, the bank acceptance notes were cashed and proceeds were transferred to Lushang Innovation. As the financial institution is licensed to provide financing, the financial arrangements is not in violation of the General Rules of Loans (貸款通則).

Lushang Development Group adopted centralized fund management mechanism, under which we were instructed to enter into the financing arrangement with Lushang Innovation. This financing arrangement was entered for purpose of the overall financing demands of Lushang Development Group. In preparation of the [**REDACTED**], we conducted a series of Reorganization, details of which are set out in "History, Reorganization and Corporate Structure—Reorganization" in this document. For purpose of financial independence, we discontinued our participation in the centralized fund management mechanism. As such, we terminated the financing arrangement with Lushang Innovation. In March 2021, we, Lushang Innovation and the financial institution entered into an agreement to early terminate the financing agreements. Lushang Innovation has agreed to undertake all repayment obligation under the financing agreements, including but not limited to the repayment of principal, interest and other expenses, as well as all other potential liabilities. As of March 31, 2021, Lushang Innovation repaid the principal, interest and other expenses to the financial institution. The financing arrangement with Lushang Innovation was terminated, and all payables with related parties in relation to the financing arrangement had been settled as of the Latest Practicable Date. This financing arrangement was non-recurring in nature. We did not recognize any finance income nor incur any finance cost from the financing arrangement with Lushang Innovation. We will not enter into similar transactions going forward.

Pursuant to the Notice on Strengthening Regulatory Achievement and Promoting Compliance Regulation (關於開展"鞏固治亂象成果促進合規建設"工作的通知), which was promulgated on May 8, 2019, loans or other types of financing for real estate companies must be prudently regulated. Funding cannot be provided to real estate industry through unregulated channels. As Lushang Development Group has real estate businesses, for purpose of prudence, we have obtained confirmation letter from People's Bank of China (PBOC) Jinan Branch and Lixia District Branch of Jinan Local Finance Supervision and Administration, which, as advised by the PRC Legal Advisors, are the competent authorities for issuing such confirmations, that no administrative penalty was imposed on the Company due to the financing agreements with Lushang Innovation. In addition, Lushang Innovation confirmed that the financing arrangements were arranged on its behalf and agreed to bear liabilities incurred for the financing arrangement. As such, our PRC Legal Advisors are of the view that the financing arrangement with Lushang Innovation is not in substantive violation of any applicable laws, rules and regulations in the PRC. Considering that (i) we have terminated the financing arrangement with Lushang Innovation, and repaid all principal, interest and other expenses; (ii) we have obtained written confirmation from the competent authorities confirming that we have not been subject to any administrative penalty due to the financing arrangement with Lushang Innovation; and (iii) no higher authority had questioned the confirmations from these relevant authorities as of the Latest Practicable Date and, as advised by the PRC Legal Advisors, the risk of such confirmations to be challenged by any higher-level authorities is low, we believe that such financing arrangement will not have material adverse legal consequence to the Company.

Based on the PRC Legal Advisors' confirmation that the relevant authorities are the competent authorities to issue the abovementioned confirmations and the risk of such confirmations being subject to challenge by any higher-level authorities is low, the Sole Sponsor confirms that nothing has come to its attention that has cast doubt on the competency of People's Bank of China (PBOC) Jinan Branch and Lixia District Branch of Jinan Local Finance Supervision and Administration to issue the abovementioned confirmations and on the risk of such confirmations being challenged by any higher-level authorities.

In addition, as advised by our PRC Legal Advisors, proceeds transferred from us to Lushang Innovation do not fall under any scenario where lending contracts would be deemed invalid. According to Provisions of the Supreme People's Court on Several Issues Concerning the Application of Laws in the Hearing of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定)(the "**Provisions**"), contracts for lending money to an unspecific counterparty entered by lenders who have not obtained lending qualifications according to the laws and regulations for purpose of making profit is void. For private lending contracts concluded between legal persons or other social organizations and between legal persons and other social organizations for the need of production and operation, except for the certain circumstances stipulated under Article 52 of the Contract Law and Article 14 of the Provisions, where the parties concerned claim that the private lending contract is effective, the court shall uphold the effectiveness of the contract. In addition, as there was no limitation on the use of proceeds received from this financing arrangement, there was no violation of the relevant financing agreements. As such, transferring proceeds from us to Lushang Innovation does not violate the General Rules of Loans (貸款通則).

Aging Analysis of Trade and Bill Receivables

The following table sets forth an aging analysis of the trade and bills receivables (excluding non-trade bill receivables) based on the date of revenue recognition and net of allowance for impairment of trade receivables and bills receivables (excluding non-trade bills receivables):

	As of December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within one year	56,164	83,842	181,562
One to two years	17,181	23,026	7,731
Two to three years	5,395	10,118	6,497
Over three years	2,691	4,810	1,097
Total	**81,431**	**121,796**	**196,887**

The table below sets forth an aging analysis of the trade and bill receivables from related parties and independent third party as of the dates indicated:

	As of December 31,					
	2019		**2020**		**2021**	
	Related Parties	**Independent Third Parties**	**Related Parties**	**Independent Third Parties**	**Related Parties**	**Independent Third Parties**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within one year	33,622	22,542	65,621	18,221	117,755	63,807
One to two years	7,898	9,283	11,461	11,565	2,032	5,699
Two to three years	3,876	1,519	4,592	5,526	2,255	4,242
Over three years	2,691	–	4,810	–	1,097	–
Total	**48,087**	**33,344**	**86,484**	**35,312**	**123,139**	**73,748**

The table below sets forth an aging analysis of the trade receivables from related parties and independent third parties, net of allowance for impairment, as of the dates indicated:

	As of December 31,					
	2019		2020		2021	
	Related Parties	Independent Third Parties	Related Parties	Independent Third Parties	Related Parties	Independent Third Parties
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within one year	33,622	22,542	64,207	18,221	100,654	63,807
One to two years	7,898	9,283	11,461	11,565	2,032	5,699
Two to three years	3,876	1,519	4,592	5,526	2,255	4,242
Over three years	2,691	–	4,810	–	1,097	–
Total	**48,087**	**33,344**	**85,070**	**35,312**	**106,038**	**73,748**

The table below sets forth the settlement amount of the trade receivables from related parties and independent third parties as of April 30, 2022, by age groups:

	As of December 31,					
	2019		2020		2021	
	Related Parties	Independent Third Parties	Related Parties	Independent Third Parties	Related Parties	Independent Third Parties
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within one year	33,301	15,343	64,206	8,313	62,898	20,680
One to two years	7,808	9,628	11,135	9,363	2,032	2,328
Two to three years	3,578	1,646	4,506	5,995	1,929	2,451
Over three years	2,691	633	4,512	433	714	3,149
Total	**47,378**	**27,250**	**84,359**	**24,104**	**67,573**	**28,608**

Note:

(1) The settled amount included certain trade receivables that were made for allowance for impairment previously, but settled through our collection efforts.

For the trade receivables remained outstanding as of April 30, 2022, there were three types of customers: (i) our related parties, whose outstanding trade receivables accounted for 43.1% of the total outstanding trade receivables as of the same date without netting of allowance for impairment, (ii) Independent Third Parties who are governmental and other legal entities, whose outstanding trade receivables accounted for 24.0% of the total outstanding receivables as of the same date without netting of allowance for impairment, and (iii) Independent Third Parties who are individual property owners and residents, whose outstanding trade receivables accounted for 32.9% of the total outstanding trade receivables as of the same date without netting of allowance for impairment. Based on the information available from public enterprise information inquiry platforms and other public resources, our related parties, as well as governmental and other legal entities who are Independent Third Parties, are under normal operation. For the individual property owners and residents who are Independent Third Parties, we have enhanced collection measures, including by initiating legal proceedings against certain customers, to collect the outstanding trade receivables.

The table below sets forth the movements in the loss allowance account in respect of trade receivables from third parties during the Track Record Period:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
As of the beginning of year	1,492	1,712	1,917
Impairment loss recognized during year	220	205	3,757
As of the end of year	**1,712**	**1,917**	**5,674**

When determining the recoverability of trade receivables, we consider changes in the credit quality of the trade receivables from the date when the credit was granted to the reporting date. In determining the recoverability of trade receivables, we estimate the recoverable amount of property management fees based on our historical credit loss experiences, adjusted for factors that are specific to debtors and an assessment of both the current and forecast general economic conditions at the reporting date. During the Track Record Period, we did not make loss allowances for trade receivables due from related parties, primarily due to (i) our long-term business relationship with Lushang Development Group; and (ii) the credit status and payment history of Lushang Development Group. For our trade receivables from Independent Third Parties, we consider historical payment records of customers and other forward looking factors in calculating provision for expected credit losses. We typically adopt a lower expected loss rate for related parties than Independent Third Parties considering the stable financial condition of and reliable relationship with our related parties. We then made loss allowances during the Track Record Period accordingly. For the year ended December 31, 2019, 2020 and 2021, our overall collection rate of property management fees was 83.7%, 85.6% and 87.4%. See "—Trade Receivables" for details. As of December 31, 2019, 2020 and 2021, we recorded loss allowances for trade receivables of RMB1.7 million, RMB1.9 million and RMB5.7 million, respectively. Among our loss allowances for trade receivables as of December 31, 2021, RMB1.1 million, RMB0.4 million, RMB0.7 million and RMB3.4 million was attributable to trade receivables aged less than one year, between one to two years, between two to three years and above three years, as of December 31, 2021, respectively.

Considering (i) the long-term business relationship between our Group with Lushang Development Group; (ii) the credit history and financial capacity of Lushang Development Group; (iii) the decrease in the average trade receivable from related parties turnover days from December 31, 2020 to December 31, 2021, and (iv) the impairment loss recognized during the Track Record Period, we are not aware of any recoverability issue for trade and bill receivables.

As of April 30, 2022, RMB96.2 million, or approximately 51.9% of our trade receivables as of December 31, 2021, were subsequently settled, among which RMB67.6 million and RMB28.6 million of our trade receivables by related parties and independent third parties, accounting for approximately 63.7% and approximately 36.0% of the respective trade receivables as of December 31, 2021, were subsequently settled.

In addition, as of April 30, 2022, RMB74.6 million, RMB108.5 million and RMB96.2 million of our trade receivables as of December 31, 2019, 2020 and 2021 were subsequently settled, respectively, representing 89.8%, 88.7% and 51.9% of our trade receivables as of the same dates, respectively.

As of the Latest Practicable Date, we initiated legal proceedings with certain property owners and residents, who had outstanding trade receivables as of December 31, 2021, to claim the outstanding amount. The total amount under these pending legal proceedings amounted to approximately RMB4.3 million.

Prepayments, Deposits and Other Receivables

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

	As of December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Prepayments	5,943	4,517	2,004
Deposits	1,420	763	2,130
Prepayments in connection with the proposed [**REDACTED**] of the Company's Share[(1)]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other receivables	312	228	272
Less: loss allowance	(243)	(243)	(243)
Total	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

(1) The balance at October 31, 2021 will be transferred to the capital reserve within equity upon the [**REDACTED**] of the Company's shares on the Stock Exchange.

Our prepayments, deposit and other receivables primarily include (i) prepayments, mainly represents prepayments we made to energy providers on behalf of property owners and residents; (ii) deposits, mainly represents deposits made for participating in tender and bidding process for obtaining projects and contract performance deposits and (iii) prepayments in connection with the proposed [**REDACTED**] of the Company's Share.

Our prepayments, deposits and other receivables decreased from RMB7.4 million as of December 31, 2019 to RMB5.3 million as of December 31, 2020, primarily due to (i) the decrease in prepayments and (ii) the decrease in deposits, as we received a deposit made for participating in tender and bidding process in 2020. Our prepayments, deposits and other receivables increased from RMB5.3 million as of December 31, 2020 to RMB33.3 million as of December 31, 2021, primarily due to the increase in our paid [**REDACTED**] expenses.

Amounts Due From Related Parties

Our amounts due from related parties primarily include both interest bearing borrowings and interest free cash advances due from related parties, which are non-trade in nature. Our amounts due from related parties increased from RMB165.8 million in 2019 to RMB291.0 million as of December 31, 2020 primarily due to the increase in cash advances due from related parties. Our amounts due from related parties decreased to RMB2.1 million as of December 31, 2021, primarily because we settled substantial amount of non-trade cash advances with related parties. During the Track Record Period, there was no sharing of resources between the Group and these related parties, nor was there any cost or expense relating to our Group's operation borne by these related parties without being recharged to our Group. We plan to settle the remaining non-trade amounts due from related parties before [**REDACTED**].

Cash and Cash Equivalents

Our cash and cash equivalent increased significantly to RMB164.4 million as of December 31, 2020 from RMB64.6 million as of December 31, 2019, primary because we received equity contribution of approximately RMB95.0 million in 2020. Our cash and cash equivalents increased from RMB164.4 million as of December 31, 2020 to RMB275.5 million as of December 31, 2021, primarily due to the increase in settlement of amounts due from related parties.

We have established cash management policies detailing the requirements and internal control measures for different cash flow transactions, including (i) receipt of property management fees, rent or other service fees from our customers; (ii) payment made to suppliers by our branches; (iii) cash transfers from our branches by to our centralized bank account; (iv) cash transfers from our centralized bank account to our branches; and (v) cash inventory and deposits. See "Business—Our Bank Account and Cash Management Policy" for details.

Interest-bearing borrowings

Our interest-bearing borrowings was nil, RMB110.3 million and nil as of December 31, 2019, 2020 and 2021 respectively. Our interest-bearing borrowings increased from nil as of December 31, 2019 to RMB110.3 million as of December 31, 2020, primarily because our subsidiaries Lan'an Landscape and Lushang Design incurred interest-bearing borrowings in the amount of RMB90.0 million in 2020 from a related party. The interest rate was 10.0% per annum. The interest-bearing borrowings were incurred under Lushang Development Group's centralized fund management mechanism. Our interest-bearing borrowings decreased from RMB110.3 million as of December 31, 2020 to nil as of December 31, 2021, primarily due to Lan'an Landscape and Lushang Design repaid interest-bearing borrowings to a related party, as we ceased participation in the centralized fund management mechanism after our Reorganization.

Trade Payables

Trade Payables primarily represent our obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers, including subcontracting expenses and cost of materials. We are typically granted credit terms ranging from 30 to 90 days for trade payables from suppliers.

The following table sets forth a breakdown of the trade payables as of the dates indicated, based on the invoice date:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Trade Payables			
– Related parties	5,043	5,646	2,811
– Third parties	38,630	64,886	134,719
Total	**43,673**	**70,532**	**137,530**

Our trade payables increased to RMB70.5 million as of December 31, 2020 from RMB43.7 million as of December 31, 2019, primarily due to the increase in expenses paid to suppliers as a result of the expansion of our landscaping services. Our trade payables increased from RMB70.5 million as of December 31, 2020 to RMB137.5 million as of December 31, 2021, primarily due to the increased expenses along with our business expansion.

The following table sets forth our trade payable turnover days for the periods indicated:

	For the year ended December 31,		
	2019	2020	2021
		(days)	
Average trade payable turnover days[(1)]	62	64	89

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

Our average trade payable turnover days indicate the average time we take to make payments to suppliers, which generally increased during the Track Record Period and within the typical credit terms granted to us. The increase in average trade payable turnover days was primarily because our suppliers extended our credit term from monthly payment to quarterly payment in view of the long-term cooperation relationship with us.

The following table sets forth an aging analysis of the trade payables as of the dates indicated, based on the invoice date:

	As of December 31,		
	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within one year	38,645	64,634	125,496
Over one year	5,028	5,898	12,034
Total	**43,673**	**70,532**	**137,530**

As of April 30, 2022, RMB68.5 million, or approximately 49.8% of our trade payables as of December 31, 2021 were subsequently settled. As of April 30, 2022, RMB1.3 million, or approximately 46.6% of our trade payables to related parties as of December 31, 2021 were subsequently settled. We have sufficient cash from operation to settle these outstanding trade payables to related parties, and we will settle the outstanding trade payables to related parties as of April 30, 2022 in accordance with terms of the relevant transactions.

Accrued Expenses and Other Payables

Our accrued expenses and other payables primarily consist of (i) accrued payroll and other benefits, (ii) deposits, (iii) receipts and payments on behalf of property owners and (iv) other payables and accruals. The following table sets forth the breakdown of our accrued expenses and other payables as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Accrued payroll and other benefits	32,632	39,034	52,309
Deposits	22,807	26,914	28,362
Receipts and payments on behalf of property owners	12,007	12,095	7,932
Other taxes and charges payable	8,256	13,117	3,481
Receipts on behalf of residents/tenants	3,275	4,906	7,749
Maintenance funds	586	695	1,290
Payables to a financial institution	–	199,500	–
Payables for purchase of property, plant and equipment	–	1,466	3,205
Payables for expenditures incurred in connection with the proposed [**REDACTED**] of the Company's share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Interest payables	–	313	–
Other payables and accruals	8,442	8,580	11,923
Total	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Our accrued expenses and other payables increased from RMB88.0 million as of December 31, 2019 to RMB306.6 million as of December 31, 2020, primarily due to the payables to a financial institution. Our accrued expenses and other payables decreased from RMB306.6 million as of December 31, 2020 to RMB125.3 million as of December 31, 2021, primarily due to the termination of payables to a financial institution. See "—Trade and Bills Receivables" for details.

Contract Liabilities

Our contract liabilities primarily consist of advances of property management fees and other service fees. Our contract liabilities increased from RMB62.1 million as of December 31, 2019 to RMB80.9 million as of December 31, 2020, primarily due to the increase in the number of properties we managed and, as such, the increase in property management fees received. Our current liabilities decreased from RMB80.9 million as of December 31, 2020 to RMB60.8 million as of December 31, 2021, primarily due to the decrease in the number of new projects delivered decreased in 2021.

Current Taxation

Our current taxation primarily consist of income tax payment. Our current taxation increased from RMB28.9 million as of December 31, 2019 to RMB33.2 million as of December 31, 2020, primarily because we made adjustment to adopt Accrual Basis retrospectively. Our current taxation decreased from RMB33.2 million as of December 31, 2020 to RMB6.5 million as of December 31, 2021, primarily because we paid the underpaid income tax in the first quarter of 2021.

CURRENT ASSETS AND CURRENT LIABILITIES

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

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*
Current assets				
Inventories	238	50,574	42,245	42,245
Contract assets	1,460	4,181	15,576	25,673
Trade and bills receivables	81,431	321,796	196,887	214,355
Prepayments, deposits and other receivables	7,432	5,265	33,264	33,243
Amounts due from related parties	165,789	291,042	2,117	702
Cash and cash equivalents	64,558	164,425	275,486	266,571
Total current assets	**320,908**	**837,283**	**565,575**	**582,789**

	As of December 31,			As of April 30,
	2019	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*
Current liabilities				
Interest-bearing borrowings	–	110,250	–	–
Trade payables	43,673	70,532	137,530	143,681
Accrued expenses and other payables	88,005	306,620	125,281	102,102
Contract liabilities	62,065	80,873	60,846	72,450
Lease liabilities	–	–	731	744
Current taxation	28,897	33,198	6,529	1,511
Amounts due to related parties	3,045	2,990	595	120
Total current liabilities	**225,685**	**604,463**	**331,512**	**320,608**
Net current assets	**95,223**	**232,820**	**234,063**	**262,181**

We recorded net current asset positions as of December 31, 2019, 2020 and 2021 and April 30, 2022.

Our net current assets increased from RMB95.2 million as of December 31, 2019 to RMB232.8 million as of December 31, 2020, primarily attributable to (i) an increase of RMB240.4 million in trade and bills receivables, mainly as a result of our financing arrangement with Lushang Innovation. See "—Trade and Bills Receivables" for details; (ii) an increase of RMB125.3 million in amounts due from related parties and (iii) an increase of RMB99.9 million in cash and cash equivalents, mainly because we received equity contribution of approximately RMB95.0 million in 2020, partially offset by (i) an increase of RMB218.6 million in accrued expenses and other payables due to payables to a financial institution and (ii) an increase of RMB110.3 million in interest-bearing borrowings. See "—Interest-bearing Borrowings" for details.

Our net current assets increased slightly from RMB232.8 million as of December 31, 2020 to RMB234.1 million as of December 31, 2021, primarily attributable to a decrease of RMB288.9 million in amounts due from related parties, mainly as we settled cash advances with related parties in the first quarter of 2021, partially offset by a decrease of RMB110.3 million in interest-bearing borrowings.

Our net current assets increased from RMB234.1 million as of December 31, 2021 to RMB262.2 million as of April 30, 2022, primarily due to an increase of RMB17.5 million in trade and bills receivables and a decrease of RMB23.2 million in accrued expenses and other payables.

LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash has been for working capital purposes. Our main source of liquidity has been generated 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 selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	For the year ended December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Cash generated from operations	48,902	28,627	77,509
Income tax paid	(5,143)	(9,733)	(48,513)
Net cash generated from operating activities	**43,759**	**18,894**	**28,996**
Net cash (used in)/generated from investing activities	(78,164)	(123,407)	255,831
Net cash generated from/(used in) financing activities	1,152	204,380	(173,766)
Net (decrease)/increase in cash and cash equivalents	**(33,253)**	**99,867**	**111,061**
Cash and cash equivalents as of the beginning of year	97,811	64,558	164,425
Cash and cash equivalents as of end of year	**64,558**	**164,425**	**275,486**

Net Cash generated from Operating Activities

Our cash flows from operating activities primarily reflects (i) profit before income tax, (ii) the effects of movements in working capital and (iii) income tax paid.

In 2021, our net cash generated from operating activities was RMB29.0 million, consisting of cash generated from operations of RMB77.5 million, partially offset by income tax paid of RMB48.5 million. Operating cash inflow before changes in working capital was RMB103.9 million, primarily attributable to (i) profit before tax of RMB97.8 million; and (ii) depreciation and amortization of RMB5.0 million, offset by net finance income of RMB3.1 million. Changes in working capital was primarily due to an increase in trade payables in the amount of RMB54.0 million, partially offset by (i) an increase in trade and bill receivables of RMB66.1 million, and (ii) decrease in contract liabilities of RMB20.0 million.

In 2020, our net cash generated from operating activities was RMB18.9 million, consisting of cash generated from operations of RMB28.6 million and income tax paid of RMB9.7 million. Operating cash inflow before changes in working capital was RMB56.8 million, primarily attributable to (i) profit before tax of RMB58.9 million; and (ii) depreciation and amortization of RMB2.0 million, offset by net finance income of RMB4.9 million. Changes in working capital was primarily due to an increase in inventories and trade and bills receivables in the amount of RMB90.0 million, partially offset by an increase in trade payables, contract liabilities and accrued expenses and other payables in the amount of RMB62.4 million.

In 2019, our net cash generated from operating activities was RMB43.8 million, consisting of cash generated from operations of RMB48.9 million, partially offset by income tax paid of RMB5.1 million. Operating cash inflow before changes in working capital was RMB37.0 million, primarily attributable to (i) profit before tax of RMB39.8 million; and (ii) depreciation and amortization of RMB1.4 million, offset by net finance income of RMB5.0 million. Changes in working capital was primarily due to an increase in contract liabilities in the amount of RMB17.7 million, partially offset by an increase in trade and bills receivables and prepayments, deposits and other receivables of RMB10.2 million.

Net Cash used in/generated from Investing Activities

During the Track Record Period, our cash used in investing activities mainly consists of purchase of items of property, plant and equipment, purchase of other intangible assets and advances to related parties. Our cash from investing activities mainly consists of proceeds from disposal of property, plant and equipment and repayments from related parties.

In 2021, our net cash generated from investing activities was RMB255.8 million. The net cash inflow was primarily attributable to repayments received from related parties of RMB390.6 million, partially offset by (i) advances to related parties of RMB116.5 million, and (ii) payments for purchase of property, plant and equipment and intangible assets of RMB39.4 million.

In 2020, our net cash used in investing activities was RMB123.4 million. The net cash outflow was primarily attributable to advances to related parties of RMB371.2 million, partially offset by repayments received from related parties of RMB250.9 million.

In 2019, our net cash used in investing activities was RMB78.2 million. The net cash outflow was primarily attributable to advances to related parties of RMB82.4 million and payments for purchase of property, plant and equipment and intangible assets of RMB14.7 million, partially offset by the repayments received from related parties of RMB18.7 million.

Net Cash generated from Financing Activities

In 2021, our net cash used in financing activities was RMB173.8 million, primarily reflecting proceeds used in repayments of interest-bearing borrowings of RMB110.0 million and acquisition of subsidiaries under common control of RMB37.9 million.

In 2020, our net cash generated from financing activities was RMB204.4 million, primarily reflecting proceeds from new bank loans of RMB145.0 million and proceeds from capital injection by a shareholder of the Company of RMB95.0 million, partially offset by repayments of bank loans of RMB35.0 million.

In 2019, our net cash generated from financing activities was RMB1.2 million, primarily reflecting advances from related parties of RMB1.9 million, partially offset by payments to related parties of RMB0.8 million.

WORKING CAPITAL

Our Directors are of the view that, after taking into account the financial resources available to us, including the estimated net [**REDACTED**] of the [**REDACTED**] and our internally generated funds, we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this document.

INDEBTEDNESS

Borrowings

As of December 31, 2019, 2020 and 2021 and April 30, 2022, our interest-bearing borrowings amounted to nil, RMB110.3 million, nil and nil, respectively.

As of the Latest Practicable Date, we had unutilized financing facilities of RMB120.0 million, arising from financing facilities of Lan'an Landscape and Lushang Design. The interest rate of such facilities are 10.0% per annum. As of the Latest Practicable Date, we had not made any draw down. We had ceased the financing arrangements in September 2021.

Contingent Liabilities and Commitments

Saved as disclosed above, as of December 31, 2019, 2020 and 2021 and April 30, 2022, we did not have any other outstanding guarantees or other material contingent liabilities.

Lease Liabilities

As of December 31, 2021 and April 30, 2022, we recorded RMB3.2 million and RMB3.2 million lease liabilities arising from our leased properties, respectively.

Except as intra-group liabilities, we did not have any outstanding loan capital, debt securities, debentures, bank overdrafts, liabilities under acceptances or acceptance credits or hire purchase commitments guarantees or other material contingent liabilities or any covenant in connection therewith as of the latest date for liquidity disclosure, being the latest practicable date for the purpose of the indebtedness statement. As of the same date, we had not guaranteed the indebtedness of any Independent Third Parties. Save as otherwise disclosed above, our Directors confirm that there has been no material adverse change in our indebtedness, capital commitments and contingent liabilities since December 31, 2021 and up to the Latest Practicable Date.

Amounts due to Related Parties

As of December 31, 2019, 2020 and 2021 and April 30, 2022, we recorded RMB3.0 million, RMB3.0 million, RMB0.6 million and RMB0.1 million, respectively. The decrease in our amounts due to related parties from 2020 to 2021 was primarily because we gradually settled the non-trade amounts due to related parties.

CAPITAL EXPENDITURES

Our capital expenditures represent addition of property, plant and equipment and intangible assets. Our total capital expenditures were RMB14.7 million, RMB3.5 million and RMB39.4 million in 2019, 2020 and 2021, respectively. Our principal sources of funds for the capital expenditures for the three years ended December 31, 2019, 2020 and 2021 are our cash generated from operating activities.

For the year ended December 31, 2022, our estimated total capital expenditures are approximately RMB25.8 million, attributable to our purchase of property, plant and equipment and intangible assets.

Our actual capital expenditures may differ from the amounts set forth above 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.

CAPITAL COMMITMENTS

During the Track Record Period, we did not have any material capital commitments.

OFF-BALANCE SHEET ARRANGEMENTS

We had no material off-balance sheet arrangements as of December 31, 2021, being the date of our most recent financial statement, and as of the Latest Practicable Date.

KEY FINANCIAL RATIOS

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

	As of and/or for the year ended December 31,		
	2019	**2020**	**2021**
Return on equity[1] (%)	24.8	17.6	25.2
Return on total assets[2] (%)	8.4	5.3	12.1
Current ratio[3] *(times)*	1.4	1.4	1.7
Gearing ratio[4] (%)	–	42.8	–

(1) Return on equity is calculated based on profit for the year divided by total equity as of the end of that year and multiplied by 100%.

(2) Return on total assets is calculated based on profit for the year divided by total assets as of the end of that year and multiplied by 100%.

(3) Current ratio is calculated based on current assets divided by current liabilities as of the same date.

(4) Gearing ratio is calculated based on the sum of interest-bearing borrowings as of the respective dates divided by total equity as of the same dates and multiplied by 100%.

Return on Equity

Our return on equity decreased from 24.8% in 2019 to 17.6% in 2020, primarily due to the increase in total equity mainly attributable to an increase in retained earnings from increase in profit for the year. Our return on equity then increased to 25.2% in 2021, primarily due to the increase in our profit.

Return on Total Assets

Our return on total assets decreased from 8.4% in 2019 to 5.3% in 2020, primarily because the increases in our total asset, mainly attributable to the increase in trade and bills receivables. Our return on total assets increased from 5.3% in 2020 to 12.1% in 2021, primarily due to (i) a decrease in total assets, mainly attributable to the decrease in trade and bills receivables, as well as amounts due from related parties, and (ii) an increase in our profit.

Current Ratio

Our current ratio remained relatively stable as of December 31, 2019 and 2020. Our current ratio increased as of December 31, 2021, primarily due to the increase in cash and cash equivalent and the decrease in interest-bearing borrowings as of December 31, 2021.

Gearing Ratio

Our gearing ratio was nil as of December 31, 2019 and 2021. Our gearing ratio increased significantly to 42.8% as of December 31, 2020, primarily because our subsidiaries incurred interest-bearing borrowings with related parties in 2020. We repaid the interest-bearing borrowings to related parties in the first quarter of 2021, and our gearing ratio decreased to nil as of December 31, 2021.

MARKET RISKS

We are exposed to a variety of market risks, including interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. See Note 26 to the Accountants' Report in Appendix I to this document for more information.

Interest Rate Risk

Our exposure to risk for changes in market interest rates relates primarily to our interest-bearing borrowings and lease liabilities. We do not use derivative financial instruments to hedge interest rate risk, and obtains all bank borrowings with a fixed rate.

Credit Risk

We are exposed to credit risk in relation to our trade and other receivables, borrowings, interest receivables due from related parties and cash and cash equivalents. The carrying amounts of our trade and other receivables, borrowings, interest receivables due from related parties and cash and cash equivalents represent our maximum exposure to credit risk in relation to financial assets.

For the trade receivables due from related parties, we expect that the credit risk associated is considered to be low, since the related parties have a strong capacity to meet contractual cash flow obligation in the near term. During the Track Record Period we did not recognize impairment for the trade receivables due from related parties.

For credit exposures to other receivables due from related parties, we had not encountered any significant difficulties in collecting from related parties in the past, and are not aware of any significant financial difficulties by the related parties.

For cash and cash equivalents, we expect that there is no significant credit risk since they are substantially deposited at state-owned banks or other medium-to-large sized banks. We do not expect that there will be any significant losses from non-performance by those counterparties.

Liquidity Risk

We aim to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings. Cash flows are closely monitored on an ongoing basis.

The following table sets forth the maturity profile of our financial liabilities as of December 31, 2019, 2020 and 2021 based on the contractual undiscounted payments:

	Less than one year	Between one and two years	Between two and five years	Over five years	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Financial liabilities					
As of December 31, 2019					
Trade payables	43,673	–	–	–	**43,673**
Accrued expenses and other payables	88,005	–	–	–	**88,005**
Amounts due to related parties	3,045	–	–	–	**3,045**
	134,723	**–**	**–**	**–**	**134,723**

	Less than one year	Between one and two years	Between two and five years	Over five years	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Financial liabilities					
As of December 31, 2020					
Interest-bearing borrowings	112,863	–	–	–	**112,863**
Trade payables	70,532	–	–	–	**70,532**
Accrued expenses and other payables	306,620	–	–	–	**306,620**
Amounts due to related parties	2,990	–	–	–	**2,990**
	493,005	**–**	**–**	**–**	**493,005**

	Less than one year	Between one and two years	Between two and five years	Over five years	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Financial liabilities					
As of December 31, 2021					
Trade payables	137,530	–	–	–	**137,530**
Accrued expenses and other payables	125,281	–	–	–	**125,281**
Amounts due to related parties	595	–	–	–	**595**
Lease liabilities	884	884	1,768	–	**3,536**
	264,290	**884**	**1,768**	**–**	**266,942**

RELATED PARTY TRANSACTIONS

Significant Related Party Transactions

During the Track Record Period, we had the following significant transactions with related parties:

Provision of Services

In 2019, 2020 and 2021, we recorded revenue from provision of property management services and value-added service to non-property owners to related parties in the amount of RMB80.3 million, RMB129.9 million and RMB217.7 million, respectively. These were property management services and value-added services to non-property owners provided to Lushang Development Group and Shandong Commercial Remaining Group.

Advances to Related Parties

In 2019, 2020 and 2021, we recorded advances to Lushang Development Group in the amount of RMB82.4 million, RMB371.2 million, and RMB116.5 million, respectively. The advances to related parties are non-trade in nature. The interest-bearing advances to related parties bear an interest rate of 5.22% per annum. There are no securities or guarantees imposed over the principal amount of such advances to related parties.

We made the advances to related parties primarily due to our involvement in Lushang Development Group's centralized fund management mechanism prior to 2021. In preparation of the [**REDACTED**], we conducted a series of Reorganization, details of which are set out in "History, Reorganization and Corporate Structure—Reorganization" in this document. For purpose of financial independence, we discontinued our participation in the centralized fund management mechanism in early 2021.

The advances to related parties were made on a case by case basis and are non-recurring in nature, as we ceased similar transactions with related parties. As of the Latest Practicable Date, we have settled the advances with related parties. We do not expect to enter into similar arrangements going forward.

Repayments from Related Parties

In 2019, 2020 and 2021, we recorded repayments from Lushang Development Group in the amount of RMB18.7 million, RMB250.9 million, and RMB390.6 million, respectively.

Interest Income from Related Parties

In 2019, 2020 and 2021, we recorded interest income from related parties in the amount of RMB4.8 million, RMB5.6 million and RMB5.2 million, respectively. The interest income was generated from amounts due from Lushang Development Company and our fellow subsidiaries, which bear an interest rate of 5.22% per annum.

Balances with Related Parties

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

	As of December 31,		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Trade related:			
Trade receivables	48,087	85,070	106,038
Bills receivables	–	1,414	17,101
Contract assets	1,460	4,181	15,576
Trade payables	5,043	5,646	2,811
Contract liabilities	6,044	7,841	1,992
Payables for purchase of property, plant and equipment	–	–	12
Lease liabilities	–	–	3,171
Non-trade related:			
Interest-bearing borrowings	–	90,000	–
Cash and cash equivalents[(1)]	40,391	48,729	201,870
Amount due from related parties:			
The immediate ultimate parent	163,105	108,987	591
Fellow subsidiaries	2,684	182,055	1,526
	165,789	**291,042**	**2,117**

	As of December 31,		
	2019	2020	2021
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Amount due to related parties:			
The immediate ultimate parent.	415	1,004	–
Fellow subsidiaries	2,630	1,986	595
	3,045	**2,990**	**595**

(1) The balance of cash and cash equivalents represents deposits placed with Shandong Commercial Group Finance Co., Ltd., a financial institution controlled by the ultimate controlling party of our Group. As such, it was considered as balances with related parties.

Our interest-bearing borrowings with related parties represents the borrowings of our subsidiaries Lan'an Landscape and Lushang Design in the amount of RMB90.0 million from a related party in 2020. See "—Description of Certain Consolidated Statements of Financial Position Items—Interest-bearing Borrowings" for details.

Our amount due from related parties increased from RMB165.8 million as of December 31, 2019 to RMB291.0 million as of December 31, 2020, primarily due to the increase in amount due from fellow subsidiaries as a result of our participation in Lushang Development's centralized fund management mechanism. Our amount due from related parties then decreased from RMB291.0 million as of December 31, 2020 to RMB2.1 million as of December 31, 2021, primarily due to the decrease in amount due from fellow subsidiaries, as we ceased participation in the centralized fund management mechanism for purpose of financial independence. The amounts due from related parties are non-trade in nature, unsecured and with no fixed terms of repayment. The amounts due to related parties are non-trade in nature, unsecured and interest-free with no fixed terms of repayment.

We recorded amount due to related parties of RMB3.0 million, RMB3.0 million and RMB0.6 million as of December 31, 2019, 2020 and 2021, respectively. Our amount due to related parties are non-trade in nature.

Our Directors confirm that the related party transactions were conducted on normal commercial terms at arm's length and were fair and reasonable as a whole. Our Directors confirm that all other related party balances which are non-trade in nature, including our amount due to related parties, and did not occur in our ordinary course of business will be settled before [**REDACTED**].

DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute dividend. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the shares, subject to the resolution of the shareholder meeting. As of the Latest Practicable Date, we did not set any dividend payout ratio after the [**REDACTED**]. The payment and amounts of dividends (if any) depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividend paid by us, future prospects and other factors which we consider relevant. The declaration, payment and amount of dividends will be subject to our discretion. The proposed payment of dividends is also subject to the absolute discretion of our Board, and, after the [**REDACTED**], any declaration of final dividend for the year will be subject to the approval of our Shareholders.

DISTRIBUTABLE RESERVES

As of December 31, 2021, our Group had retained profits of RMB71.0 million, as reserves available for distribution to our equity shareholders.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this document, 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] EXPENSES

The total amount of [**REDACTED**] that will be borne by us in connection with the [**REDACTED**], including [**REDACTED**] commissions, is estimated to be HK$[**REDACTED**] million (RMB[**REDACTED**] million), which includes but not limited to [**REDACTED**] commissions and [**REDACTED**] related expenses of approximately HK$[**REDACTED**] million (RMB[**REDACTED**] million), and [**REDACTED**] related expenses of approximately HK$[**REDACTED**] million (RMB[**REDACTED**] million) which consist of fees and expenses of legal advisers and Reporting Accountants of approximately HK$[**REDACTED**] million (RMB[**REDACTED**] million) and other fees and expenses of approximately HK$[**REDACTED**] million (RMB[**REDACTED**] million)), representing approximately [**REDACTED**]% of the gross [**REDACTED**] received by our Company from the [**REDACTED**] (based on the mid-point of the indicative [**REDACTED**]), of which HK$[**REDACTED**] million (RMB[**REDACTED**] million) will be directly attributable to the issue of our Shares, which is expected to be accounted for as a deduction from equity upon completion of the [**REDACTED**]. The remaining fees and expenses of HK$[**REDACTED**] million (RMB[**REDACTED**] million) were or are expected to be charged to our profit or loss, of which (i) HK$[**REDACTED**] million (RMB[**REDACTED**] million) has been charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2021; and (ii) approximately HK$[**REDACTED**] million (RMB[**REDACTED**] million) is expected to be charged to our consolidated statements of profit or loss and other comprehensive income after the Track Record Period. The professional fees and other expenses if any related to the preparation of [**REDACTED**] are currently in estimates for reference only and the actual amount to be recognized is subject to adjustment based on audit and the then changes in variables and assumptions. Our Directors do not expect that our [**REDACTED**] Expenses will have a material adverse impact on our financial performance for the year ending December 31, 2022.

PROPERTY INTERESTS AND PROPERTY VALUATION

Cushman & Wakefield, an independent property valuer, valued our properties based on certain assumptions. In valuing the basement carparks under Yinzuo Jingdu International Plaza (銀座晶都國際廣場), Cushman & Wakefield has adopted the Market Comparison Method.

Cushman & Wakefield has valued our basement carparks as of April 30, 2022 and is of the opinion that the market value of the property in which we had an interest as of such date was RMB7.1 million, and the hypothetical value would be RMB35.8 million. The full text of the letter and summary disclosure of property valuation with regard to our basement carparks are set out in "Appendix III—Valuation Report" to this document. The following table shows the reconciliation of the aggregate amount reflected in the historical financial information as of December 31, 2021 as disclosed in the Accountants' Report included in Appendix I to this document, with the valuation of these basement carparks as of April 30, 2022 disclosed in "Appendix III—Valuation Report" to this document:

	(RMB'000)
Net book value of inventories of the Group as of December 31, 2021	38,302[(1)]
Movement for the period from January 1, 2022 to April 30, 2022 (unaudited)	–
Net book value of inventories of the Group as of April 30, 2022 (unaudited)	38,302
Valuation surplus as of April 30, 2022	4,598
Valuation as of April 30, 2022 as set out in Appendix III to this document	42,900

Notes:

(1) Such amount excluded the net book value of raw materials and consumables with a carrying amount of RMB0.5 million and specific goods for sales with a carrying amount of RMB3.5 million as of December 31, 2021.

(2) Such amount represented the valuation of our Group's specific inventories (excluding raw materials and consumable and specific goods for sales as mentioned in note 1 above) as of April 30, 2022, which comprised market values of RMB7.1 million and hypothetical values of RMB35.8 million per "Appendix III—Valuation Report".

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Appendix II to this document for the unaudited pro forma statement of adjusted net tangible assets of our Group, and is set out therein to illustrate the effect of the [**REDACTED**] on the net tangible assets of our Group attributable to the equity holders of our Company as of December 31, 2021 as if the [**REDACTED**] had taken place on December 31, 2021.

DIRECTORS' CONFIRMATION ON NO MATERIAL AND ADVERSE CHANGE

After due and careful consideration, save for the section headed "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 and adverse change in our financial and trading position or prospects since December 31, 2021, and there is no event since December 31, 2021 that would materially affect the information shown in the Accountants' Report, the text of which is set forth in Appendix I to this document.

FUTURE PLANS AND [REDACTED]

See "Business—Business Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**], after deducting the [**REDACTED**] commissions and other estimated expenses payable by us in connection with the [**REDACTED**], assuming that the [**REDACTED**] is not exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range set forth on the cover page of this document). We intend to use such net [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

Major Categories	% of Total [REDACTED]	Amount	Sub-Categories	Specific Plans	% of Total [REDACTED]	Timeframe 2022	Timeframe 2023
		(HK$ in millions)				*(HK$ in millions)*	
Strategic cooperation, acquisitions and investments to expand business scale and diversity property portfolio	[REDACTED]	[REDACTED]	(i) Strategic acquisitions and investments in property management companies with a focus on managing residential projects	We plan to further expand our business and diversify the property portfolio and further solidify our leading position by acquiring or investing in other property management companies that focus on residential properties and/or non-residential properties such as commercial complexes. The total consideration required for strategic acquisitions and investments would be approximately HK$[REDACTED] million. We plan to use operating cash to finance the shortfall if net [REDACTED] are insufficient to cover the acquisition costs.	[REDACTED]	[REDACTED]	[REDACTED]
			(ii) Strategic acquisitions and investments in property management companies with a focus on managing non-residential projects to further diversify our managed property portfolio		[REDACTED]	[REDACTED]	[REDACTED]

Major Categories	% of Total [REDACTED]	Amount	Sub-Categories	Specific Plans	% of Total [REDACTED]	Timeframe 2022	2023
		(HK$ in millions)				*(HK$ in millions)*	
Enhance property management services and further develop our diversified community value-added services to improve our customers' experience and satisfaction . . .	[REDACTED]	[REDACTED]	(i) Further improve our traditional property management services to enhance customer experiences	We plan to implement more training programs such as with respect to security, cleaning and elderly care services for our property management personnel to enhance their professional skills. We will also invest in our brand promotion, upgrade facilities used by our personnel and organize more community activities to enhance customer experiences. For training programs, we plan to apply approximately HK$[REDACTED] million in total. Specifically, we plan to (i) apply approximately HK$[REDACTED] million in 2022 to provide occupational training programs for our employees to obtain necessary qualifications and licenses for, among others, fire safety, security services, human resources, financial management and greening and gardening, which we believe are valuable to our business operation; (ii) approximately HK$[REDACTED] million in 2022 to hold training classes targeting different levels of our employees, including our management trainees, entry-level employees and senior employees, to create a highly professional workforce and ensure the smooth implementation of our standardized operation procedures; (iii) approximately HK$[REDACTED] million in 2022 to organize internal competitions to further incentivize our employees and therefore align our employees' interests with ours; (iv) approximately HK$[REDACTED] million in 2022 to the training of our internal instructors of our training programs; and (v) approximately HK$[REDACTED] million in 2022 to provide to training sessions relating to property management industry to help our employees and management team stay abreast of industry development trends, which we believe will enable us to capture market growth and make appropriate decisions.	[REDACTED]	[REDACTED]	[REDACTED]

Major Categories	% of Total [REDACTED]	Amount	Sub-Categories	Specific Plans	% of Total [REDACTED]	Timeframe 2022	2023
		(HK$ in millions)				*(HK$ in millions)*	
				For brand promotions, we plan to apply approximately HK$[REDACTED] million in total. Specifically, we plan to apply (i) approximately HK$[REDACTED] million to improve the content of our online platforms such as our official website, TikTok account and WeChat official account in 2022 to increase the publicity of our brand; (ii) approximately HK$[REDACTED] million in 2022 to hold press conferences and public relation campaigns to further enhance our brand awareness; (iii) approximately HK$[REDACTED] million in 2022 to hold publicity campaigns that features our brand ambassadors and our services and products to create more opportunities to interact with our customers and further enhance our social influence; (iv) approximately HK$[REDACTED] million in 2022 to advertisement on both traditional media and new media platforms; and (v) approximately HK$[REDACTED] million in 2022 to unify our firmwide VI designs to consolidate and streamline our brand promotion management.			

FUTURE PLANS AND USE OF [REDACTED]

Major Categories	% of Total [REDACTED]	Amount	Sub-Categories	Specific Plans	% of Total [REDACTED]	Timeframe 2022	2023
		(HK$ in millions)				*(HK$ in millions)*	
			(ii) Further develop our diversified community value-added services.	Building on our existing customer base and service network, we expect to further develop and/or expand our community value-added services, for example, by establishing property transaction platform to assist them in their property sales and/or leasing process, setting up community service centers at our managed communities which can be used by residents as recreation centers for diverse activities, operating community restaurants to offer residents healthy, convenient and gourmet catering, organizing community markets to bring the maximized comfort and convenience to property owners' daily life, as well as providing safe, healthy, and stimulating afterschool places for children and youth at our managed properties where they can participate in various enriching activities and classes. We will also invest in talent recruitment and training to support the development of our community value-added services.	[REDACTED]	[REDACTED]	[REDACTED]

FUTURE PLANS AND USE OF [REDACTED]

Major Categories	% of Total [REDACTED]	Amount	Sub-Categories	Specific Plans	% of Total [REDACTED]	Timeframe 2022	Timeframe 2023
		(HK$ in millions)				*(HK$ in millions)*	
Invest in technology systems and standardized business operations Develop technology-supported community platform	[REDACTED]	[REDACTED]	(i) Develop our online service platforms to improve interactions with our customers. The applications and systems currently were applied to approximately 87% of the total number of our managed properties as of December 31, 2021, and we plan to expand the coverage to approximately 95% of the total number of our managed properties.	We plan to invest in a mobile application to improve online interactions with customers. Through such channel, property owners and residents can file repair requests, pay property management fees, check available parking spaces, receive community notices, report complaints, allow visitors to enter communities remotely, as well as access our diverse value-added services conveniently. We believe that the mobile application allows us to further improve automation in our daily operation, reduce our reliance on labor and enhance customer satisfaction and operating efficiency. We plan to apply approximately HK$[REDACTED] million, or [REDACTED]% of total [REDACTED], to develop the online service platforms, considering (a) the fee for development of the mobile application given that the unit cost of labor and equipment to be needed for developing the mobile application in total would be around HK$1,000 and 1,000 of such units would be required; (b) the related data traffic fee and rent of servers to be needed for maintenance of the mobile application; and (c) the upgrade of online service platform expenses to be needed for.	[REDACTED]	[REDACTED]	[REDACTED]

Major Categories	% of Total [REDACTED]	Amount	Sub-Categories	Specific Plans	% of Total [REDACTED]	Timeframe 2022	2023
		(HK$ in millions)				*(HK$ in millions)*	
			(ii) Procure and upgrade intelligent devices and facilities at our managed properties.	We expect to invest in developing or enhancing devices and facilities with advanced technologies at our managed communities to enhance residents' experiences, such as smart entrance system using facial recognition that can achieve control of pedestrian entrance, smart equipment management system using sensors that gives the user easy access to equipment, smart parking system connecting to control system at our headquarter level for centralized management that is expected to have online payment and automatic entrance control function which process payment and entrance control faster, security system and data analysis supported by IoT that will help us ensure better cyber security and build customer portraits and conduct behavior analysis. We expect these smart systems to facilitate our offering of comprehensive property management services to improve customer satisfaction and operating efficiency. We plan to apply approximately (a) HK$[REDACTED] million to monitoring and communication equipment and personnel that manage the smart systems given that the unit cost of labor and equipment given that the unit cost of labor and equipment to be needed for monitoring and communication equipment and personnel in total would be around HK$1,000 and 4,000 of such units would be required; (b) HK$[REDACTED] million to parking lot renovation given that the unit cost of labor and equipment to be needed for renovating parking lots in total is around HK$1,000 and 10,000 of such units would be required; and and (c) HK$[REDACTED] million to the smart systems assuming that developing and upgrading such systems in each community would cost approximately HK$[REDACTED] million and we plan to work on about 20 communities in 2022.	[REDACTED]	[REDACTED]	[REDACTED]

Major Categories	% of Total [REDACTED]	Amount	Sub-Categories	Specific Plans	% of Total [REDACTED]	Timeframe 2022	2023
		(HK$ in millions)				*(HK$ in millions)*	
			(iii) Develop and upgrade our internal management systems.	We plan to optimize our internal management systems, including human resource management, budge management, contract management, procurement and inventory management, facility and equipment real-time monitor, service quality control, data management and analysis, and promotion and membership system management to improve operating efficiencies and ensure our service quality. For example, for our contract management system, we expect to add more detailed contract classification and integrate it with our current accounting system to allow convenient processing and review by accounting personnel. For our budge management system, we expect to add more detailed cost and expense classification and integrate it with our current accounting system, so that we can timely and accurately grasp the incurrence and settlement of our costs and expenses to achieve better cost control. We plan to apply approximately (a) HK$[REDACTED] million to internal management system operation and data protection and (b) HK$[REDACTED] million to human resource for internal management given that we plan to recruit around six to ten senior technical managers in 2022.	[REDACTED]	[REDACTED]	[REDACTED]
Working capital.	[REDACTED]	[REDACTED]	Working capital and other general corporate purposes.	We expect to have increasing needs for working capital as a result of our expected rapid and organic expansion as well as diversifying service offerings and property portfolio under management.	[REDACTED]	[REDACTED]	[REDACTED]
Total.	[REDACTED]	[REDACTED]			[REDACTED]	[REDACTED]	[REDACTED]

Plans for Strategic Acquisitions and Investments

As of the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of net [**REDACTED**] from the [**REDACTED**]. When determining the amount of approximately HK$[**REDACTED**] million, or [**REDACTED**]% of the [**REDACTED**], allocated to potential acquisitions of and investment in other property management companies, assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] set forth on the cover page of this document), we have considered (i) our goal to acquire no less than 51.0% equity interests in no more than five potential targets in 2022, at an average price-earnings ratio of 11.0 times; (ii) a targeted average annual net profit of approximately HK$24.2 million for the three financial years after acquisition and business integration for potential targets in aggregate; and (iii) our criteria for strategic acquisitions and investments as disclosed below. The allocation of [**REDACTED**] among the different types of targets above is subject to adjustments based on market conditions.

Although our Directors had not identified any suitable targets as of the Latest Practicable Date, we have determined the criteria for evaluating potential targets. These efforts are based on our experience in acquisition during the Track Record Period, as well as the results of research, financial due diligence and preliminary assessments and feasibility studies undertaken during the Track Record Period and up to the date of this document.

Criteria for Strategic Acquisitions and Investments

We plan to strategically acquire or invest in property management companies to further expand our property portfolio, including both residential properties and nonresidential properties such as commercial complexes. We plan to prioritize property management companies located in cities or areas where we already have a presence including cities in Shandong Province, Beijing and Harbin to optimize management efficiency and facilitate the sharing of resources. We plan to focus on suitable targets which: (i) have a total GFA under management ranging from 0.6 million sq.m. to 5.0 million sq.m.; (ii) have an annual revenue ranging from RMB10.0 million to RMB50.0 million; (iii) have a total net profit of over RMB5.0 million; (iv) have an average gross profit margin of above 13.0% for the target's most recent financial year; and/or (v) have reputable brand and good corporate creditworthiness, among other things. We will consider the above-mentioned criteria in holistic view and subject to overall assessment and evaluation of various factors such as changes in industry and market conditions, as well as regulatory policies, and we will also consider other risk factors, including indebtedness, administrative penalties, outstanding legal proceedings and disputes. Based on our understanding of the current market conditions and our strategic needs, we preliminarily estimate that residential properties would account for around 70% of the aggregate GFA under management of all target property management companies to be acquired or invested in by us. The criteria are subject to adjustment based on changes in the market conditions and our strategic needs.

Implementation of Acquisition Plan

We plan to acquire or invest in quality property management service providers operating in cities in Shandong Province, Beijing and Harbin the property portfolio that meets our plans for strategic acquisitions and investments. We intend to primarily target residential property management companies that have solid market share, growth potential and profitability, and nonresidential property companies whose businesses are complementary to our current property portfolio under management, for example, those which can further diversify the commercial properties under our management. See "—Criteria for Strategic Acquisitions and Investments" above. CIA has identified increasing market concentration and selectivity in merger and acquisition activities as a key trend in the highly competitive and fragmented PRC property management industry. See "Industry Overview—The PRC Property Management Industry" in this document. According to CIA, given the fragmented nature of the PRC property management industry, there is a sufficiently large number of potential targets available for our consideration that meet our criteria for acquisitions or investment. In particular, there will be approximately 100 potential targets available in the property management industry in Shandong Province, Beijing and Harbin, based on our criteria for strategic acquisitions and investments, according to CIA. We face competition from other market players for quality target companies. However, we believe we can identify and acquire suitable target companies to implement our business strategies considering (i) the large number of target companies to be considered for acquisitions and investments, and (ii) our leading market position in Shandong Province with a proven track record. According to CIA, as the property management market continues to consolidate, the leading property management companies such as ourselves, with their strong market position and advantages in various resources, will be better positioned in pursuing expansions through acquisitions and investments.

In addition, during the Track Record Period, our largest customer was Lushang Development Group, to whom we provided property management and value-added services. Furthermore, we have a business development team which is in charge of (i) exploring cooperation opportunities with property developers or acquisition targets through internal referrals and external marketing events; (ii) identify potential acquisition targets or projects developed by third-party property developers through establishing contacts with property developers, property owners' associations or property owners by site visits or setting up meetings with them by internal referrals; and (iii) allocating personnel to review publicly available information such as newspapers and online resources from time to time to obtain up-to-date public tender information and other key information about newly developed or existing properties, through which we can compile preliminary assessment and feasibility studies on potential targets, and analyze, among other data, corporate information, geographic presence, financial results, results of on-site due diligence and market research, to assess the potential opportunities and take follow-up actions in a timely manner. Our subsidiaries and branch offices are also responsible for implementing the sales and marketing strategies devised by our business development department.

Leveraging the trend of industry consolidation, our established market position and extensive industrial experience, as well as efforts of our professional business development teams, we believe that we will be able to implement our acquisition and investment strategies successfully.

Valuation Basis

We determine the amount of consideration for a potential target primarily by referring to factors such as the price-earnings ratio of comparable companies and its net profit in the preceding fiscal year. Our final price range may be determined on the basis of, or adjusted depending on, among others, the target's size, the qualifications that it possesses, quality of properties managed by it (including the cities and locations), occupancy rate, collection rate of property management fees and our evaluation of its potential. As of the Latest Practicable Date, we had not identified or committed to any acquisition targets. In the event that we do identify suitable targets, and the net [**REDACTED**] raised from the [**REDACTED**] are less than the capital expenditure needed, we intend to initiate the acquisition with our internal funds. Based on the market research on comparable companies conducted by our business development team, in determining the amount of [**REDACTED**] to be used for the acquisition of property management service providers, we primarily have taken into account: (i) the GFA under management of the target companies; (ii) net profit in the most recent fiscal year; and (iii) price-earnings ratio of other comparable property management companies.

Basis and Assumptions

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

- there will be no material change in the funding requirement for each of our future plans described in this document from the amount as estimated by our Directors;

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;

- the [**REDACTED**] will be completed in accordance with and as described in the section entitled "[**REDACTED**]" in this document;

- there will be no material changes in existing accounting policies from those stated in the historical financial information of our Group for the Track Record Period;

- our operations including our future plans will not be interrupted by any *force majeure*, unforeseeable factors, extraordinary items or economic changes in respect of inflation, interest rate and tax rate in the PRC;

- there will be no material changes in the bases or rates of taxation applicable to our activities;

- we will not be materially affected by the risk factors as set out in the section entitled "Risk Factors" in this document;

- we will continue our operation including but not limited to retaining our key staff and maintaining our customers, suppliers and subcontractors in the same manner as we did during the Track Record Period;

- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group and our business, or in the political or market conditions in which we operate; and

- there will be no epidemic or disasters, natural, political or otherwise, which would materially disrupt our businesses or operations.

The above allocation of the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the estimated [**REDACTED**].

If the [**REDACTED**] is exercised in full, we estimate that our Company will receive additional [**REDACTED**].

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the high end of the [**REDACTED**] stated in this document), we will receive [**REDACTED**] of approximately HK$[**REDACTED**] million, after deduction of [**REDACTED**] fees and commissions and estimated expenses in connection with the [**REDACTED**].

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the low end of the [**REDACTED**] stated in this document), the net [**REDACTED**] we receive will be approximately HK$[**REDACTED**] million, after deduction of [**REDACTED**] fees and commissions and estimated expenses in connection with the [**REDACTED**].

If the [**REDACTED**] is set above the mid-point of the indicative [**REDACTED**], we intend to apply the additional amounts to the purposes stated above in the same proportions. If the [**REDACTED**] is set below the mid-point of the indicative [**REDACTED**], we intend to reduce the allocation of the net [**REDACTED**] to the purposes stated above on a pro rata basis.

To the extent that the net [**REDACTED**] received by our Company from the [**REDACTED**] are not immediately applied to the purposes stated above, to the extent permitted by applicable laws and regulations and so long as it is deemed to be in the best interests of our Company, we may place the [**REDACTED**] into short-term interest-bearing deposits with licensed financial institutions and we will not use the [**REDACTED**] from the [**REDACTED**] in property development. We will make a formal announcement in the event that there is any change in our use of net [**REDACTED**] from the purposes stated above or in our allocation of the net [**REDACTED**] in the proportions stated above.

[REDACTED]

[**REDACTED**]

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The following is the text of a report set out on pages I-1 to I-64, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LUSHANG LIFE SERVICES CO., LTD. AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Lushang Life Services Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-64, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2019, 2020 and 2021 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-64 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "Document") in connection with the [**REDACTED**] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2019, 2020 and 2021 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 25(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[**REDACTED**]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statements of profit or loss and other comprehensive income

(Expressed in Renminbi ("RMB"))

		Years ended 31 December		
	Note	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	4	321,145	402,844	582,803
Cost of sales		(265,122)	(323,223)	(434,954)
Gross profit		56,023	79,621	147,849
Other net income	5	998	1,836	3,296
Administrative and other expenses		(21,994)	(27,258)	(52,724)
Recognition of expected credit loss on financial assets		(220)	(205)	(3,757)
Profit from operations		34,807	53,994	94,664
Finance income		5,021	5,773	5,845
Finance costs		–	(878)	(2,700)
Finance income, net	*6(a)*	5,021	4,895	3,145
Profit before taxation		39,828	58,889	97,809
Income tax	7	(10,894)	(13,527)	(20,792)
Profit and total comprehensive income for the year		28,934	45,362	77,017
Profit and total comprehensive income attributable to:				
Equity shareholders of the Company		28,934	45,302	75,810
Non-controlling interests		–	60	1,207
Profit and total comprehensive income for the year		28,934	45,362	77,017
Earnings per share (RMB)	*10*			
– Basic and diluted		N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position
(Expressed in RMB)

	Note	At 31 December 2019	2020	2021
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	11	16,212	18,937	57,398
Intangible assets	12	92	206	1,806
Deferred tax assets	22(b)	5,360	5,926	9,617
		21,664	25,069	68,821
Current assets				
Inventories	13	238	50,574	42,245
Contract assets	20	1,460	4,181	15,576
Trade and bills receivables	14	81,431	321,796	196,887
Prepayments, deposits and other receivables	15	7,432	5,265	33,264
Amounts due from related parties	23	165,789	291,042	2,117
Cash and cash equivalents	16	64,558	164,425	275,486
		320,908	837,283	565,575
Current liabilities				
Interest-bearing borrowings	17	–	110,250	–
Trade payables	18	43,673	70,532	137,530
Accrued expenses and other payables	19	88,005	306,620	125,281
Contract liabilities	20	62,065	80,873	60,846
Lease liabilities	21	–	–	731
Current taxation	22(a)	28,897	33,198	6,529
Amounts due to related parties	23	3,045	2,990	595
		225,685	604,463	331,512
Net current assets		95,223	232,820	234,063
Total assets less current liabilities		116,887	257,889	302,884
Non-current liabilities				
Lease liabilities	21	–	–	2,440
NET ASSETS		116,887	257,889	300,444
CAPITAL AND RESERVES	25			
Paid-in/Share capital		5,000	100,000	100,000
Reserves		111,887	157,829	198,877
Total equity attributable to equity shareholders of the Company		116,887	257,829	298,877
Non-controlling interests		–	60	1,567
TOTAL EQUITY		116,887	257,889	300,444

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company
(Expressed in RMB)

	Note	At 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	16,044	18,663	53,671
Intangible assets	*12*	–	–	1,371
Deferred tax assets	*22(b)*	3,710	3,562	5,613
Interests in subsidiaries	*1*	–	–	36,997
		19,754	22,225	97,652
Current assets				
Inventories	*13*	238	50,574	42,245
Trade and bills receivables	*14*	64,440	300,450	112,687
Prepayments, deposits and other receivables	*15*	6,595	5,228	32,865
Amounts due from related parties	*23*	139,006	163,248	1,693
Cash and cash equivalents	*16*	62,943	163,127	233,794
		273,222	682,627	423,284
Current liabilities				
Interest-bearing borrowings	*17*	–	20,000	–
Trade payables	*18*	42,413	60,226	82,886
Accrued expenses and other payables	*19*	76,794	292,847	102,783
Contract liabilities	*20*	57,649	75,914	58,687
Current taxation	*22(a)*	26,029	30,002	5,217
Amounts due to related parties	*23*	1,563	1,704	705
		204,448	480,693	250,278
Net current assets		68,774	201,934	173,006
NET ASSETS		88,528	224,159	270,658
CAPITAL AND RESERVES	*25*			
Paid-in/Share capital		5,000	100,000	100,000
Reserves		83,528	124,159	170,658
TOTAL EQUITY		88,528	224,159	270,658

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	**Paid-in/ Share capital**	**Capital reserves**	**Statutory reserves surplus**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000 (Note 25(b))	*RMB'000 (Note 25(d)(i))*	*RMB'000 (Note 25(d)(ii))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019		5,000	25,075	5,314	50,873	86,262	–	86,262
Changes in equity for 2019:								
Profit and total comprehensive income for the year		–	–	–	28,934	28,934	–	28,934
Appropriation to reserves		–	–	2,352	(2,352)	–	–	–
Equity settled share-based payments	24	–	1,691	–	–	1,691	–	1,691
Balance at 31 December 2019		5,000	26,766	7,666	77,455	116,887	–	116,887
Balance at 1 January 2020		5,000	26,766	7,666	77,455	116,887	–	116,887
Changes in equity for 2020:								
Capital injection by the shareholder of the Company		95,000	–	–	–	95,000	–	95,000
Profit and total comprehensive income for the year		–	–	–	45,302	45,302	60	45,362
Appropriation to reserves		–	–	4,054	(4,054)	–	–	–
Equity settled share-based payments	24	–	640	–	–	640	–	640
Balance at 31 December 2020		100,000	27,406	11,720	118,703	257,829	60	257,889

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company						
		Paid-in/ Share capital	**Capital reserves**	**Statutory reserves surplus**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000 *(Note 25(b))*	*RMB'000* *(Note 25(d)(i))*	*RMB'000* *(Note 25(d)(ii))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021		100,000	27,406	11,720	118,703	257,829	60	257,889
Changes in equity for 2021								
Profit and total comprehensive income for the year		–	–	–	75,810	75,810	1,207	77,017
Appropriation to reserves		–	–	4,648	(4,648)	–	–	–
Deemed distribution arising from the Reorganization	*1, 25(d)*	–	(37,850)	–	–	(37,850)	–	(37,850)
Effect of the Company's conversion from a limited liability company into a joint stock company		–	130,536	(11,720)	(118,816)	–	–	–
Capital injection by a non-controlling equity holder of a subsidiary of the Group		–	–	–	–	–	300	300
Equity settled share-based payments	*24*	–	3,088	–	–	3,088	–	3,088
Balance at 31 December 2021		100,000	123,180	4,648	71,049	298,877	1,567	300,444

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of cash flows

(Expressed in RMB)

		Years ended 31 December		
	Note	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Profit before taxation		39,828	58,889	97,809
Adjustments for:				
Depreciation and amortisation	*6(c)*	1,422	2,042	4,971
Recognition of expected credit losses on financial assets		220	205	3,757
Net (gains)/losses on disposal of property, plant and equipment	*5*	(38)	11	51
Finance income, net	*6(a)*	(5,021)	(4,895)	(3,145)
Equity settled share-based payment transactions		577	581	449
Changes in working capital:				
Decrease/(increase) in inventories		5	(50,335)	8,329
Increase in trade and bills receivables		(9,067)	(39,700)	(66,123)
Increase in contract assets		(969)	(2,721)	(11,395)
(Increase)/decrease in prepayments, deposits and other receivables		(1,089)	2,167	1,102
(Decrease)/increase in trade payables		(2,907)	26,239	54,025
Increase in accrued expenses and other payables		8,272	17,336	7,706
Increase/(decrease) in contract liabilities		17,669	18,808	(20,027)
Cash generated from operations		48,902	28,627	77,509
Income taxes paid	*22(a)*	(5,143)	(9,733)	(48,513)
Net cash generated from operating activities		43,759	18,894	28,996

The accompanying notes form part of the Historical Financial Information.

	Note	Years ended 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Investing activities				
Payments for purchase of property, plant and equipment and intangible assets		(14,748)	(3,489)	(39,433)
Proceeds from disposal of property, plant and equipment		96	62	(4)
Advances to related parties		(82,445)	(371,217)	(116,474)
Repayments received from related parties		18,672	250,879	390,624
Interest received		261	358	21,118
Net cash (used in)/generated from investing activities		(78,164)	(123,407)	255,831
Financing activities				
Capital element of lease rentals paid		–	–	(737)
Proceeds from capital injection by a shareholder of the Company		–	95,000	–
Proceeds from new interest-bearing borrowings		–	145,000	–
Repayments of interest-bearing borrowings		–	(35,000)	(110,000)
Interest element of lease rentals paid		–	–	(147)
Interest paid		–	(565)	(2,866)
Proceeds from capital injection by a non-controlling equity holder of a subsidiary of the Group		–	–	300
Advances from related parties		1,902	1,504	311
Payments to related parties		(750)	(1,559)	(2,706)
Acquisition of subsidiaries under common control		–	–	(37,850)
[**REDACTED**] expense paid		[REDACTED]	[REDACTED]	[REDACTED]
Net cash generated from/(used in) financing activities		[REDACTED]	[REDACTED]	[REDACTED]
Net (decrease)/increase in cash and cash equivalent		(33,253)	99,867	111,061
Cash and cash equivalents at 1 January	*16(a)*	97,811	64,558	164,425
Cash and cash equivalents at 31 December	*16(a)*	[REDACTED]	[REDACTED]	[REDACTED]

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Lushang Life Services Co., Ltd. (the "Company"), formerly known as Shandong Lushang Property Services Co., Ltd, was established in the People's Republic of China (the "PRC") on 24 March 2006 as a limited liability company under the Company Law of the PRC and converted into a joint stock company with limited liability on 12 March 2021. The address of the Company's registered office is Room 202, Block 2, Lushang Guo'ao City No.9777 Jingshi Road, Lixia District, Jinan, Shandong, PRC.

The Company and its subsidiaries (together, the "Group") are principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners (the "[**REDACTED**] Business") in the PRC. As at 31 December 2021, the Company's immediate parent company is Lushang Health Industry Development Co., Ltd. ("Lushang Development") and the Company's ultimate parent company is Shandong Commercial Group.

Pursuant to the Group's reorganisation completed on 27 January 2021 (the "Reorganisation"), as detailed in the section headed "History, Reorganization and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group. As part of the Reorganisation, the Company acquired entire equity interests in Shandong Lushang Architectural Design Co., Ltd. ("Lushang Design") and Shandong Lan'an Landscape Engineering Co., Ltd. ("Lan'an Landscape") on 27 January 2021 and 22 January 2021, respectively, at an aggregate considerations of approximately RMB37,850,000 from Shandong Lushang Property Co., Ltd., a wholly-owned subsidiary of Lushang Development.

As the Company, Lushang Design and Lan'an Landscape were under the common control of Lushang Development (the "Controlling Owner") before and after the Reorganisation and the control was not transitory, there has been a continuation of risks and benefits to the Controlling Owner that existed prior to the Reorganisation. Accordingly, the Reorganisation has been accounted for as a restructuring of business under common control in accordance with the principles of merger accounting. The Historical Financial Information represents the consolidated results and financial position of the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period, or since the date when the combining entities first came under the control of the Controlling Owner, whichever is the shorter period. The assets and liabilities of the entities taking part in the Reorganisation are combined using the existing book values from the Controlling Owner's perspective. There is no recognition of any additional goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Reorganisation to the extent of the continuation of the Controlling Owner's interests. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

The financial statements of the Company for the fiscal years ended 31 December 2019 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by WUYIGE Certified Public Accountants LLP (大信會計師事務所 (特殊普通合伙)). The audited financial statements of the Company for the fiscal year ended 31 December 2020 and 2021 are yet to be prepared.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct interests in the following principal subsidiaries, all of which are stated owned companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest Held by the Company	Principal activities	Name of auditor
山東省魯商建築設計有限公司 Lushang Design*.	The PRC 9 May 2011	RMB5,000,000	100%	Construction design service	WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥))
山東藍岸園林工程有限公司 Lan'an Landscape*	The PRC 11 December 2008	RMB20,000,000	100%	Landscape design, construction and maintenance	WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥))

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest Held by the Company	Principal activities	Name of auditor
山東魯商唐安物業有限公司 Shandong Lushang Tang'an Property Co., Ltd. ("Lushang Tang'an") *(note (i))**	The PRC 2 December 2020	RMB3,000,000	41%	Real estate service and other related services	WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥))

Note:

* These entities were registered as limited liability companies under the laws and regulations in the PRC and the official name of these entities are in Chinese. The English names are for identification purpose only.

(i) The Company is entitled to 51% voting rights at the shareholders' meetings, and has the power to exercise control over the entity's operating and management activities and therefore Lushang Tang'an is accounted for as a subsidiary by virtue of the Company's control over it.

All companies comprising the Group have adopted 31 December as their financial year date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2021. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2021 are set out in note 29.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Business combinations under common control

The Historical Financial Information incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transitions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(m) or (n) depending on the nature of the liability.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)(ii)).

(e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(g)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(s)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Plant and buildings	20-40 years
– Machinery and other equipment	3-10 years
– Vehicles	4 years
– Right-of-use assets	Over the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(h)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(h)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	3-5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(h)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the Covid-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents, trade and bills receivables, other receivables and amount due from related parties and contract assets).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and bills receivables, other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 3 years past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

– Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

– Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(k)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(j)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(h)(i)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(s)).

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(iii) Equity settled share-based payments

The parent company of the Company operates a share scheme for the purpose of providing incentives and rewards to eligible participants of the Company who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the Company's parent company's equity at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option-pricing model method to determine the fair value of the option granted by the Company's parent company.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled.

(p) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are 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 amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions, contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, 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 with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Property management services

For property management services, the Group bills a fixed amount for services provided on an annual, quarterly or monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is responsible for providing the property management services to the property owners, the Group entitles to revenue at the value of property management services fee received or receivable and recognises all related property management costs as its cost of service.

(ii) Value-added services to non-property owners

Value-added services to non-property owners mainly includes preliminary property management services, design services, landscaping services, pre-delivery services and other customized services, such as repair and maintenance services and property transaction assistance services. The Group agrees the price for each service with the customers.

For value-added services to non-property owners other than landscaping services, the Group recognises revenue at a point in time when the relevant service is rendered. For landscaping services, the Group recognises revenue over the period of the contract by reference to the progress towards complete satisfaction of the performance obligations. The progress towards complete satisfaction of the performance obligation, in an amount that reflects the consideration expected to be entitled and, depending on the nature of the contract, is measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract; or (b) completion of physical proportion of the contract work.

(iii) Community value-added services

For community value-added services mainly relating to services to property owners and residents of our managed properties, which includes community space and resource management services, parking space management services, utility management services and community living services, such as customized waste cleaning and housekeeping services, revenue is recognised when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(h)(i)).

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the assets by way of recognised in other income.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Expected credit loss for financial assets

The credit losses for trade and bills receivables, contract assets and other financial assets including other receivables, amounts due from related parties are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, which are based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 26(a). Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowances in future periods.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determine the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future periods.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are property management services, community value-added services and value-added services to non-property owners.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by timing of revenue recognition and principal activities lines is as follows:

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
– Over time	252,930	315,449	407,446
– A point in time	68,215	87,395	175,357
Total	321,145	402,844	582,803

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Type of services			
– Property management services	180,475	204,001	255,485
– Community value-added services	69,707	78,959	122,502
– Value-added services to non-property owners	70,963	119,884	204,816
Total	321,145	402,844	582,803

During the Track Record Period, the Group's customer base is diversified and none of them contributed 10% or more of the Group's revenue.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For property management services, the Group recognises revenue when the services are provided on monthly basis and recognises to which the Group has a right to invoice and that corresponds directly with the value of performance completed. The Group has elected the practical expedient for not to disclose the remaining performance obligations for this type of contracts. The majority of the property management service contracts do not have a fixed term.

For community value-added services and value-added services to non-property owners, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

(b) Segment reporting

During the Track Record Period, the Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. Management views the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Management of the Company are of the view that there is only one segment which is used to make strategic decisions.

The Group generated all revenue in the PRC and no non-current assets of the Group are located outside the PRC, accordingly, no analysis of geographic information is presented.

5 OTHER NET INCOME

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(Note (i))*	1,202	2,106	3,454
Net gains/(losses) on disposal of property, plant and equipment	38	(11)	(51)
Others	(242)	(259)	(107)
	998	1,836	3,296

Note:

(i) The government grants represent subsidies from various PRC authorities. There are no unfulfilled conditions or future obligations attached to these subsidies.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (charging)/crediting:

(a) Finance income, net:

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interest income from cash at bank	214	133	647
Interest income from financial institution/Interest income on other advances	4,807	5,640	5,198
Finance income	5,021	5,773	5,845
Interest expense on interest-bearing borrowings	–	(878)	(2,553)
Interest expense on lease liabilities	–	–	(147)
Finance income, net	5,021	4,895	3,145

(b) Staff costs

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	83,697	90,712	125,283
Contributions to defined contribution retirement plan	20,608	11,823	28,924
Equity settled share-based payments *(note 24)*	577	581	449
	104,882	103,116	154,656

The Group's employees are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees. In 2020, to reduce the impact of the COVID-19 pandemic on enterprises, governments in certain regions in the PRC had gradually reduced or exempted the social insurance contributions.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories *(note 13)*	12,538	16,906	25,351
Depreciation and amortisation			
– owned property, plant and equipment and intangible assets	1,422	2,042	4,385
– right-of-use assets	–	–	586
Auditors' remuneration – statutory audit services	15	21	20
[**REDACTED**] expense	[REDACTED]	[REDACTED]	[REDACTED]

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current tax – PRC Corporate Income Tax			
Provision for the year	11,643	14,034	21,844
Deferred tax			
Origination and reversal of temporary differences	(749)	(507)	(1,052)
	10,894	13,527	20,792

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	39,828	58,889	97,809
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Note (i))*	9,957	14,722	24,452
Tax effect of PRC preferential tax *(Note (ii))*	–	259	(2,378)
Tax effect of non-deductible expenses	937	754	1,052
Effect of deductible temporary differences not recognised	–	(1,568)	–
Tax relief related to additional tax deduction on Small Low-profit Enterprises *(Note (iii))*	–	–	(1,174)
Tax relief related to additional tax deduction on research and development costs incurred *(Note (ii))*	–	(640)	(1,160)
Actual tax expense	10,894	13,527	20,792

Notes:

(i) The provision for PRC Corporate Income Tax is calculated at 25% of the estimated assessable profits for the year.

(ii) A subsidiary has been approved as High and New Technology Enterprise ("HNTE"). The entitled subsidiary is subject to a preferential income tax rate of 15% in certain years. The HNTE certificate needs to be renewed every three years. In addition to the preferential income tax rate, this subsidiary is also entitled to an additional 75% tax deduction for its qualified research and development costs incurred.

(iii) Certain subsidiaries have been approved as Small Low-profit Enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 5% or 10% during the Relevant Periods.

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments during the Track Record Period are as follows:

	Directors' fees	Basic salaries and allowance	Discretionary Bonus	Retirement benefit contribution	Equity settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019						
Name of directors						
Executive Directors						
Mr. Wang Zhongwu	–	–	–	–	–	–
Mr. Zhang Tiebo	–	295	282	35	53	665
Mr. Shao Meng	–	–	–	–	–	–
Name of supervisors						
Mr. Zhang Xiangqian	–	–	–	–	–	–
Ms. Wang Pin	–	79	7	10	–	96
	–	374	289	45	53	761

	Directors' fees	Basic salaries and allowance	Discretionary Bonus	Retirement benefit contribution	Equity settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020						
Name of directors						
Executive Directors						
Mr. Wang Zhongwu	–	–	–	–	–	–
Mr. Zhang Tiebo	–	330	204	5	50	589
Mr. Shao Meng	–	–	–	–	–	–
Name of supervisors						
Mr. Zhang Xiangqian	–	20	30	–	4	54
Ms. Wang Pin	–	83	4	2	–	89
	–	433	238	7	54	732

	Directors' fees	Basic salaries and allowance	Discretionary Bonus	Retirement benefit contribution	Equity settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021						
Name of directors						
Executive Directors						
Mr. Wang Zhongwu	–	283	9	25	52	369
Mr. Zhang Tiebo	–	370	298	38	34	740
Mr. Shao Meng	–	167	2	20	2	191
Non-Executive Directors						
Ms. Li Lu	–	–	–	–	–	–
Mr. Zhao Yanfeng	–	113	–	9	–	122
Name of supervisors						
Mr. Zhang Xiangqian	–	50	–	3	–	53
Ms. Wang Pin	–	96	18	10	–	124
Mr. Wang Hongtao	–	–	–	–	–	–
	–	1,079	327	105	88	1,599

On 2 March 2021, Mr. Wang Zhongwu and Mr. Zhang Tiebo were appointed as executive directors of the Company. On 30 March 2021, Mr. Shao Meng was appointed as an executive director of the Company. On 2 March 2021, Ms. Li Lu and Mr. Zhao Yanfeng were appointed as non-executive directors of the Company. On 2 March 2021, Mr. Wang Hongtao, Mr. Zhang Xiangqian and Ms. Wang Pin were appointed as supervisors of the Company. The emoluments shown above represents remuneration received from the Group by them in their capacity as employees of the Group or directors or supervisors of the Company during the Track Record Period.

On 6 June 2022, Ms. Leung Bik San, Ms. Chen Xiaojing and Mr. Ma Tao were appointed as independent non-executive directors of the Company.

During the Track Record Period, no emoluments were paid by the Group to the directors, the supervisors or any of the five highest paid individuals as set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Group waived or agreed to waive any emoluments during the Track Record Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, 1, 1 and 1 is a director of the Company for the years ended 31 December 2019, 2020 and 2021 respectively, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining 4, 4, and 4 individuals during the Track Record Period are as follows:

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	1,190	1,243	1,358
Discretionary bonuses	862	872	918
Retirement scheme contributions	159	19	133
Equity settled share-based payments	178	139	96
	2,389	2,273	2,505

The emoluments of the above individual with the highest emoluments are within the following bands:

	Years ended 31 December		
	2019	**2020**	**2021**
	Number of individuals	*Number of individuals*	*Number of individuals*
Nil to HKD1,000,000	4	4	4

10 EARNINGS PER SHARE

No earnings per share information is presented due to the Reorganisation and the preparation of the results for the Track Record Period using the basis of preparation as disclosed in note 1 above.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

The Group

	Plant and buildings	Machinery and other equipment	Vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2019	–	6,860	1,264	8,124
Additions	13,447	1,207	32	14,686
Disposals	–	(397)	(28)	(425)
At 31 December 2019	13,447	7,670	1,268	22,385
Additions	545	1,961	2,271	4,777
Disposals	–	(278)	(3)	(281)
At 31 December 2020	13,992	9,353	3,536	26,881
Additions	31,711	2,652	8,914	43,277
Disposals	–	(437)	(135)	(572)
At 31 December 2021	45,703	11,568	12,315	69,586
Accumulated depreciation:				
At 1 January 2019	–	(4,238)	(922)	(5,160)
Charge for the year	–	(1,210)	(170)	(1,380)
Written back on disposals	–	344	23	367
At 31 December 2019	–	(5,104)	(1,069)	(6,173)
Charge for the year	(665)	(1,194)	(120)	(1,979)
Written back on disposals	–	206	2	208
At 31 December 2020	(665)	(6,092)	(1,187)	(7,944)
Charge for the year	(2,229)	(1,472)	(1,027)	(4,728)
Written back on disposals	–	362	122	484
At 31 December 2021	(2,894)	(7,202)	(2,092)	(12,188)
Carrying amount:				
At 31 December 2021	42,809	4,366	10,223	57,398
At 31 December 2020	13,327	3,261	2,349	18,937
At 31 December 2019	13,447	2,566	199	16,212

The Company

	Plant and buildings	Machinery and other equipment	Vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2019	–	6,549	1,264	7,813
Additions	13,447	1,105	32	14,584
Disposals	–	(397)	(28)	(425)
At 31 December 2019	13,447	7,257	1,268	21,972
Additions	545	1,744	2,271	4,560
Disposals	–	(278)	(3)	(281)
At 31 December 2020	13,992	8,723	3,536	26,251
Additions	27,803	2,357	8,914	39,074
Disposals	–	(390)	(135)	(525)
At 31 December 2021	41,795	10,690	12,315	64,800
Accumulated depreciation:				
At 1 January 2019	–	(4,064)	(922)	(4,986)
Charge for the year	–	(1,139)	(170)	(1,309)
Written back on disposals	–	344	23	367
At 31 December 2019	–	(4,859)	(1,069)	(5,928)
Charge for the year	(665)	(1,083)	(120)	(1,868)
Written back on disposals	–	206	2	208
At 31 December 2020	(665)	(5,736)	(1,187)	(7,588)
Charge for the year	(1,643)	(1,311)	(1,027)	(3,981)
Written back on disposals	–	318	122	440
At 31 December 2021	(2,308)	(6,729)	(2,092)	(11,129)
Carrying amount:				
At 31 December 2021	39,487	3,961	10,223	53,671
At 31 December 2020	13,327	2,987	2,349	18,663
At 31 December 2019	13,447	2,398	199	16,044

(b) At 31 December 2019, ownership certificates of certain plants and building with carrying amount of RMB13,447,000 are yet to be obtained. The directors of the Company are of the opinion that the Group and the Company is entitled to lawfully occupy or use the properties.

(c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset of the Group is as follows:

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Buildings	–	–	3,322

The analysis of expense items in relation to leases recognised in profit or loss of the Group is as follows:

	Years ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:			
Buildings	–	–	586
Interest on lease liabilities *(note 6(a))*	–	–	147
Expense relating to short-term leases	589	787	972

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 16(c) and 21, respectively.

12 INTANGIBLE ASSETS

The Group

	Software	Total
	RMB'000	*RMB'000*
Cost:		
At 1 January 2019	252	252
Purchased intangible assets	62	62
At 31 December 2019	314	314
Purchased intangible assets	177	177
At 31 December 2020	491	491
Purchased intangible assets	1,843	1,843
At 31 December 2021	2,334	2,334
Accumulated amortisation:		
At 1 January 2019	(180)	(180)
Charge for the year	(42)	(42)
At 31 December 2019	(222)	(222)
Charge for the year	(63)	(63)
At 31 December 2020	(285)	(285)
Charge for the year	(243)	(243)
At 31 December 2021	(528)	(528)
Carrying amount:		
At 31 December 2021	1,806	1,806
At 31 December 2020	206	206
At 31 December 2019	92	92

The Company

	Software	Total
	RMB'000	*RMB'000*
Cost:		
At 1 January 2019, 2020 and 2021	–	–
Purchased intangible assets	1,464	1,464
At 31 December 2021	1,464	1,464
Accumulated amortisation:		
At 1 January 2019, 2020 and 2021	–	–
Charge for the year	(93)	(93)
At 31 December 2021	(93)	(93)
Carrying amount:		
At 31 December 2021	1,371	1,371
At 31 December 2020 and 2019	–	–

Amortisation of intangible assets has been charged to administrative expenses in the consolidated statements of profit or loss and other comprehensive income.

No intangible asset is restricted or pledged as securities for liabilities as at 31 December 2019, 2020 and 2021.

13 INVENTORIES

The Group and the Company

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	238	195	466
Goods for sales	–	50,379	41,779
	238	50,574	42,245

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Years ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories consumed/sold	12,538	16,906	25,351

All of the inventories are expected to be recovered within one year.

14 TRADE AND BILLS RECEIVABLES

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables	–	1,414	17,101
Trade receivables *(note (a))*			
– Related parties	48,087	85,070	106,038
– Third parties	35,056	37,229	79,422
Non-trade bills receivables *(note (b))*	–	200,000	–
	83,143	323,713	202,561
less: loss allowance *(note 26(a))*	(1,712)	(1,917)	(5,674)
	81,431	321,796	196,887

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables	–	543	–
Trade receivables *(note (a))*			
– Related parties	31,327	68,504	52,893
– Third parties	34,776	33,256	65,029
Non-trade bills receivables *(note (b))*	–	200,000	–
	66,103	302,303	117,922
less: loss allowance	(1,663)	(1,853)	(5,235)
	64,440	300,450	112,687

All of the trade and bills receivables of the Group and the Company, net of allowance, are expected to be recovered within one year.

As at 31 December 2020, trade receivables of the Group and the Company with aggregated amounts of RMB27,965,000 were pledged as securities for liabilities and/or the financial lease arrangements.

At 31 December 2020, the carrying amounts of the Group's bills receivables that have been factored to banks but have not been derecognized in the Historical Financial Information were RMB250,000.

(a) Transfer of trade receivables

The Group and the Company sold with recourse trade receivables to a financial institution for cash proceeds. These trade receivables have not been derecognised from the statement of financial position, because the Group and the Company retains substantially all of the risks (primarily credit risk) and rewards. The amount received on transfer has been recognised as an interest-bearing borrowing (see note 17). The arrangement with the financial institution is such that the customers remit cash directly to the Group and the Company and the Group and the Company transfers the collected amounts to the financial institution.

The receivables are considered to be held within a held-to-collect business model consistent with the Group's and the Company's continuing recognition of the receivables.

The following information shows the carrying amount of trade receivables of the Group and the Company at the reporting date that have been transferred but have not been derecognised and the associated liabilities.

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of trade receivables transferred to the financial institutions	–	27,465	–
Carrying amount of associated liabilities	–	10,000	–

(b) Non-trade bills receivables

In December 2020, in accordance with the instructions from Shandong Lushang Innovation Development Co., Ltd. ("Lushang Innovation"), one of the shareholders of the Company, the Company obtained financing of RMB200,000,000 in the form of bank acceptance notes from a financial institution by entering into a series of financing arrangement contracts. Lushang Innovation confirmed that the financing arrangements were arranged on its behalf and agreed to bear the expenses and interest incurred for the financing arrangement, and at the same time, Lushang Innovation reserved the right to use or arrange the bank acceptance notes obtained from the financing arrangements upon the Company entered into the financing arrangement contracts. In accordance with the above arrangements, the Company acted as an agent in the above financing arrangements and recognised the bank acceptance notes and corresponding liabilities (see note 19) as at 31 December 2020.

The Company was then instructed to cash the bank acceptance notes received in January 2021 and transfer the proceeds to Lushang Innovation. In March 2021, the Company, Lushang Innovation and the financial institution entered into an agreement terminating the financing arrangement contracts and Lushang Innovation agreed to undertake the repayments of principal, expenses and interest for the early termination of the financing arrangement contracts, thus the Company did not recognize any finance income nor incur any finance cost from the financing arrangement with Lushang Innovation. In March 2021, Lushang Innovation repaid the amounts of the financing arrangements and the financing arrangement contracts were terminated.

(c) Ageing analysis

As of the end of each reporting period, the ageing analysis of trade and bills receivables (excluding non-trade bills receivables) based on the date of revenue recognition and net of allowance for impairment of trade receivables and bills receivables (excluding non-trade bills receivables) is as follows:

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	56,164	83,842	181,562
1 to 2 years	17,181	23,026	7,731
2 to 3 years	5,395	10,118	6,497
Over 3 years	2,691	4,810	1,097
	81,431	121,796	196,887

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	43,112	67,929	99,140
1 to 2 years	14,335	19,583	7,112
2 to 3 years	4,302	8,528	5,695
Over 3 years	2,691	4,410	740
	64,440	100,450	112,687

Further details on the Group's and the Company's credit policy and credit risk arising from trade debtors are set out in note 26(a).

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	5,943	4,517	2,004
Deposits	1,420	763	2,130
Prepayments in connection with the proposed [**REDACTED**] of the Company's shares *(Note)*	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables	312	228	272
Less: loss allowance	(243)	(243)	(243)
	[REDACTED]	[REDACTED]	[REDACTED]

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	5,906	4,481	1,856
Deposits	620	763	1,882
Prepayments in connection with the proposed [**REDACTED**] of the Company's shares *(Note)*	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables	312	227	269
Less: loss allowance	(243)	(243)	(243)
	[REDACTED]	[REDACTED]	[REDACTED]

Note: The balance at 31 December 2021 will be transferred to the capital reserve within equity upon the [**REDACTED**] of the Company's shares on the Stock Exchange.

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	24,167	115,696	73,616
Deposits in other financial institutions	40,391	48,729	201,870
Cash and cash equivalents in the consolidated statements of cash flows	64,558	164,425	275,486

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	23,512	114,481	51,457
Deposits in other financial institutions	39,431	48,646	182,337
Cash and cash equivalents	62,943	163,127	233,794

(b) Reconciliation of liabilities arising from financing activities:

	Interest-bearing borrowings	**Interest payables**	**Lease liabilities**	**Amounts due to related parties**	**Total**
	RMB'000 (note 17)	*RMB'000 (note 19)*	*RMB'000 (note 21)*	*RMB'000 (note 23)*	*RMB'000*
At 1 January 2019	–	–	–	1,893	1,893
Changes from financing cash flows:					
Advances from related parties	–	–	–	1,902	1,902
Payments to related parties	–	–	–	(750)	(750)
Total changes from financing cash flows	–	–	–	1,152	1,152
At 31 December 2019 and 1 January 2020	–	–	–	3,045	3,045
Changes from financing cash flows:					
Proceeds from new interest-bearing borrowings	145,000	–	–	–	145,000
Repayments of interest-bearing borrowings	(35,000)	–	–	–	(35,000)
Interest paid	–	(565)	–	–	(565)
Advances from related parties	–	–	–	1,504	1,504
Payments to related parties	–	–	–	(1,559)	(1,559)
Total changes from financing cash flows	110,000	(565)	–	(55)	109,380

	Interest-bearing borrowings	Interest payables	Lease liabilities	Amounts due to related parties	Total
	RMB'000 *(note 17)*	*RMB'000* *(note 19)*	*RMB'000* *(note 21)*	*RMB'000* *(note 23)*	*RMB'000*
Other changes:					
Interests on interest-bearing borrowings	–	878	–	–	878
Non-cash transactions	250	–	–	–	250
Total other changes	250	878	–	–	1,128
At 31 December 2020 and 1 January 2021	110,250	313	–	2,990	113,553
Changes from financing cash flows:					
Repayments of interest-bearing borrowings	(110,000)	–	–	–	(110,000)
Interest paid	–	(2,866)	–	–	(2,866)
Capital element of lease rentals paid	–	–	(737)	–	(737)
Interest element of lease rentals paid	–	–	(147)	–	(147)
Advances from related parties	–	–	–	311	311
Payments to related parties	–	–	–	(2,706)	(2,706)
Total changes from financing cash flows	(110,000)	(2,866)	(884)	(2,395)	(116,145)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	3,908	–	3,908
Interests on interest-bearing borrowings	–	2,553	–	–	2,553
Interest on lease liabilities	–	–	147	–	147
Non-cash transactions	(250)	–	–	–	(250)
Total other changes	(250)	2,553	4,055	–	6,358
At 31 December 2021	–	–	3,171	595	3,766

(c) Total cash outflow for leases:

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	586	783	891
Within financing cash flows	–	–	884

These amounts relate to the following:

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Lease rentals paid	586	783	1,775

17 INTEREST-BEARING BORROWINGS

At 31 December 2019, 2020 and 2021, the interest-bearing borrowings were as follows:

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans, unsecured and unguaranteed	–	10,000	–
Other loans, secured and unguaranteed *(note a)*	–	10,250	–
Other loans, unsecured and guaranteed	–	90,000	–
	–	110,250	–

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	–	110,250	–

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans, unsecured and unguaranteed	–	10,000	–
Other loans, secured and unguaranteed *(note a)*	–	10,000	–
	–	20,000	–

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	–	20,000	–

Notes:

(a) The Group's and the Company's secured other loans as at 31 December 2020 were borrowed from a financial institution and were secured by trade receivables with carrying amounts of RMB27,465,000 as at 31 December 2020.

The Group's secured other loans as at 31 December 2020 were secured by bills receivables with carrying amounts of RMB250,000.

(b) At 31 December 2020, the Group's and the Company's unutilized financing facilities amounted to RMB70,000,000 and RMB40,000,000, respectively. The Group had ceased the financing arrangements in September 2021.

18 TRADE PAYABLES

At of the end of each reporting period during Track Record Period, the ageing analysis of trade payables based on the invoice date, is as follows:

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	38,645	64,634	125,496
Over 1 year	5,028	5,898	12,034
	43,673	70,532	137,530

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	38,401	54,328	71,929
Over 1 year	4,012	5,898	10,957
	42,413	60,226	82,886

At 31 December 2019, 2020 and 2021, all of the trade payables of the Group and the Company are expected to be settled within one year or are repayable on demand.

19 ACCRUED EXPENSES AND OTHER PAYABLES

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Accrued payroll and other benefits	32,632	39,034	52,309
Deposits	22,807	26,914	28,362
Receipts and payments on behalf of property owners	12,007	12,095	7,932
Other taxes and charges payable	8,256	13,117	3,481
Receipts on behalf of residents/tenants	3,275	4,906	7,749
Maintenance funds	586	695	1,290
Payables to a financial institution *(note 14(b) & note (a))*	–	199,500	–
Payables for purchase of property, plant and equipment	–	1,466	3,205
Payables for expenditures incurred in connection with the proposed [**REDACTED**] of the Company's share	[REDACTED]	[REDACTED]	[REDACTED]
Interest payables	–	313	–
Other payables and accruals	8,442	8,580	11,923
	[REDACTED]	[REDACTED]	[REDACTED]

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Accrued payroll and other benefits	21,840	26,848	31,972
Deposits	22,807	26,914	28,262
Receipts and payments on behalf of property owners	12,007	12,095	7,932
Other taxes and charges payable	8,039	12,419	1,940
Receipts on behalf of residents/tenants	3,275	4,906	7,749
Maintenance funds	586	695	1,290
Payables to a financial institution *(note 14(b) & note (a))*	–	199,500	–
Payables for purchase of property, plant and equipment	–	1,466	3,205
Payables for expenditures incurred in connection with the proposed [**REDACTED**] of the Company's share	[REDACTED]	[REDACTED]	[REDACTED]
Interest payables	–	44	–
Other payables and accruals	8,240	7,960	11,403
	[REDACTED]	[REDACTED]	[REDACTED]

At 31 December 2019, 2020 and 2021, all of the accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

(a) Payables to a financial institution

In December 2020, as detailed in note 14(b), the Company obtained financing of RMB200,000,000 in the form of bank acceptance notes from a financial institution by entering into a series of financing arrangement contracts and recognised the corresponding liabilities. In accordance with the payment schedules, the Company is obliged to repay certain amounts of the financing proceeds twice a year in three years. As at 31 December 2020, the Company made repayments for the first instalment of RMB500,000. The remaining financing proceeds were repaid and the financing arrangement contracts were early terminated in March 2021.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets			
Arising from performance under construction contracts	1,460	4,181	15,576

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. Upon completion of construction services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at 31 December 2019, 2020 and 2021 is within one year.

(b) Contract liabilities

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments received for property management service	49,380	62,039	48,578
Prepayments received for community value-added services	6,479	10,431	10,335
Prepayments received for value-added services to non-property owners	6,206	8,403	1,933
Balance at 31 December	62,065	80,873	60,846

Movements in contract liabilities

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	44,396	62,065	80,873
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(43,261)	(61,295)	(78,352)
Increase in contract liabilities as a result of billing in advance of property management services, community value-added services and value-added services to non-property owners	60,930	80,103	58,325
Balance at 31 December	62,065	80,873	60,846

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments received for property management service	49,380	62,039	48,578
Prepayments received for community value-added services	6,479	10,431	10,109
Prepayments received for value-added services to non-property owners	1,790	3,444	–
Balance at 31 December	57,649	75,914	58,687

Movements in contract liabilities

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	40,744	57,649	75,914
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(40,707)	(57,611)	(75,505)
Increase in contract liabilities as a result of billing in advance of property management services, community value-added services and value-added services to non-property owners	57,612	75,876	58,278
Balance at 31 December	57,649	75,914	58,687

The Group received a deposit before rendering the services. This will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

The Group's amounts of contract liabilities expected to be recognized as income after more than one year are RMB770,000, RMB2,521,000 and RMB2,815,000 at 31 December 2019, 2020 and 2021, respectively.

The Company's amounts of contract liabilities expected to be recognized as income after more than one year are RMB38,000, RMB409,000 and RMB1,282,000 at 31 December 2019, 2020 and 2021, respectively.

21 LEASE LIABILITIES

The lease liabilities of the Group were repayable as follow:

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	–	–	731
After 1 year but within 2 years	–	–	770
After 2 years but within 5 years	–	–	1,670
	–	–	3,171

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
PRC Corporate Income Tax			
At 1 January	22,397	28,897	33,198
Charged to profit or loss	11,643	14,034	21,844
Payments during the year	(5,143)	(9,733)	(48,513)
At 31 December	28,897	33,198	6,529

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
PRC Corporate Income Tax			
At 1 January	21,716	26,029	30,002
Charged to profit or loss	9,172	13,582	17,588
Payments during the year	(4,859)	(9,609)	(42,373)
At 31 December	26,029	30,002	5,217

(b) Deferred tax assets recognised:

The Group

	Credit loss allowance	**Provision and accrued expense**	**Equity settled share-based payments**	**Cumulative tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:					
At 1 January 2019	434	3,054	9	–	3,497
Credited to profit or loss	55	550	144	–	749
Credited to equity directly	–	–	1,114	–	1,114
At 31 December 2019 and 1 January 2020	489	3,604	1,267	–	5,360
Credited to profit or loss	47	2	68	390	507
Credited to equity directly	–	–	59	–	59
At 31 December 2020 and 1 January 2021	536	3,606	1,394	390	5,926
Credited/(charged) to profit or loss	890	461	91	(390)	1,052
Credited to equity directly	–	–	2,639	–	2,639
At 31 December 2021	1,426	4,067	4,124	–	9,617

The Company

	Credit loss allowance	Provision and accrued expense	Equity settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:				
At 1 January 2019	428	2,708	4	3,140
Credited to profit or loss	48	185	33	266
Credited to equity directly	–	–	304	304
At 31 December 2019 and 1 January 2020	476	2,893	341	3,710
Credited/(charged) to profit or loss	47	(173)	21	(105)
Charged to equity directly	–	–	(43)	(43)
At 31 December 2020 and 1 January 2021	523	2,720	319	3,562
Credited to profit or loss	846	428	30	1,304
Credited to equity directly	–	–	747	747
At 31 December 2021	1,369	3,148	1,096	5,613

23 AMOUNTS DUE FROM/TO RELATED PARTIES

The Group

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties:			
Amounts due from the immediate parent *(note a)*	163,105	108,987	591
Amounts due from the fellow subsidiaries *(note b)*	2,684	182,055	1,526
	165,789	291,042	2,117
Amounts due to related parties:			
Amounts due to the immediate parent	415	1,004	–
Amounts due to the fellow subsidiaries	2,630	1,986	595
	3,045	2,990	595

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties:			
Amounts due from the immediate parent *(note a)*	136,534	39,264	–
Amounts due from the fellow subsidiaries *(note b)*	2,472	123,984	1,693
	139,006	163,248	1,693
Amounts due to related parties:			
Amounts due to the immediate parent	–	–	–
Amounts due to the fellow subsidiaries	1,563	1,704	705
	1,563	1,704	705

Notes:

The amounts due from related parties of the Group and the Company are non-trade in nature, unsecured, interest-free with no fixed terms of repayment, except for the following:

(a) The balances of amounts due from the immediate parent of the Group and the Company as at 31 December 2019 included the amounts of RMB127,000,000 which bear interest rate 5.22% per annum.

(b) The balances of amounts due from the fellow subsidiaries of the Group and the Company as at 31 December 2020 included the amounts of RMB102,000,000 which bear interest rate 5.22% per annum.

The related parties have undertaken to repay these amounts due to the Group prior to the [**REDACTED**] of the Company's shares on the Stock Exchange.

The amounts due to related parties of the Group and the Company are non-trade in nature, unsecured and interest-free with no fixed terms of repayment. The Group and the Company have undertaken to make repayments to the related parties prior to the [**REDACTED**] of the Company's shares on the Stock Exchange.

24 EQUITY SETTLED SHARE-BASED PAYMENTS

(a) Share options granted on 20 September 2018

On 20 September 2018, Lushang Development conditionally granted certain share options to the Group's key management, for the service provided to the Group. The exercise price is RMB2.83 per share. The share options were effective from 20 September 2018, no share option is vested within two years from the date of grant. 33.33% of the share options are vested during each of the third, fourth and fifth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of Lushang Development. All the options granted will be exercisable within 5 years after grant date.

(b) Share options granted on 5 December 2018

On 5 December 2018, Lushang Development conditionally granted certain share options to the Group's key management, for the service provided to the Group. The exercise price is RMB3.58 per share. The share options were effective from 5 December 2018, no share option is vested within two years from the date of grant. 33.33% of the share options are vested during each of the third, fourth and fifth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of Lushang Development. All the options granted will be exercisable within 5 years after grant date.

The fair value of the options for the share options granted on 20 September 2018 and 5 December 2018 to the recipients was recognised as expense over the period in which the service conditions are fulfilled in the consolidated statements of profit or loss and other comprehensive income. The estimate of the fair value of the share options granted is measured based on a black-scholes valuation model. The Group recorded aggregate RMB577,000, RMB581,000 and RMB449,000 share-based compensation expense in the consolidated statements of profit of loss and other comprehensive income for the years ended 31 December 2019, 2020 and 2021, respectively, for the aforesaid share option scheme of the Company.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Paid-in capital/ Share capital	Capital reserves	Statutory reserves surplus	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019	5,000	45	5,314	54,219	64,578
Changes in equity for 2019:					
Profit and total comprehensive income for the year	–	–	–	23,515	23,515
Appropriation to reserves	–	–	2,352	(2,352)	–
Equity settled share-based payment *(note 24)*	–	435	–	–	435
Balance at 31 December 2019	5,000	480	7,666	75,382	88,528
Balance at 1 January 2020	5,000	480	7,666	75,382	88,528
Changes in equity for 2020:					
Capital injection by an equity holder of the Group	95,000	–	–	–	95,000
Profit and total comprehensive income for the year	–	–	–	40,539	40,539
Appropriation to reserves	–	–	4,054	(4,054)	–
Equity settled share-based payment *(note 24)*	–	92	–	–	92
Balance at 31 December 2020	100,000	572	11,720	111,867	224,159

	Paid-in capital/ Share capital	Capital reserves	Statutory reserves surplus	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021	100,000	572	11,720	111,867	224,159
Changes in equity for 2021:					
Profit and total comprehensive income for the year	–	–	–	46,484	46,484
Appropriation to reserves	–	–	4,648	(4,648)	–
Acquisition of subsidiaries under common control	–	(853)	–	–	(853)
Effect of the Company's conversion from a limited liability company into a joint stock company	–	130,536	(11,720)	(118,816)	–
Equity settled share-based payment *(note 24)*	–	868	–	–	868
Balance at 31 December 2021	100,000	131,123	4,648	34,887	270,658

(b) Paid-in/Share capital

The paid-in capital/share capital in the Group's consolidated statement of financial position represents the paid-in capital/share capital of the Company as at 31 December 2019, 2020 and 2021, which was RMB5,000,000, RMB100,000,000 and RMB100,000,000, respectively. The movements are as follows:

	No. of shares	Paid-in capital/Share capital
		RMB'000
As at 1 January 2019 and 31 December 2019	–	5,000
Capital injection from shareholder of the Company *(note (a))*	–	95,000
As at 31 December 2020	–	100,000
Issue of shares upon the Company's conversion from a limited liability company into a joint stock company *(note (b))*	100,000,000	–
As at 31 December 2021	100,000,000	100,000

Notes:

(a) On 12 October 2020, the Company received capital contribution amounting to RMB95,000,000 in cash from Lushang Development, which was recorded as paid-in capital.

(b) The Company was converted to a joint stock company on 12 March 2021, [**REDACTED**] ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on 29 January 2021.

(c) Dividends

No dividends have been paid or declared by the Company during each of the years ended 31 December 2019, 2020 and 2021.

(d) Nature and purpose of reserve

(i) Capital reserve

The capital reserve comprises the following:

– During the Track Record Period, share options were granted to certain key management of the Group by Lushang Development, which then indirectly held 100% equity interest of the Group. The Group recognised a total expense and a corresponding capital reserve of RMB1,691,000, RMB640,000 and RMB3,088,000 (including the effect of deferred taxation) during the year ended 31 December 2019, 2020 and 2021;

– In January 2021, the Company acquired 100% equity interests in Lushang Design and Lan'an Landscape, with the paid-in capital of RMB5,000,000 and RMB20,000,000, respectively, at a total consideration of RMB37,850,000 from Shandong Lushang Property Co., Ltd., the fellow subsidiary of the Company; and

– On 12 March 2021, the Company was converted from a limited liability company into a joint stock company limited liability company. Based on the approval obtained from authorities, the Company issued and allotted [**REDACTED**] ordinary shares with par value of RMB1 each to the respective then shareholders of the Company in accordance with the proportion of their paid-in capitals to the Company as at 12 March 2021. The remaining net assets of the Company as at the base date 31 January 2021 were converted into capital reserve with the amount of RMB130,536,000 at the date of conversion.

(ii) Statutory reserve

In accordance with relevant PRC laws and regulations and the articles of association of subsidiaries of the Group established in the PRC, these subsidiaries were required to set up certain statutory reserves, which were non-distributable, to transfer 10% of their net profit to their respective statutory reserves until the respective reserves reach 50% of the respective registered capital. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of interest-bearing borrowings less cash and cash equivalents, and equity of the Group, comprising paid-in capital/share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

The Group is not subject to externally imposed capital requirements throughout the Track Record Period.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group is not subject to any significant currency risk.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash at bank, contract asset, trade and bills receivables, prepayments, deposits and other receivables and amounts due from related parties. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable are limited because the counterparties are banks and financial institutions with a high credit standing assigned by the management of the Group, to which the Group considers to have low credit risk.

In respect of amounts due from related parties, prepayments, deposits and other receivables, the Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method based on historical settlement records and looking-forward information. Thus except for RMB243,000 of allowance provision provided, no other loss allowance provision for these receivables was recognised during the Track Records Period.

In respect of trade receivables from third parties, the Group measures loss allowances at an amount equal to lifetime ECLs based on historical settlement records and forward-looking information. The Group has a large number of customers and there was no concentration of credit risk. In addition, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group considers that a default event occurs when there is significant decrease in services fee collection rate and estimates the expected credit loss rate for the Track Records Period. Normally, the Group does not obtain collateral from customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables from third parties as at 31 December 2019, 2020 and 2021.

	At 31 December 2019		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
within 1 year	1.28%	22,834	(292)
1-2 years	3.75%	9,645	(362)
2-3 years	7.72%	1,646	(127)
over 3 years	100.00%	931	(931)
		35,056	(1,712)

	At 31 December 2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
within 1 year	1.57%	18,511	(290)
1-2 years	3.75%	12,015	(450)
2-3 years	8.08%	6,012	(486)
over 3 years	100.00%	691	(691)
		37,229	(1,917)

	At 31 December 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
within 1 year	1.65%	64,876	(1,069)
1-2 years	7.30%	6,148	(449)
2-3 years	14.72%	4,974	(732)
over 3 years	100.00%	3,424	(3,424)
		79,422	(5,674)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables from third parties during the Track Record Period is as follows:

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	1,492	1,712	1,917
Impairment loss recognized during the year	220	205	3,757
Balance at 31 December	1,712	1,917	5,674

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the Track Record Period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the Track Record Period) and the earliest date the Group can be required to pay.

	31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 December**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	43,673	–	–	–	43,673	43,673
Accrued expenses and other payables	88,005	–	–	–	88,005	88,005
Amounts due to related parties	3,045	–	–	–	3,045	3,045

	31 December 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	112,863	–	–	–	112,863	110,250
Trade payables	70,532	–	–	–	70,532	70,532
Accrued expenses and other payables	306,620	–	–	–	306,620	306,620
Amounts due to related parties	2,990	–	–	–	2,990	2,990

	31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	137,530	–	–	–	137,530	137,530
Accrued expenses and other payables	125,281	–	–	–	125,281	125,281
Amounts due to related parties	595	–	–	–	595	595
Lease liabilities	884	884	1,768	–	3,536	3,171

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents and interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

(i) Interest rate profile

	At 31 December 2019		At 31 December 2020		At 31 December 2021	
	Effective interest rate %	*RMB'000*	*Effective interest rate %*	*RMB'000*	*Effective interest rate %*	*RMB'000*
Fixed rate financial instruments:						
Amounts due from related parties	5.22%	127,000	5.22%	102,000	–	–
Interest-bearing borrowings		–	5.50%~ 11.00%	(110,250)	–	–
Lease liabilities		–		–	5.45%	(3,171)
		127,000		(8,250)		(3,171)

(d) Fair value measurement

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2019, 2020 and 2021.

27 MATERIAL RELATED PARTY TRANSACTIONS

The material related party transactions entered into by the Group during the Track Record Period and the balances with related parties at the end of each reporting period are set out below.

(a) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period:

Name of related party	Relationship
Qingdao Lushang Land Development Co., Ltd.* (青島魯商置地發展有限公司)	A company controlled by the Controlling Owner
Linyi Lushang Real Estate Co., Ltd.* (臨沂魯商地產有限公司)	A company controlled by the Controlling Owner
Beijing Inzone Hezhi Real Estate Development Co., Ltd.* (北京銀座合智房地產開發有限公司)	A company controlled by the Controlling Owner
Yantai Lushang Real Estate Co., Ltd.* (煙台魯商地產有限公司)	A company controlled by the Controlling Owner
Dongying Inzone Real Estate Development Co., Ltd.* (東營銀座房地產開發有限公司)	A company controlled by the ultimate controlling party
Heze Lushang Real Estate Co., Ltd.* (菏澤魯商置業有限公司)	A company controlled by the Controlling Owner
Jinan Jinyilin Real Estate Development Co., Ltd.* (濟南金藝林房地產開發有限公司)	A company controlled by the ultimate controlling party
Linyi LushangJin Real Estate Co., Ltd.* (臨沂魯商金置業有限公司)	A company controlled by the Controlling Owner
Lushang Real Estate Qingdao Co., Ltd.* (魯商置業青島有限公司)	A company controlled by the Controlling Owner
Qingdao Haijing (International) Hotel Development Co., Ltd.* (青島海景(國際)大酒店發展有限公司)	A company entrusted by the ultimate controlling party
Qingdao Lushang Xifu Real Estate Co., Ltd.* (青島魯商惜福置業有限公司)	A company controlled by the Controlling Owner
Shandong Lushang Real Estate Co., Ltd.* (山東省魯商置業有限公司)	A company controlled by the Controlling Owner
Shandong Lushang Real Estate Co., Ltd. Inzone Ivy Branch* (山東省魯商置業有限公司銀座常春藤項目分公司)	A company controlled by the Controlling Owner
Shandong Inzone Jiuxin Real Estate Development Co., Ltd.* (山東銀座久信房地產開發有限公司)	A company controlled by the ultimate controlling party
Taian Lushang Real Estate Co., Ltd.* (泰安魯商置業有限公司)	A company controlled by the Controlling Owner

Name of related party	Relationship
Zibo Lushang Real Estate Co., Ltd.* (淄博魯商置業有限公司)	A company controlled by the Controlling Owner
Haerbin Lushang Real Estate Co., Ltd.* (哈爾濱魯商置業有限公司)	A company controlled by the Controlling Owner
Jining Lushang Real Estate Co., Ltd.* (濟寧魯商地產有限公司)	A company controlled by the Controlling Owner
Qingdao Lushang Lanan Real Estate Co., Ltd.* (青島魯商藍岸地產有限公司)	A company controlled by the Controlling Owner
Qingdao Lushang Langu Health Industry Co., Ltd.* (青島魯商藍谷健康產業有限公司)	A company controlled by the Controlling Owner
Taian Lushang Real Estate Co., Ltd.* (泰安魯商地產有限公司)	A company controlled by the Controlling Owner
Qingdao Lushang Jinxiu Real Estate Co., Ltd.* (青島魯商錦繡置業有限公司)	A company controlled by the Controlling Owner
Shandong Municipal Service Technician College* (山東省城市服務技師學院)	A company controlled by the ultimate controlling party
Jinan Lumao Real Estate Co., Ltd.* (濟南魯茂置業有限公司)	A company controlled by the Controlling Owner
Zibo Yilin Real Estate Development Co., Ltd.* (淄博藝林房地產開發有限公司)	A company controlled by the ultimate controlling party
Weifang Lushang Real Estate Co., Ltd.* (濰坊魯商置業有限公司)	A company controlled by the Controlling Owner
Qingdao Inzone Real Estate Co., Ltd.* (青島銀座地產有限公司)	A company controlled by the Controlling Owner
Qingdao Inzone Investment & Development Co., Ltd.* (青島銀座投資開發有限公司)	A company controlled by the ultimate controlling party
Qingdao Lushang Real Estate Qingdao Co., Ltd.* (青島魯商置業青島有限公司)	A company controlled by the Controlling Owner
Linyi Lushang Real Estate Co., Ltd.* (臨沂魯商地產有限公司)	A company controlled by the Controlling Owner
Linyi Lushang Real Estate Co., Ltd.* (臨沂魯商置業有限公司)	A company controlled by the Controlling Owner
Qingdao Lvfu Real Estate Development Co., Ltd.* (青島綠富房地產開發有限公司)	A company controlled by the Controlling Owner
Qingdao Lushang Digital Technology Development Co., Ltd.* (青島魯商數字科技發展有限公司)	A company controlled by the Controlling Owner
Qingdao Lushangrunzhi Investment & Development Co., Ltd.* (青島魯商潤置投資開發有限公司)	A company controlled by the Controlling Owner
Linyi Freda Health & Investment Construction Co., Ltd.* (臨沂福瑞達健康投資建設有限公司)	A company controlled by the Controlling Owner
Lushang Jiunvfeng (Taian) Rural Revitalization Co., Ltd.* (魯商九女峰(泰安)鄉村振興有限公司)	A company controlled by the ultimate controlling party

Name of related party	Relationship
Shandong Luxin Real Estate Co., Ltd.* (山東魯新置業有限公司)	A company controlled by the Controlling Owner
Yantai Lushang Jiahui Real Estate Co., Ltd.* (煙台魯商嘉會置業有限公司)	A company controlled by the Controlling Owner
Taishanyou Rural Revitalization Ecotourism Development (Shandong) Co., Ltd.* (泰山佑鄉村振興生態旅遊發展(山東)有限公司)	A company controlled by the ultimate controlling party
Yantai Lumao Real Estate Co., Ltd.* (煙台魯茂置業有限公司)	A company controlled by the Controlling Owner
Jining Ruihe Real Estate Development Co., Ltd.* (濟寧瑞和置業發展有限公司)	A company controlled by the Controlling Owner
Shandong Fuyuan micro-credit Loan Co., Ltd.* (山東富源小額貸款有限公司)	A company controlled by the ultimate controlling party
Shandong Commercial Group Finance Co., Ltd.* (山東省商業集團財務有限公司)	A company controlled by the ultimate controlling party
Shandong Inzone Home Furnishing Co., Ltd. Home Life Plaza* (山東銀座家居有限公司居家生活廣場)	A company controlled by the ultimate controlling party
Lushang Health Industry Development Co., Ltd.* (魯商健康產業發展股份有限公司)	A Controlling Shareholder
Shandong Inzone Automobile Trading Co., Ltd.* (山東銀座汽車貿易有限公司)	A company controlled by the ultimate controlling party
Inzone Group Co., Ltd.* (銀座集團股份有限公司)	A company controlled by the ultimate controlling party
Linyi Juyi Real Estate Co., Ltd.* (臨沂居易置業有限公司)	A company controlled by the ultimate controlling party

* The official names of these entities are in Chinese. The English translation names are for identification purpose only.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	1,060	1,444	2,185
Post-employment benefits	63	16	164
Equity compensation benefits	84	89	112
	1,207	1,549	2,461

Total remuneration is included in "staff costs" (see note 6(b)).

(c) Significant related party transactions

During the Track Record Period, the Group entered into the following transaction with its related parties.

	Years ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Render of services	80,272	129,862	217,696
Purchase of goods and services	5,525	49,677	10,926
Advance payments by related parties	6,056	6,815	8,236
Purchase of property, plant and equipment	13,447	–	32,389
Advances to related parties	82,445	371,217	116,474
Repayments from related parties	18,672	250,879	390,624
Advances from related parties	1,902	1,504	311
Payments to related parties	750	1,559	2,706
Borrowings from related parties	–	90,000	–
Repayment of borrowings to related parties	–	–	90,000
Interest income	4,807	5,640	5,198
Interest expense	–	268	2,200

(d) Balances with related parties

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade related: *(note (a))*			
Trade receivables	48,087	85,070	106,038
Bills receivables	–	1,414	17,101
Contract assets	1,460	4,181	15,576
Trade payables	5,043	5,646	2,811
Contract liabilities	6,044	7,841	1,992
Payables for purchase of property, plant and equipment	–	–	12
Lease liabilities	–	–	3,171
Non-trade related:			
Interest-bearing borrowings *(note (b))*	–	90,000	–
Cash and cash equivalents *(note (c))*	40,391	48,729	201,870
Amounts due from related parties: (note (d))			
The immediate ultimate parent *(note (d)(1))*	163,105	108,987	591
Fellow subsidiaries *(note (d)(2))*	2,684	182,055	1,526
Amounts due to related parties: (note (e))			
The immediate ultimate parent	415	1,004	–
Fellow subsidiaries	2,630	1,986	595

(a) The trade related balances with the related parties arose from the sales or purchase of goods or services with the related parties.

(b) The balance of interest-bearing borrowings represents the loans borrowed from Shandong Fuyuan Micro-credit Loan Co., Ltd., a company controlled by the ultimate controlling party of the Group.

(c) The balance of cash and cash equivalents represents deposits placed with Shandong Commercial Group Finance Co., Ltd., a financial institution controlled by the ultimate controlling party of the Group.

(d) The amounts due from related parties of the Group are non-trade in nature, unsecured, interest-free and with no fixed terms of repayment, except for the following:

(1) The balances of amounts due from the immediate parent of the Group as at 31 December 2019 included the amounts of RMB127,000,000 which bear interest rate of 5.22% per annum.

(2) The balances of amounts due from the fellow subsidiaries of the Group as at 31 December 2020 included the amounts of RMB102,000,000 which bear interest rate of 5.22% per annum.

The related parties have undertaken to repay these amounts due to the Group prior to the [**REDACTED**] of the Company's shares on the Stock Exchange.

(e) The amounts due to related parties of the Group are non-trade in nature, unsecured and interest-free with no fixed terms of repayment.

The directors of the Company have undertaken that the Group will settle these balances with related parties prior to the [**REDACTED**] of the Company's shares on the Stock Exchange.

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, the directors consider the immediate parent and ultimate controlling party of the Group to be Lushang Development and Shandong Commercial Group, respectively.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2021

Up to date of this report, the IASB has issued a number of amendments, and a new standards, IFRS 17, *Insurance contracts*, which are not yet effective for the accounting period beginning on 1 January 2021 and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
IFRS 17, *Insurance contracts* Basis for conclusions on IFRS 17 Illustrative examples on IFRS 17 Amendments to IFRS 17	1 January 2023
Amendments to IAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined at a future date
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	To be determined at a future date

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of these amendments, new standards and interpretations are unlikely to have a significant impact.

30 Subsequent events after the reporting period

There is no significant non-adjusting event after the Relevant Periods.

Subsequent financial statements

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2021.

The following information does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this document and the historical financial information included in the Accountants' Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 31 December 2021 as if the [**REDACTED**] had taken place on 31 December 2021.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [**REDACTED**] been completed as at 31 December 2021 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2021(1)	Estimated net [REDACTED] from the [REDACTED](2)(4)	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$(4)*
Based on an [REDACTED] **of HK$**[REDACTED] **per H Share**.	297,071	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] **of HK$**[REDACTED] **per H Share**.	297,071	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2021 is arrived after deducting intangible assets of RMB1,806,000 from the consolidated total equity attributable to equity shareholders of the Company as at 31 December 2021 of RMB298,877,000, which is extracted from the Accountants' Report set out in Appendix I to this Document.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are calculated based on the indicative [**REDACTED**] of HK$[**REDACTED**] per H Share (being the minimum [**REDACTED**]) and HK$[**REDACTED**] per H Share (being the maximum [**REDACTED**]) and [**REDACTED**] H Shares to be issued under the [**REDACTED**] (excluding the [**REDACTED**] expenses charged to profit or loss during the Track Record Period), after deduction of the [**REDACTED**] fees and other related expenses paid or payable by the Group, and does not take into account any H Shares which may be issued upon the exercise of the [**REDACTED**].

(3) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per H Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company by [**REDACTED**] Shares, being the number of Shares expected to be in issue immediately following the completion of the [**REDACTED**], and does not take into account any H Shares which may be issued upon the exercise of the [**REDACTED**].

(4) The estimated [**REDACTED**] from the [**REDACTED**] and the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share are converted from or to Hong Kong dollar at an exchange rate of RMB0.8176 to HK$1.0000 prevailing on 31 December 2021. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate.

(5) No adjustment has been made to the pro forma adjusted net tangible assets to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2021.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

The following is the text of a letter and a valuation report prepared for the purpose of incorporation in this document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests held by Lushang Life Services Co., Ltd as at 30 April 2022.

CUSHMAN & WAKEFIELD
戴德梁行

27th Floor
One Island East
18 Westlands Road
Quarry Bay
Hong Kong

[**REDACTED**]

The Directors
Lushang Life Services Co., Ltd
Room 202, Block 2, Lushang Guoao City
No. 9777 Jingshi Road
Lixia District,
Jinan
Shandong Province
The PRC

Dear Sirs,

Instructions, Purpose & Valuation Date

We refer to the instruction of Lushang Life Services Co., Ltd (the "**Company**") for Cushman & Wakefield Limited ("**C&W**") to prepare a market valuation of the property in which the Company and/or its subsidiaries (together referred to as the "**Group**") have interests in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the value of the property as at 30 April 2022 (the 'valuation date').

Valuation Basis

Our valuation of the property represents its market value which in accordance with The HKIS Valuation Standards 2020 issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuation is undertaken in accordance with The HKIS Valuation Standards 2020 issued by The Hong Kong Institute of Surveyors.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by the Stock Exchange of the Hong Kong Limited.

Our valuation of the property is on an entirety interest basis.

Valuation Assumptions

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the property, we have assumed that transferable land use rights in respect of the property for its respective specific term at nominal annual land use fees has been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Company regarding the title to the property and the interest in the property.

In valuing the property, we have assumed that the owner of the property has enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the unexpired term as granted.

We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning and other relevant regulations and have been approved by the relevant authorities.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Method of Valuation

In valuing the property in the PRC, we have used Market Comparison Method assuming sale of the property in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market. Given that such property is car parking space, comparable sales transactions are frequent and information about such sales is readily available. We have therefore used Market Comparison Method which is in line with the market practice.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal adviser, Commerce & Finance Law Offices regarding the titles to the property and the interests of the Group in the property. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenures, identification of land and buildings, particulars of occupancy, site and floor areas, site and floor plans, completion date of buildings, number of parking spaces, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information provided to us.

Title Investigation

We have been provided with copies of the title documents relating to the property but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the property in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the property.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal adviser, Commerce & Finance Law Offices, in respect of the titles to the property in the PRC.

Site Inspection

Ms. Hermione Hao (Manager) of our Qingdao Office inspected the exterior and, where possible, the interior of the property on 6 June 2022. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property is free of not, infestation or other structural defects. No test was carried out on any of the services. Our valuation is prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

Confirmation of Independence

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Market Volatility

The outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the property is valid only at the valuation date and any subsequent changes in market conditions as well as the resulting impacts on property values after the valuation date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that the property value may or may not have changed since the valuation date.

Intended Use and User of Report

This valuation report is issued for the use of the Company for incorporation into its [**REDACTED**] document.

Currency

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi ("**RMB**"), the official currency of the PRC.

We enclose herewith our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited

Grace S.M. Lam
MRICS, MHKIS, RPS(GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Grace S.M. Lam is a member of a Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyor and a Registered Professional Surveyor (General Practice). Ms. Lam has over 25 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and skills and understanding to undertake the valuation competently.

VALUATION REPORT

Property held by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2022
Basement Carparks, Yin Zuo Jing Du International Plaza No. 66 Shun He Dong Street, Shizhong District, Jinan, Shandong Province, the PRC	The property comprises 59 car parking spaces on basement level 1 and 335 civil defence car parking spaces on basement level 2 of a residential development completed in 2008. The property is located in the centre of Jinan. Developments nearby are mainly residential and office in nature. According to the information provided by the Group, the property is for car parking use. The property is held with land use rights for a term due to expire on 22 August 2054 for residential use.	As at the valuation date, the property was vacant.	RMB7,100,000 (RENMINBI SEVEN MILLION AND ONE HUNDRED THOUSAND)

Notes:–

(1) According to the PRC legal opinion prepared by the Group's PRC legal adviser, Lushang Life Services Co., Ltd does not have unfettered rights to assign or transfer the real estate title of those 335 civil defence car parking spaces on basement level 2. Civil defence car parking spaces in the PRC are subject to the use by the public at no cost during war times. As the Group does not have unfettered rights in such portion of property, we have ascribed no commercial value for civil defence car parking spaces. For the Group's management reference, had the relevant proper and unfettered title document been obtained without encumbrances and the land premium been fully settled, the market value of such car parking spaces would be RMB35,800,000 (RENMINBI THIRTY FIVE MILLION EIGHT HUNDRED THOUSAND).

(2) According to 59 Real Estate Title Certificates, the real estate title of 59 car parking spaces on basement level 1 of the property has been vested in Lushang Life Services Co., Ltd.

(3) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

 (a) For 59 car parking spaces on basement level 1 that the Real Estate Title Certificates have been obtained, Lushang Life Services Co., Ltd has the right to occupy, use, transfer, lease, mortgage or dispose of such portions of property in accordance with the PRC laws; and

 (b) For 335 civil defence car parking spaces on basement level 2, Lushang Life Services Co., Ltd does not have the right to assign or transfer the real estate title of such portions of property. However, Lushang Life Services Co., Ltd may use the car parking spaces and is entitled to the income generated from such car parking spaces in accordance with the PRC laws.

(4) In valuing the property, we have assumed RMB120,000 per lot for the car park with real estate title.

(5) In undertaking our valuation of the property, we have made reference to various recent sales prices of car parking spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. The price of car parking space ranges from about RMB95,000 to RMB120,000 per lot. The unit rates assumed by us are consistent with the relevant comparables after due adjustments. Due adjustments to the unit rates of those sales transactions have been made to reflect these factors including but not limited to age and location in arriving at the key assumptions.

PRC LAWS AND REGULATIONS RELATING TO TAXES

Income Tax

Pursuant to the EIT Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC on March 16, 2007 and came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation Regulations of EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008 and was amended on April 23, 2019, the income tax rate of 25% applies to all companies in the PRC.

Enterprises are classified as either resident enterprises or non-resident enterprises. An enterprise that is established in China in accordance with PRC laws, or that is established in accordance with the law of a foreign country (region) but whose "de facto management bodies" are inside China is resident enterprise, which is subject to enterprise income tax at the rate of 25% on their global income. The Implementation Regulations of EIT Law defines the term "de facto management bodies" as "bodies that conduct substantial and all-round management and control with respect to the production, operations, personnel, finance, property, etc. of the enterprise."

An enterprise that is established according to the law of a foreign country (region) and whose "de facto management bodies" are not in China, but which has established institutions or premises in China or which has not established institutions or premises in China but has income earned in China is non-resident enterprise. According to the Implementation Regulations of EIT Law, non-resident enterprises which have not established institutions or premises in China or which have established institutions in China but whose incomes have no actual connection to its institution or establishment inside China shall be subject to a reduced enterprise income tax rate of 10% on incomes derived from China.

Income Tax relating to Dividend Distribution

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) and relevant protocols, which was promulgated by SAT on August 21, 2006 and came into effect on December 8, 2006, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong company if such Hong Kong company directly holds at least 25% of the equity interests in the PRC company, otherwise the 10% withholding tax rate applies.

Pursuant to Notice of the SAT on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(國稅發[2009]81號)), which was promulgated and became effective on February 20, 2009, to enjoy the treatment under the tax agreement, the fiscal resident of the other contracting party shall meet all of the following requirements (i) the fiscal resident of the other contracting party shall be limited to a company; (ii) both the proportion of all ownership interest and the proportion of all voting shares in the Chinese resident company of the fiscal resident of the other contracting party shall meet the prescribed proportions; and (iii) the proportion of capital of the Chinese resident company directly owned by the fiscal resident of the other contracting party shall meet the proportion prescribed in the tax agreement at any time during 12 consecutive months before dividends are obtained.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the SAT on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers are entitled to preferential treatment under the tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and subject to subsequent administration by tax authorities.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, February 6, 2016, and November 19, 2017, organisations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of Value-added Tax. The tax rate for taxpayers engaging in sale of services and intangible assets shall be 6% unless otherwise stipulated.

Pursuant to the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號)), which was issued by the MOF and the SAT on March 23, 2016 and came into effect on May 1, 2016, the state started to fully implement the pilot change from business tax to value-added tax on May 1, 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

Pursuant to the Announcement of the MOF, the SAT and the General Administration of Customs on Policies for Deepening the VAT Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), which was promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019, and came into force as on April 1, 2019, the VAT rates were further adjusted, including for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rates shall be adjusted to 13% or 9% respectively. Furthermore, from April 1, 2019 to December 31, 2021, a taxpayer engaged in production or livelihood services is allowed to have a 10% weighted deduction of creditable input VAT in the current period from the tax amount payable.

In addition, the MOF and the SAT promulgated the Announcement on Clarifying the VAT Exemption Policy for Small-scale VAT Taxpayers (《關於明確增值稅小規模納稅人免徵增值稅政策的公告》) on March 31, 2021, which provides that from April 1, 2021 to December 31, 2022, small-scale VAT taxpayers with monthly sales of less than RMB150,000 (inclusive) are exempt from VAT.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例), which was promulgated by the State Council on August 6, 1988, came into effect on October 1, 1988, and was amended on January 8, 2011 and the Implementation Provisions of Provisional Regulations of the PRC on Duty (中華人民共和國印花稅暫行條例施行細則), which was promulgated by the MOF on September 29, 1988, came into effect on October 1, 1988), PRC stamp duty only applies to the listed documents written and received in China, which are legally valid in China and protected by Chinese laws.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE CONTROL

Pursuant to the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council of on January 29, 1996 and came into effect since April 1, 1996 and was amended on January 14, 1997 and August 5, 2008, the PRC imposes no restrictions on regular international payments and transfers, such as trade and service-related foreign exchange transactions and dividend payments, but it shall be based on true and legitimate transactions and financial institutions engaging in conversion and sale of foreign currencies shall carry out reasonable examination, and the foreign exchange control authorities shall have the right to carry out supervision and inspection.

For capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans, shall be conducted upon the prior approval by or registration/filing with the administration of foreign exchange unless otherwise stipulated.

The Regulations on the Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which were promulgated by the PBOC on June 20, 1996 and came into effect on July 1, 1996, foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

Pursuant to the Circular on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (《國家外匯管理局關於境外上市外匯管理有關問題的通知》(匯發[2014]54號)), which was promulgated and implemented by the SAFE on December 26, 2014, a company limited by shares registered in the PRC shall, within 15 working days after the completion of the overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. After overseas listing, a domestic shareholder intending to increase or reduce his shares of overseas listed companies shall register his shareholding with Foreign Exchange Bureau at the place where he resides within 20 working days before the increase and reduction of shares with related materials in accordance with relevant regulations. The proceeds raised from overseas listing can be repatriated to the PRC or deposited overseas, and the usage of such proceeds shall be consistent with the relevant contents set out in the document and other publicly disclosed documents.

Pursuant to the Notice of SAFE on Reforming and Regulating the policies for the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》(Hui Fa [2016] No. 16)), which was issued by the SAFE on June 9, 2016 and came into effect on the same day, the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, external debts, proceeds repatriated from overseas listing, etc.) entitled to discretionary settlement according to relevant policies, shall be conducted in the banks as actually needed for business operation. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The discretionary exchange settlement ratio of foreign exchange receipts under the capital account of domestic entities is tentatively set as 100%. The SAFE may adjust the above ratio in due course in accordance with the balance of payment status.

Pursuant to the Notice of the SAFE on Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was promulgated by the SAFE on October 23, 2019, non-investment foreign-invested enterprises are permitted to use their capital funds to make equity investments in the PRC, provided that such investments do not violate the Special Administrative Measures for the Access of Foreign Investment (Negative List) (外商投資准入特別管理措施(負面清單)) and the target investment projects in the PRC are genuine and in compliance with laws.

1. PRC LAWS AND REGULATIONS

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, see "Regulatory Overview".

PRC Legal System

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "**Legislation Law**"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of the comparatively larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC Judicial System

Under the Constitution and the PRC Law on the Organization of the People's Courts (《中華人民共和國法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other courts as needed such as the intellectual property division.

The higher people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment or an order which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**"), which was adopted in 1991 and amended in 2007, 2012 and 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the

Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a party fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

The PRC Company Law, Special Regulations and Mandatory Provisions

A joint stock limited company which was incorporated in the PRC and seeking a [**REDACTED**] on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- The PRC Company Law which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018 respectively and the latest revision of which came into effect on October 26, 2018;

- The Special Regulations of the State Council on Share Offering and Listing Overseas by Joint-Stock Limited Liability Companies (the "**Special Regulations**") which was promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the PRC Company Law in force at that time, and was applicable to the overseas share subscription and listing of joint stock limited companies; and

- The Mandatory Provisions of Articles of Association of Companies Listing Overseas (the "**Mandatory Provisions**") which was issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, stating the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled "Appendix VI—Summary of Articles of Association" in this document.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

General Matters

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A state-owned enterprise ("**SOE**") that is reorganized into a joint stock limited company shall comply with the conditions and requirements specified by laws and administrative regulations for the modification of its operation mechanisms, the disposal and valuation of the company's assets and liabilities and the establishment of internal management organizations.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

According to the Securities Law of the PRC (《中華人民共和國證券法》) (the "**PRC Securities Law**"), any application for the listing of securities shall be filed with a stock exchange and shall be subject to the examination and approval of the stock exchange in accordance with the law, and a listing agreement shall be executed by both parties. Any company that applies for the listing of securities shall fulfill the listing requirements prescribed in the listing rules of the stock exchange.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on this document to ensure that this document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed overseas are known as overseas listed and foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the China Securities Regulatory Commission (the "**CSRC**"). Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed and foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares proposed to be issued outside the underwritten amount.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year from the date of listing. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "**overseas listed and foreign invested shares**". Shares issued to investors within the PRC by joint stock limited companies, which also offer shares being listed overseas to foreign investors, are known as "**domestic shares**". Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares proposed to be issued outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall also be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end dates of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authority of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction of registered capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the department of market regulation for the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) to convert corporate bonds issued by a listed company that can be converted into stocks; or (vi) be necessary for a listed company to maintain its corporate value and shareholders' equity.

Any company's purchase of its own shares for any reason specified in the case of (i) and (ii) above shall be subject to a resolution of the general meeting; any company's purchase of its own shares for any reason specified in the case of (iii), (v) and (vi) may be subject to a resolution of the board meeting with more than two thirds of directors present, according to the provisions of the articles of associations or upon authorization by the general meeting. The company who purchases its own shares shall, in the case of (i) above, cancel the relevant shares within 10 days of the purchase, or in the case of (ii) or (iv) above, transfer or cancel the relevant shares within 6 months of the purchase, or in the case of (iii), (v) or (vi) above, hold a total number of its own shares not more than 10% of the total shares issued by the company and transfer or cancel the relevant shares within 3 years of the purchase. Any purchase of its own shares by a listed company in the case of (iii), (v) or (vi) above shall be made by way of a public centralized trading.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established stock exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;

- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;

- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;

- the right to receive dividends and other types of interest distributed in proportion to the number of shares held; in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and

- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;

- when shareholders alone or in aggregate holding more than 10% of the company's shares request the convening of an extraordinary general meeting;

- whenever the board of directors deems necessary;

- when the board of supervisors so requests; or

- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Under the PRC Company Law, where the company convenes shareholder's general meeting, shareholders alone or in aggregate holding more than 3% of the shares of the company have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) the amendments to the articles of association; (ii) the increase or reduction of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;

- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to make decisions on the establishment of the company's internal management departments;
- to make decisions on the appointment or dismissal of the company's manager and his remuneration, and, according to the nomination by the manager, make decisions on the appointment or dismissal of any deputy manager and financial principal and their remunerations;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence; a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum. The board of supervisors exercises the following powers:

- to review the company's financial position;

- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or the resolutions of shareholders' general meeting;

- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;

- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;

- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the production and business operations of the company and arrange for the implementation of resolutions of the board of directors;
- to organize the implementation of the company's annual business plans and investment proposals;
- to draw up plans on the establishment of the company's internal management departments;
- to draw up the general administration system of the company;
- to formulate the company's detailed rules; to recommend the appointment and dismissal of deputy managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to exercise other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his powers. The manager shall attend board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriating the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' meeting, shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' meeting or shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accepting and possessing commissions paid by a third party for transactions conducted with the company; unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company that has offered its shares to the public shall publicize its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund. The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Dismissal of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the shareholders' meeting, shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after being approved by the company's approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved according to laws; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' meeting, shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance with the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' meeting, shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

Suspension and Termination of Listing

The PRC Company Law has deleted provisions governing suspension and termination of listing. According to the PRC Securities Law, where listed securities fall under the circumstances subject to termination of listing as prescribed by a stock exchange, the stock exchange shall terminate the listing of such securities in accordance with the business rules. Where a stock exchange decides to terminate the listing of any securities, it shall announce its decision in a timely manner and report it to the securities regulatory authority of the State Council for record.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

Securities Law and Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deal with the application and approval procedures for public offerings of equity securities, trading in equity securities, acquisition of listed companies, deposit, clearing and transfer of listed equity securities, disclosure of information with respect to a listed company, investigation, penalties and dispute settlement. On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that any domestic enterprise that seeks to issue securities abroad either directly or indirectly or that lists its securities to be traded abroad shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was revised on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) ("**CIETAC**") in accordance with its rules or the Hong Kong International Arbitration center ("**HKIAC**") in accordance with its Securities Arbitration Rules (the "**Securities Arbitration Rules**"). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of

CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. CIETAC is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin, Chongqing and Hong Kong.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial Judgment and Its Enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可執行當事人協議管轄的民事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "**Choice of court agreement in written**" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

2. SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong laws applicable to a company incorporated in Hong Kong are the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance and are supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a [**REDACTED**] of shares on the Stock Exchange, our Company is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Companies Ordinance applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Incorporation of Corporate

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription. The newly amended PRC Company Law which came into effect on October 26, 2018, has no provisions on minimum registered capital of joint stock companies, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock companies, in which case the company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

The Hong Kong company law does not provide for authorized share capital. The share capital of a company incorporated in Hong Kong would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes the company's share capital. The directors of a company incorporated in Hong Kong may, with the prior approval of the shareholders if required, issue new shares of the company.

The PRC Company Law provides that any increase in our Company's registered capital must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). If capital contribution is made other than in cash, valuation and verification of the assets contributed must be carried out and converted into shares according to the laws. Non-monetary assets used for capital contributions shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail. There is no such restriction on a company incorporated in Hong Kong under Hong Kong Law.

Restrictions on Shareholding and Transfer of Shares

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares issued prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares transferred each year by the directors, supervisors and senior management of a joint stock limited company during their respective term of office shall not exceed 25% of the total shares they hold in the company, and the shares they hold in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after such person leave office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our Controlling Shareholders to the Stock Exchange.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contains special restriction provisions on a company and its subsidiaries on providing aforesaid financial assistance similar to those under the Companies Ordinance.

Variation of Class Rights

The PRC Company Law has no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate separate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. The relevant provisions have been incorporated in the Articles of Association, summary of which is set out in "Appendix VI—Summary of Articles of Association" to this document.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Listing Rules and the Mandatory Provisions, our Company has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) where the Company issues domestic shares and overseas listed shares, upon approval by a special resolution of the general meeting, either separately or concurrently once every 12 months, and the quantity of domestic shares and overseas listed shares intended to be issued does not exceed 20% of the outstanding shares of the respective classes; (ii) where the Company's plan to issue domestic shares and overseas listed shares upon its incorporation is implemented within 15 months from the date of approval by the securities regulatory authority under the State Council; (iii) where, as approved by the securities regulatory authority under the State Council, holders of domestic unlisted shares of the Company transfer all or part of their shares to overseas investors and list and trade the said shares on an overseas stock exchanges, or the Company converts all or part of its issued unlisted shares into overseas listed shares.

Directors, Senior Management and Supervisors

The PRC Company Law, unlike Companies Ordinance, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on interested contracts and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of board of supervisors. There is no mandatory requirement for the establishment of board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provides that each supervisor owes a duty, in the exercise of his or her powers, to act in good faith and honestly in what he or she considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their obligations and cause damages to a company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their obligations and cause damages to the company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of aforesaid written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days from the date of receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The Mandatory Provisions also provides further remedies against the directors, supervisors and senior management who breach their duties to the company.

Protection of Minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his or her interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

The PRC Company Law provides that, a company which encounters substantial operational or management difficulties, and its continuance will cause significant loss to the interests of its shareholders and the situation cannot be resolved by other means, shareholders of the company who hold more than ten percent of the voting rights of all shareholders may apply to a people's court for the dissolution of the company.

The Mandatory Provisions, however, provides that except as required by laws and regulations or the Listing Rules a controlling shareholder shall not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his or her duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting and an interim general meeting must be given to shareholders no less than 20 days and 15 days before the date of such meeting, respectively. For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for Shareholders' General Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member.

The PRC Company Law does not specify the quorum for a shareholders' general meeting.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting.

Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights held by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights held by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly issued must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Mandatory Provisions, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of companies incorporated in Hong Kong under Hong Kong law.

The Mandatory Provisions requires that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared in accordance with international accounting standards or accounting standards of the overseas listing place, and such financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP. The lower of the after-tax profits stated in the abovementioned two kinds of financial statements shall prevail in the allocation of after-tax profits for the accounting year. The company shall publish its financial reports twice in each accounting year. An interim financial report shall be published within 60 days after the end of the first six months of each accounting year, while an annual financial report shall be published within 120 days after the end of each accounting year.

The Special Regulations requires that there should not be any contradiction between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared become liabilities payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC laws this limitation period is three years. The Mandatory Provisions requires the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of overseas listed foreign shares dividends declared and all other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. Under the PRC laws, merger, division, dissolution or change the form of a joint stock limited company has to be approved by shareholders at the shareholders' general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts. The Mandatory Provisions provides that such disputes should be submitted to arbitration at either the Hong Kong International Arbitration Centre or the China International Economic and Trade Arbitration Commission, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited company is required to contribute 10% of the profit into their statutory reserve funds upon distribution of their post-tax profits of the current year. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his or her duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The Company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC laws on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors and senior management should be loyal and diligent. Under the Mandatory Provisions, directors, supervisors and senior management are not permitted, without the knowledge and approval of the shareholders' general meeting, to engage in any activities which compete with the interests of the company.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions and the Listing Rules.

This appendix contains a summary of the main provisions of the Articles of Association of the Company adopted on May 31, 2021, which will take effect from the date of [**REDACTED**] of H shares on the Hong Kong Stock Exchange. The main purpose of this appendix is to provide potential investors with an overview of the Articles of Association of the Company, so it may not contain all the information that is important to potential investors.

1. SHARES AND REGISTERED CAPITAL

The shares of the Company shall be issued in the form of share certificates. The Company shall issue ordinary shares. With the approval from authorities authorized by the State Council, the Company may issue other classes of shares when needed.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall enjoy the same rights.

All shares of the same class issued at the same time shall be issued under the same conditions and at the same price; the same price shall be paid for each share subscribed for by any entities or individuals.

All the shares issued by the Company shall have a nominal value, with each share having a nominal value of RMB1.00.

2. INCREASE, REDUCTION AND REPURCHASE OF SHARES

(1) Increase of Capital

The Company may, based on its business and development needs and in accordance with the laws, administrative regulations, normative documents, departmental rules, listing rules of the places where the shares of the Company are listed and the Articles of Association, increase its capital in the following manners upon resolutions being adopted by the general meetings:

(I) by public offering of shares;

(II) by non-public offering of shares;

(III) by placing shares to its existing shareholders;

(IV) by distributing bonus shares to its existing shareholders;

(V) by capitalizing its capital common reserve;

(VI) by other means required by the laws, administrative regulations and approved by competent authorities of the government.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated in the laws, administrative regulations, departmental rules, normative documents and the requirements of the listing rules of the places where the shares of the Company are listed.

(2) Reduction of Capital

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law, other relevant regulations and the Articles of Association.

In the event of reduction of registered capital, the Company shall prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within ten days of adopting the resolution to reduce its registered capital and shall publish an announcement, within thirty days, in the newspaper which shall be recognized by relevant regulatory authorities of the places where the Company's shares are listed and on the websites of the Company and relevant stock exchanges based on the requirements of the places where the Company's shares are listed. A creditor shall have the right within thirty days from the receipt of a written notice or, for those who have not received a written notice, within forty-five days from the date of the public announcement, to require the Company to repay its debts or to provide a corresponding guarantee of repayment for such debts.

(3) Repurchase of Shares

In the following circumstances, provided that the laws and regulations, the listing rules of the places where the shares of the Company are listed and the Articles of Association are not violated, the Company may repurchase its issued shares in accordance with the procedures provided in the Articles of Association, and subject to the approval of the competent authorities of the State:

(I) to reduce the registered capital of the Company by cancelling shares;

(II) to merge with other companies which own shares in the Company;

(III) to utilize its shares in employee stock ownership plans or share incentive;

(IV) where the shareholders, who disagree with the resolution in relation to merger or division of the Company made at the general meeting, require the Company to repurchase the shares held by such shareholders;

(V) to utilize its shares to satisfy the conversion of convertible bonds issued by the Company;

(VI) to safeguard the value of the Company and the interests of the shareholders when necessary;

(VII) other circumstances permitted by the laws, administrative regulations, departmental rules, normative documents, the listing rules of the places where the shares of the Company are listed and other relevant regulations.

The Company shall not acquire its own shares unless provided in the aforesaid circumstances. In the event that the Company repurchases its own shares according to this paragraph, the procedure, proportion and method of repurchase and disposal of repurchased shares shall be in compliance with the requirements of relevant laws, administrative regulations and the listing rules of the places where the shares of the Company are listed.

Unless the Company is in the process of liquidation, the repurchase of issued shares by the Company shall be subject to the following provisions:

(I) If the shares are repurchased at their nominal value, payment shall be deducted from the balance of the distributable profits in the books of the Company and from the proceeds of fresh issue of new shares for the purpose of repurchase of issued shares;

(II) If the shares are repurchased at a premium, payment up to the nominal value shall be deducted from the balance of the distributable profits in the books of the Company and from the proceeds of fresh issue of new shares for the purpose of such repurchase. Payment of the portion in excess of the nominal value shall be effected in the following manner:

(1) if the repurchased shares were issued at nominal value, payment shall be deducted from the balance of distributable profits in the books of the Company;

(2) if the repurchased shares were issued at a premium, payment shall be deducted from the balance of distributable profits in the books of the Company and from the proceeds of fresh issue of new shares for the purpose of share repurchase, provided that the amount paid out of the proceeds of fresh issue of new shares shall not exceed the aggregate of premium received on the issue of the shares repurchased, nor the amount of capital surplus reserve fund account of the Company at the time of such repurchase (including the amount of the premium received on the fresh issue of new shares);

(III) The payment for the following shall be made out of the distributable profits of the Company:

(1) acquisition of the rights to repurchase its shares;

(2) modification of any contract of the repurchase of its shares;

(3) release from any of its obligations under the repurchase contract.

(IV) After the registered capital of the Company has been reduced by the total nominal amount of the shares so cancelled pursuant to relevant provisions, the amount which has been deducted from the distributable profits and used for repurchasing the nominal value of the shares shall be credited to the capital reserve fund account of the Company.

Where the laws, administrative regulations, departmental rules, normative documents and relevant provisions of the securities regulatory authority at the places where the shares of the Company are listed have any other provisions in respect of the financial arrangement relating to the aforesaid share repurchase, such provisions shall prevail.

3. TRANSFER OF SHARES

The shares of the Company held by the promoters shall not be transferred within one year after the incorporation of the Company. The shares issued before the Company's public offering of shares shall not be transferred within one year from the date when the Company's shares are listed and traded on the stock exchange.

The Directors, Supervisors and senior management of the Company shall report to the Company their shareholdings and changes thereof and shall not transfer more than 25 percent of the total number of their shares in the Company per annum during their terms of office. These shares of the Company held thereby shall not be transferred within one year from the date when the Company's shares are listed and traded on the stock exchange. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.

4. FINANCIAL ASSISTANCE FOR THE PURCHASE OF THE SHARES OF THE COMPANY

The Company or its subsidiaries (including the subsidiary enterprises of the Company) shall not, by any means and at any time, provide any financial assistance to purchasers or potential purchasers of the Company's shares. The aforesaid purchasers include persons directly or indirectly undertaking obligations due to purchase of the Company's shares.

The Company or its subsidiaries (including the subsidiary enterprises of the Company) shall not, by any means and at any time, provide any financial assistance to the aforesaid obligors for the purpose of reducing or discharging their obligations.

"Financial assistance" shall include but not limited to the assistance in the following means:

(I) gift;

(II) guarantee (including the undertaking of liability or provisions of property by the guarantor in order to guarantee the performance of the obligation by the obligor), indemnity (excluding, however, indemnity arising from the Company's own fault), termination or waiver of rights;

(III) provision of a loan or signing of a contract under which the obligations of the Company are to be fulfilled prior to the fulfillment of the obligations of the other party to the contract, and a change in the party to such loan or contract as well as the assignment of rights under such loan or contract;

(IV) financial assistance in any other form provided by the Company when the Company is insolvent or has no net assets or when such assistance would lead to a significant reduction in the Company's net assets.

The "undertaking of obligations" shall include the undertaking of an obligation by the obligor by entering into a contract or making an arrangement (irrespective of whether or not such contract or arrangement is enforceable and irrespective of whether or not such obligation is assumed by the obligor individually or jointly with any other person), or by changing the obligor's financial position in any other way.

5. SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS

(1) Share Certificates

The share certificates of the Company shall be in registered form.

In addition to the particulars provided for in the Company Law, the share certificates of the Company shall clearly state such other particulars as required by the stock exchange(s) on which the Company's shares are listed.

The share certificates shall be signed by the chairman of the Board. Where the signatures of the general manager or other senior management of the Company are required by the securities regulatory authorities or the stock exchange(s) where the Company's shares are listed, the share certificates shall also be signed by the general manager or such other senior management. The share certificates shall become valid after the Company's seal is affixed thereto or imprinted thereon. The affixing of the Company's seal to the share certificates shall be authorized by the Board. The signature of the chairman of the Board, the general manager or such other senior management on the share certificates may also be in printed form.

In case of paperless issuance and trading of the shares of the Company, provisions otherwise provided by the securities regulatory authorities or the stock exchange(s) where the Company's shares are listed shall apply.

(2) Register of Shareholders

The Company shall establish a register of shareholders in accordance with certificates from the share registrar, and shall register therein the following particulars:

(I) the name, address (domicile), and occupation or nature of each shareholder;

(II) the class and number of shares held by each shareholder;

(III) the amount paid or payable for the shares held by each shareholder;

(IV) the serial number of the share certificate held by each shareholder;

(V) the date on which each shareholder is registered as a shareholder;

(VI) the date on which each shareholder ceases to be a shareholder.

The register of shareholders is a sufficient evidence of the shareholders' shareholdings in the Company unless there is evidence to the contrary.

The Company may keep overseas the register of shareholders of overseas-listed foreign shares and entrust the administration thereof to an overseas agent in accordance with the understandings and agreements reached between the securities regulatory authority and the overseas securities regulatory authorities. The original register of shareholders of H shares listed on the Hong Kong Stock Exchange shall be kept in Hong Kong.

The Company shall keep at its domicile a copy of the register of shareholders of overseas-listed foreign shares. The entrusted overseas agent shall always ensure that the original and copies of the register of shareholders of overseas-listed foreign shares are consistent.

Where the original and copies of the register of shareholders of overseas-listed foreign shares are inconsistent, the original shall prevail.

The Company shall maintain a complete register of shareholders. The register of shareholders shall include the following parts:

(I) the register of shareholders kept at the Company's domicile other than those specified in items (II) and (III) of this paragraph;

(II) the register of holders of overseas-listed foreign shares of the Company kept in the place(s) of the overseas stock exchange(s) where the shares are listed;

(III) the register of shareholders kept in other places as the Board may decide and consider necessary for the purpose of listing of the Company's shares.

The various parts of the register of shareholders shall not overlap with each another. The transfer of shares registered in a certain part of the register of shareholders shall not, during the continuance of the registration of such shares, be registered in any other part of the register.

Changes and corrections to each part of the register of shareholders shall be carried out in accordance with the laws of the places where that part of the register of shareholders is kept.

If any provisions of the applicable laws, regulations and the Hong Kong Listing Rules require a period of closure of the register of shareholders prior to the date of a general meeting or before the record date for the Company's determining the distribution of dividends, such provisions shall apply.

When the Company convenes a general meeting, distributes dividends, commences liquidation or participates in other activities requiring the identification of shareholders, the Board or the convener of the general meeting shall decide the record date. The shareholders whose names registered on the register of shareholders at the close of trading on the record date shall be entitled to the relevant shareholders rights.

If any person objects to the register of shareholders and requests to have his name recorded in or deleted from the register of shareholders, such person may apply to the court with jurisdiction for correcting the register of shareholders.

If any shareholder in the register of shareholders or any person requesting to have his name recorded in the register of shareholders loses his share certificates, such shareholder or person may apply to the Company for issuing replacement certificates in respect of the shares held by him.

The Company shall not be liable for any damages suffered by any person arising from the cancellation of the original share certificates or the issuance of a new replacement share certificate, unless the claimant can prove that the Company has committed a fraudulent act.

6. RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

A shareholder of the Company is a person who lawfully holds shares of the Company and has his name recorded in the register of shareholders.

A shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class and number of shares he holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

The ordinary shareholders of the Company shall enjoy the following rights:

(I) the right to receive dividends and other distributions in proportion to their shareholdings;

(II) the right to attend or appoint a proxy to attend general meetings and to exercise the voting rights;

(III) the right to supervise the Company's business operations, to present proposals and to raise enquires;

(IV) the right to transfer, give as a gift or pledge shares in accordance with laws, administrative regulations, normative documents and relevant requirements of the securities regulatory authorities of the place where the shares of the Company are listed as well as the Articles of Association;

(V) the right to obtain relevant information in accordance with the Articles of Association, including:

1. the right to inspect free of charge, and copy after the payment of a reasonable charge;

2. the right to inspect and copy, subject to payment of a reasonable charge:

(1) a copy of all parts of the register of shareholders;

(2) personal particulars of the Company's Directors, Supervisors and senior management members, including:

(a) present and former name and alias;

(b) principal address (domicile);

(c) nationality;

(d) full-time jobs and all other part-time jobs and duties;

(e) identification documents and the numbers thereof.

(3) report on the status of the issued share capital of the Company;

(4) special resolutions of the general meeting of the Company;

(5) reports showing the aggregate nominal value, quantity, maximum and minimum prices paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose, breakdown by domestic shares and foreign shares;

(6) the latest audited financial reports and the Directors', auditors' and Supervisors' reports of the Company;

(7) a copy of the annual report filed with the company registration authority or other competent authorities;

(8) corporate bond counterfoils of the Company;

(9) minutes of the general meetings.

The Company shall publish the documents mentioned in items (3) to (7) of point 2 and other applicable documents on the websites of the Stock Exchange and the Company in accordance with the requirements of the HKEx. The Company shall keep items (1) and (9) of point 2 at the designated address in Hong Kong for free inspection by the public and shareholders, but the minutes of the general meetings are for shareholders' inspection only.

Register of shareholders kept in Hong Kong shall be available for shareholders to inspect, but the Company is allowed to suspend the registration of shareholders in accordance with the same terms as Article 632 of the Companies Ordinance. Specifically, after giving notice, the Company may close its register of members, or the part of it relating to members holding shares of any class, for any period or periods not exceeding in the whole 30 days in each year.

(VI) in the event of the termination or liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in proportion to the shareholdings;

(VII) for shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company, the right to demand the Company to buy back their shares;

(VIII) for shareholders severally or jointly holding more than three percent of the shares of the Company, the right to submit provisional proposals in writing to the Board ten working days prior to the general meeting;

(IX) other rights under laws, administrative regulations, departmental rules, normative documents, listing rules of the places where the shares of the Company are listed and the Articles of Association.

The Company shall not exercise any power to freeze or otherwise prejudice any rights attached to the shares held by any person who directly or indirectly has interest in the Company solely for the reason that such person fails to disclose to the Company any such interests.

7. RESTRICTIONS ON RIGHTS OF THE CONTROLLING SHAREHOLDERS

Save for the obligations required by laws, administrative regulations, departmental rules, normative documents or the listing rules of the places where the shares of the Company are listed, the controlling shareholders shall not, in the exercise of their shareholders' rights, make decisions prejudicial to the interests of all or part of the shareholders in the exercise of their voting rights on the issues set forth below:

(I) releasing the responsibility of a Director or Supervisor to act in good faith in the best interests of the Company;

(II) approving the expropriation by a Director or Supervisor (for his own or others' benefits), in any means, of the Company's assets, including but not limited to opportunities beneficial to the Company;

(III) approving the expropriation by a Director or Supervisor (for his own or others' benefits) of the personal interests of other shareholders, including but not limited to any rights to distributions and voting rights, but excluding restructuring of the Company submitted to the general meeting for approval in accordance with the Articles of Association.

8. GENERAL MEETINGS

(1) General Provisions

The general meeting shall be the authority of power of the Company and shall exercise the following functions and powers in accordance with laws:

(I) to decide on the business operation guidelines and investment plans for the Company;

(II) to elect and change Directors and Supervisors who are not employees' representatives, and decide on the remunerations of Directors and Supervisors;

(III) to consider and approve reports of the Board;

(IV) to consider and approve reports of the Supervisory Committee;

(V) to consider and approve the annual financial budgets and final accounts of the Company;

(VI) to consider and approve the Company's profit distribution plans and loss recovery plans;

(VII) to resolve on the increase or reduction of the registered capital of the Company;

(VIII) to resolve on the issuance of corporate bonds;

(IX) to resolve on the merger, division, dissolution, liquidation or change in the form of the Company;

(X) to formulate and amend the Articles of Association;

(XI) to resolve on the Company's appointment, dismissal or non-reappointment of accounting firms;

(XII) to consider proposals put forward by shareholders who, severally or jointly, hold more than three percent of the voting shares of the Company;

(XIII) to consider and approve the Company's purchase or disposal of major assets within one year with the aggregate transaction amount exceeding thirty percent of the latest audited total assets of the Company;

(XIV) to consider and approve the change of use of proceeds;

(XV) to consider and approve share incentive schemes;

(XVI) to consider and approve the external guarantees in accordance with the Articles of Association;

(XVII) to consider connected transactions which shall be approved at the general meeting in accordance with laws, administrative regulations, departmental rules, normative documents and the securities regulatory requirements of the places where the shares of the Company are listed;

(XVIII) to resolve on the acquisition of shares of the Company for the reasons set forth in items (I) and (II) of the first paragraph of Article 27 of the Articles of Association;

(XIX) to consider other matters required to be resolved at the general meeting in accordance with laws, administrative regulations, departmental rules, normative documents, relevant requirements of securities regulatory authorities of the places where the shares of the Company are listed and the Articles of Association.

The Company shall not enter into contracts with a party (other than a Director, Supervisor, the general manager and other senior management members) in relation to handover of the administration of all business or the important business of the Company to that party without the approval of the general meeting by special resolution.

General meetings consist of annual general meetings and extraordinary general meetings. General meetings shall be held by the Board in general. The annual general meeting shall be held once every year within six months after the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within two months upon occurrence of the following events:

(I) when the number of Directors falls below the minimum requirement of the Company Law, or is less than two thirds of the number specified by the Articles of Association;

(II) when the unrecovered losses of the Company amount to one third of the total amount of its paid-up share capital;

(III) when shareholder(s) severally or jointly holding more than ten percent of the Company's shares request(s) to convene such meeting in writing;

(IV) when the Board considers necessary or the Supervisory Committee proposes to convene such meeting;

(V) when two or more independent non-executive Directors propose to convene such meeting;

(VI) other circumstances stipulated by laws, administrative regulations, departmental rules, the listing rules of the places where the shares of the Company are listed or the Articles of Association.

The number of shares held by the shareholder(s) as described in item (III) shall be calculated at the close of trading on the date when such shareholder(s) request in writing or on the preceding trading day (if the written request is made on a non-trading day).

(2) Convening of General Meetings

The general meetings shall be convened by the Board.

Two or more of independent non-executive Directors shall be entitled to propose to the Board to convene an extraordinary general meeting. Regarding the proposal requesting to convene an extraordinary general meeting by the independent non-executive Directors, the Board shall, in accordance with laws, administrative regulations and the Articles of Association, inform in writing whether it agrees or disagrees to convene an extraordinary general meeting within ten days upon receipt of the proposal.

The Supervisory Committee shall be entitled to propose to the Board to convene an extraordinary general meeting, and shall put forward its proposal to the Board in writing. The Board shall, in accordance with laws, administrative regulations and the Articles of Association, inform in writing whether it agrees or disagrees to convene an extraordinary general meeting within ten days upon receipt of the proposal.

Shareholder(s) severally or jointly holding more than ten percent of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, in accordance with laws, administrative regulations and the Articles of Association, inform in writing whether it agrees or disagrees to convene an extraordinary general meeting within ten days upon receipt of the request.

(3) Proposals of General Meetings

When a general meeting is convened by the Company, the Board, Supervisory Committee and shareholder(s) who severally or jointly hold(s) more than three percent of the shares of the Company shall be entitled to make proposals to the general meetings.

Shareholder(s), who severally or jointly hold(s) more than three percent of the shares of the Company, may submit ad hoc proposals in writing to the convener ten days before the convening of the general meeting. The convener shall issue a supplemental notice of the general meeting within two days upon receipt of the proposals and announce the contents of the ad hoc proposals, and place the proposals on the agenda for the general meeting and submit the proposals for consideration at the general meeting if such proposals fall within the scope of duties of general meetings.

Except for circumstances provided in the above paragraph, the convener, after issuing the notice of the general meeting, shall neither modify the proposals stated in the notice of general meetings nor add new proposals.

(4) Notices of General Meetings

Where an annual general meeting is convened by the Company, it shall issue a written notice of the meeting to the registered shareholders twenty working days prior to the convening of the meeting to notify all the registered shareholders of the matters proposed to be considered as well as the date and venue of the meeting, and in the case of an extraordinary general meeting, it shall notify all the registered shareholders fifteen days or ten working days (whichever is longer) prior to the convening of the meeting, and specify in such notice the date, time and venue of the meeting and the matters to be considered, and state that a shareholder may appoint in writing a proxy to attend and vote at the meeting on his behalf.

When calculating the time limit of the notice, the date of the general meeting convened shall be excluded, but the issue date of such notice shall be included.

Unless otherwise provided in the Articles of Association, the notice of general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting) by hand or prepaid mail to their addresses as shown in the register of shareholders. For the holders of domestic shares, the notice of general meeting may be given by way of public notice.

The notice of general meeting issued to the holders of H shares may be published on the website of the Hong Kong Stock Exchange and the Company's website. Once the announcement is made, all holders of H shares shall be deemed to have received the notice of general meeting.

(5) Holding of General Meetings

Any shareholder who has the right to attend and vote at the general meeting may attend the general meeting in person, or appoint a proxy to attend and vote on his behalf. The shareholder has the right to appoint one or more person(s) (the person may not be a shareholder) as his proxy to attend and vote on his behalf. The shareholder's proxy may exercise the following rights in accordance with the shareholder's authorization:

(I) the shareholders' right to speak at the general meeting;

(II) the right to demand a poll by himself or jointly with others;

(III) unless otherwise provided in the Articles of Association, the right to exercise voting rights by a show of hands or by a poll, provided that where more than one proxy is appointed, the proxies may only exercise such voting rights by a poll.

The appointment of a proxy shall be in writing and signed by the appointing shareholder or his attorney duly authorized in writing; where the appointing shareholder is a legal person, such appointment shall be affixed with its seal or signed by its Director or attorney duly authorized.

The proxy form shall be deposited at the domicile of the Company or such other place as the notice of general meeting may specify not less than twenty-four hours prior to convening of the general meeting at which the relevant matters will be voted on, or twenty-four hours before the designated voting time.

The chairman of the Board shall preside over and act as chairman of the general meeting convened by the Board. If the chairman of the Board is unable to attend the general meeting, the vice chairman of the Board shall preside over and act as chairman of the general meeting. Where the vice chairman of the Board is unable to attend the general meeting, the Board may appoint one Director to convene the general meeting and act as chairman of the general meeting. Where it is unable to select the chairman of the general meeting, one person elected by shareholders attending the general meeting shall act as chairman of the general meeting. Where the shareholders fail to elect a chairman of the general meeting for any reason, the shareholder (including his proxy) present the meeting who holds the largest number of voting shares shall be the chairman of the general meeting.

The chairman of the Supervisory Committee shall preside over the general meeting convened by the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to fulfill his duties, one Supervisor jointly elected by more than half of the Supervisors shall preside over the general meeting.

A representative elected by the convener(s) shall preside over the general meeting convened by the shareholders.

(6) Voting at and Resolutions of the General Meetings

Resolutions of the general meetings include ordinary resolutions and special resolutions.

Ordinary resolution at a general meeting shall be adopted by more than one half of the voting rights held by shareholders (including their proxies) attending the general meeting.

Special resolution at a general meeting shall be adopted by more than two thirds of the voting rights held by shareholders (including their proxies) attending the general meeting.

The following matters shall be resolved by way of special resolutions at a general meeting:

(I) increase or reduction of the registered capital and issue of shares of any class, warrants and other similar securities of the Company;

(II) issuance of corporate bonds of the Company;

(III) division, merger, dissolution and liquidation or change in the form of the Company;

(IV) purchase or disposal of major assets or guarantee of the Company within one year with the amount exceeding 30% of the latest audited total assets of the Company;

(V) amendments to the Articles of Association;

(VI) employee stock ownership plans or share incentive schemes;

(VII) other matters as required by laws, administrative regulations, departmental rules, normative documents, listing rules of the places where the shares of the Company are listed or the Articles of Association, and matters which, as resolved by way of an ordinary resolution at a general meeting, will have a material impact on the Company and need to be approved by way of special resolutions.

Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share. However, shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

(7) Procedures for Voting by Class Shareholders

Shareholders holding different classes of shares shall be class shareholders.

Class shareholders shall enjoy the rights and assume the obligations in accordance with laws, administrative regulations, listing rules of the places where the shares of the Company are listed and the Articles of Association.

Apart from holders of other classes of shares, holders of domestic shares and overseas-listed foreign shares are deemed to be shareholders of different classes. Where the share capital of the Company includes shares which do not carry voting rights, the words "non-voting" must appear in the designation of such shares.

The following circumstances shall be deemed as change or abrogation of the rights of shareholders of a certain class:

(I) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;

(II) to change all or part of the shares of such class into shares of another class or to change all or part of the shares of another class into shares of that class or to grant relevant conversion rights;

(III) to cancel or reduce rights to accrued dividends or cumulative dividends attached to shares of such class;

(IV) to reduce or cancel rights attached to the shares of such class to preferentially receive dividends or distributions of assets in a liquidation of the Company;

(V) to add, cancel or reduce share conversion rights, options, voting rights, transfer rights, pre-emptive placing rights, or rights to acquire securities of the Company attached to the shares of such class;

(VI) to cancel or reduce rights to receive payments made by the Company in a particular currency attached to the shares of such class;

(VII) to create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;

(VIII) to restrict the transfer or ownership of the shares of such class or to impose additional restrictions;

(IX) to issue rights to subscribe for, or to convert into, shares of such class or another class;

(X) to increase the rights and privileges of the shares of another class;

(XI) to restructure the Company in such a way as to cause shareholders of different classes to undertake liabilities disproportionately during the restructuring;

(XII) to amend or cancel provisions in this section;

(XIII) for shareholders of the affected class whether or not with the rights to vote at general meetings originally, to have the right to vote at shareholders' class meetings in respect of matters referred to in items (II) to (VIII) and (XI) to (XII) of Article 110, except that interested shareholders have no voting right at such shareholders' class meetings.

The term "interested shareholders" in the preceding paragraph shall mean:

(I) in case of a buy-back of shares by the Company by way of a general offer to all shareholders in equal proportion or by way of open market transactions on a stock exchange in accordance with the Articles of Association, the controlling shareholders as defined in Chapter 15 of the Articles of Association shall be the "interested shareholders";

(II) in case of a buy-back of shares by the Company by an off-market agreement in accordance with the Articles of Association, holders of shares in relation to such agreement shall be the "interested shareholders";

(III) in case of a proposed restructuring of the Company, shareholders who assume a relatively lower proportion of obligation than the obligations imposed on the other shareholders of that class or who have an interest different from those of other shareholders of that class shall be the "interested shareholders".

Resolution of a shareholders' class meeting shall be passed only by more than two thirds of the total voting rights being held by the shareholders of that class who are present and entitled to vote at the shareholders' class meeting.

In respect of a shareholders' class meeting convened by the Company, the period of issuing a written notice shall be the same as the period of issuing a written notice of a non-class meeting to be convened together with such class meeting, and the provisions of Article 77 of the Articles of Association shall apply.

9. DIRECTORS AND BOARD OF DIRECTORS

(1) Directors

Directors shall be elected or replaced by the general meeting and serve a term of three years. A Director may serve consecutive terms if re-elected upon the expiry of his term, but an independent non-executive Director shall be re-elected upon corresponding review procedures in accordance with the listing rules of the place where the Company's shares are listed if such Director has served in his position for more than nine years.

A general meeting may remove a director before expiry of his term of office by an ordinary resolution subject to compliance with relevant regulations. Such removal does not prejudice the Director's claim for compensations pursuant to any contract.

(2) Board of Directors

The Company shall have a Board of Directors which shall be accountable to the general meeting. The Board consists of seven to nine Directors, the number of independent non-executive Directors shall be no less than three and shall account for more than one-third of the total number of members of the Board.

The Board shall exercise the following powers and duties:

(I) to convene a general meeting and report its work to such meeting;

(II) to implement the resolutions of a general meeting;

(III) to decide on the operation plans and investment plans for the Company;

(IV) to prepare the annual financial budgets and final accounts of the Company;

(V) to prepare the Company's profit distribution plans and loss recovery plans;

(VI) to prepare the plan for the Company to increase or reduce its registered capital, issue corporate bonds or other securities and other listing plans;

(VII) to prepare plans of the Company with respect to merger, division, dissolution or change in the form of the Company;

(VIII) to prepare plans of the Company with respect to material acquisitions and acquisitions of the Company's shares;

(IX) to decide on the establishment of the internal organizations;

(X) to establish a basic management system of the Company;

(XI) to appoint or remove the general manager and secretary to the Board of the Company; to appoint or remove the deputy general manager and other senior management members of the Company nominated by the general manager, and decide on the remunerations and rewards and punishments thereof; to establish a basic management system of the Company;

(XII) to prepare plans to amend the Articles of Association;

(XIII) to propose to the general meeting with respect to the appointment or replacement of the audit firm of the Company;

(XIV) to receive the work report of the general manager of the Company and examine such work;

(XV) to manage the disclosure of information by the Company in accordance with laws and regulations, the listing rules of the places where the shares of the Company are listed and the Company's internal rules and regulations;

(XVI) to decide on external investment, acquisition and disposal of assets, asset pledge, external guarantee, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting; to determine other material matters of the Company, except for the matters to be resolved at the general meeting in accordance with the Company Law and the Articles of Association;

(XVII) to exercise any other duties and powers specified in laws, administrative regulations, departmental rules, normative documents, the listing rules of the places where the shares of the Company are listed or the Articles of Association.

Except for the Board resolutions in respect of the matters specified in items (VI), (VII) and (XII) above which shall be passed by more than two-thirds of all the Directors, the Board resolutions in respect of all other matters may be passed by the affirmative vote of a simple majority of the Directors. Every Director shall have one vote when voting on the Board resolution. In the case of an equality of votes, the chairman of the Board shall be entitled to an additional vote.

The Board meeting shall not be held unless more than one half of the Directors are present.

When a Director is related to companies which are the subject of a resolution to be decided at a Board meeting, the related Director shall not exercise the voting rights on that resolution, and shall not exercise the voting rights on behalf of other Directors. Such Board meeting can be held if more than one half of the non-related Directors attend. Resolutions made by the Board meeting shall be passed by more than one half of the non-related Directors (in the case of items (VI), (VII) and (XII), such matters shall be approved by more than two-thirds of the non-related Directors). If less than three non-related Directors attend the Board meeting, the matter shall be submitted to the general meeting for consideration.

10. SECRETARY TO THE BOARD

The Company shall have one secretary to the Board. The secretary to the Board shall be one of the senior management members.

The secretary to the Board shall be a natural person with necessary professional knowledge and experience. The secretary shall be nominated by the chairman of the Board, and appointed or dismissed by the Board.

Executive Directors or other senior management members of the Company may serve concurrently as the secretary to the Board of the Company. The accountants of the accounting firm engaged by the Company shall not serve concurrently as the secretary to the Board of the Company.

11. SUPERVISORY COMMITTEE

The Company shall have a Supervisory Committee. The Supervisory Committee shall be comprised of three Supervisors, of which the proportion of employee representative supervisors shall not be less than one-third. Shareholder representative supervisors shall be elected and dismissed by the general meetings. Employee representative supervisors shall be elected by employee representative meetings, employee meetings or other forms of democratic elections.

The Supervisory Committee shall have one chairman who shall be appointed or dismissed by the votes of two-thirds or more of the members of the Supervisory Committee.

The Supervisory Committee shall exercise the following duties and powers:

(I) to review the financial position of the Company;

(II) to supervise the performance of Directors and senior management members of their duties to the Company, and propose dismissal of Directors and senior management members that have violated the laws, administrative regulations, the Articles of Association or the resolutions of the general meetings;

(III) to demand rectification by Directors and senior management members when the acts of such persons are prejudicial to the Company's interest and, if necessary, report to the general meeting or relevant national competent authorities;

(IV) to propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform such duties as specified by the Company Law;

(V) to propose the convening of an extraordinary Board meeting;

(VI) to put forward proposals to general meetings;

(VII) to initiate litigations against Directors and senior management members in accordance with provisions of the Company Law;

(VIII) to initiate investigations into any irregularities identified in the operation of the Company and, where necessary, may engage an accounting firm and a law firm to assist their work at the Company's expense;

(IX) to exercise other duties and powers conferred by laws, administrative regulations, departmental rules, normative documents, listing rules of the places where the Company is listed and the Articles of Association.

Meeting of the Supervisory Committee shall be held at least once every six months.

12. GENERAL MANAGER AND OTHER SENIOR MANAGEMENT MEMBERS

The Company shall have one general manager, one executive deputy general manager, several deputy general managers, several assistant general managers, and one person-in-charge of finance, who shall be nominated by the general manager. Executive Directors may also concurrently serve as general manager, deputy general manager or other senior management members. The general manager, deputy general manager and other senior management members shall be appointed or dismissed by the Board.

Senior management members shall include the Company's general manager, executive deputy general manager, deputy general managers, assistant general managers, person-in-charge of finance, secretary to the Board and other officers expressly appointed by the Board as senior management of the Company.

The general manager shall be accountable to the Board and exercise the following powers and duties:

(I) to take charge of the operation and management of the Company, organize the implementation of Board resolutions and report his work to the Board;

(II) to organize the implementation of the annual operation plans and investment plans of the Company;

(III) to draft the plan for the establishment of an internal management organization of the Company;

(IV) to formulate the Company's basic management system;

(V) to make specific rules and regulations of the Company;

(VI) to propose to the Board for the appointment or dismissal of other senior management members other than those who should be nominated by the chairman of the Board;

(VII) to appoint or dismiss the management personnel other than those who should be appointed or dismissed by the Board;

(VIII) to propose to convene extraordinary board meeting;

(IX) to decide on other matters of the Company within the authority granted by the Board;

(X) to decide on the investments, acquisitions or disposals, financing, etc. other than those that shall be decided by the Board or the general meetings;

(XI) to perform other powers and duties authorized by the Articles of Association or the Board.

13. BORROWING POWER

The Articles of Association do not contain any specific provision regarding the manner in which the Directors may exercise the right to borrow money or the manner in which such a right is given provided that the Board shall be entitled to develop proposals for the Company to issue bonds and to list its shares, and that such bond issues must be approved by the shareholders by a special resolution at the general meeting.

14. FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with laws, administrative regulations and requirements of relevant authorities in the PRC.

The Company shall prepare a financial report at the end of each accounting year, which shall be audited by an accounting firm in compliance with laws. The financial and accounting report shall be prepared in accordance with laws, regulations and requirements of the relevant authorities in the PRC.

The Company shall publish two financial reports in each accounting year, namely, the interim financial report that shall be published within two months after the end of the first six months of the accounting year; and the annual financial report that shall be published within four months after the end of the accounting year.

The financial report of the Company shall be kept at the Company for shareholders to inspect twenty days before the annual general meeting is held. Each shareholder of the Company shall have the right to obtain the copy of the financial report mentioned in this chapter.

Except as otherwise provided in the Articles of Association, the Company shall, at least twenty one days before the annual general meeting, post the aforesaid report or directors' report together with the balance sheet (including all documents required to be attached by laws and administrative regulations of China or other regions), profit and loss statement (income statement) or income and expenditure statement (cash flow statement), or summary of financial statement without violation of relevant laws of China approved by HKEx on the websites of the Stock Exchange and the Company and keep them at the Company for shareholders to inspect.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting principles and regulations, be prepared in accordance with either international accounting principles, or those of the place outside the PRC where the Company's shares are listed. If there is any material difference between the financial statements prepared in accordance with the two accounting principles, such difference shall be stated in the notes to the financial statements. In distributing the Company's after-tax profits of the relevant accounting year, the lower of the two amounts shown in the financial statements shall be adopted.

15. PROFIT DISTRIBUTION

The profit distribution proposal of the Company for each year shall be considered and approved at the general meeting. The Company shall distribute its after-tax profit in the following proportion and order:

(I) recovering losses;

(II) withdrawing ten percent of after-tax profit of the current year as a statutory common reserve fund;

(III) withdrawing a discretionary common reserve fund according to resolutions of the general meeting;

(IV) distributing dividends to shareholders.

The Company may not withdraw a statutory common reserve fund if the cumulative amount has reached more than fifty percent of the Company's registered capital. The general meeting shall determine whether to withdraw the discretionary reserve and its proportion after withdrawing the statutory reserve and the risk reserve.

If the statutory reserve could not cover the losses of the preceding year, profit of the year shall be used to cover the losses before withdrawing the statutory reserve.

The shares of the Company held by the Company shall not be subject to profit distribution.

The Company may distribute dividends in cash or shares. When a dividend is distributed by way of shares, a resolution shall be made by the general meeting and submitted to the securities regulatory authorities and other relevant competent authorities for approval.

Subject to the laws and regulations of the PRC and rules of the Hong Kong Stock Exchange, the Company may exercise power to forfeit unclaimed dividends, provided that it may do so only after the expiration of the applicable relevant period.

16. DISSOLUTION AND LIQUIDATION

The Company shall be dissolved for the following reasons:

(I) the business term stipulated in the Articles of Association has expired or other circumstances for dissolution specified in the Articles of Association arise;

(II) the general meeting has resolved to dissolve the Company by way of special resolution;

(III) the merger or division of the Company requires a dissolution;

(IV) the business license is revoked, or the Company is ordered to close down or is dissolved according to laws;

(V) the Company is legally declared insolvent due to its failure to repay debts due;

(VI) the Company is ordered to close down in accordance with the laws due to violation of laws and administrative regulations;

(VII) if the Company suffers significant hardship in its operation and management, and the ongoing existence would bring significant losses for shareholders that cannot be resolved through other means, the shareholders holding more than ten percent of the total voting rights of the Company may request the People's Court to dissolve the Company.

In the case of item (I), the Company may survive by amending its Articles of Association, which shall be approved by more than two-thirds of the voting rights represented by the shareholders present at the general meeting.

Where the Company is dissolved under the circumstances set out in items (II), (IV) and (VII) above, the Company shall establish a liquidation group to commence liquidation within fifteen days upon the occurrence of the circumstances for dissolution. The composition of the liquidation group shall be determined by Directors or general meeting. If the Company fails to establish a liquidation group on time, creditors may request the People's Court to designate certain persons to form a liquidation group to perform liquidation.

Where the Board resolves to liquidate the Company for any reason other than bankruptcy, the Board shall include a statement in its notice convening a general meeting to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company shall be able to pay its debts in full within twelve months from the commencement of the liquidation.

The functions and powers of the Board shall terminate immediately after the resolution for liquidation is passed at the general meeting.

The liquidation group shall act in accordance with instructions of the general meeting and make a report at least once every year to the general meeting on the group's income and expenses, the business of the Company and the progress of the liquidation; the liquidation group shall present a final report to the general meeting upon completion of the liquidation.

The liquidation group shall notify the creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notice, or within 45 days of the public notice if he did not receive any notice.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the general meeting or People's Court for confirmation.

During the liquidation period, the Company remains in existence; however, it shall not commence any business activity that is unrelated to liquidation.

Upon liquidation of the Company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the Company does not have sufficient assets to meet its liabilities, it shall apply to the People's Court for a declaration for bankruptcy according to laws.

Following a ruling by the People's Court that the Company is declared bankrupt, the liquidation group shall hand over all matters relating to the liquidation to the People's Court.

Following the completion of the liquidation of the Company, the liquidation group shall prepare a liquidation report, a revenue and expenditure statement and financial account books in respect of the liquidation period and, after verification thereof by an accountant registered in China, submit the same to the general meeting or the relevant competent authorities for confirmation. Within thirty days from the date of confirmation of the aforementioned documents by the general meeting or the relevant competent authorities, the liquidation group shall deliver the same to the company registration authority, apply for cancellation of the Company's registration and publicly announce the Company's dissolution.

17. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company may amend the Articles of Association pursuant to the provisions of the laws, administrative regulations and the Articles of Association.

Where other stipulations provide that the amendments to the Articles of Association passed by the general meetings require approval of the competent authorities, such stipulations shall prevail. If the amendment involves any registered particulars of the Company, application shall be made for change of registration in accordance with the laws.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment of our Company

Our Company was established in the PRC as a joint stock company with limited liability under the Company Law on March 24, 2006. Our Company has established a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on July 15, 2021. Mr. Wong Wai Chiu has been appointed as our authorized representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix VI to this document. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix V to this document.

2. Changes in the share capital of our Company

As of the date of our establishment, our registered capital was RMB500,000 divided into 500,000 Shares with a nominal value of RMB1.00 each.

On July 3, 2008, our registered capital was increased from RMB500,000 to RMB3,000,000.

On September 21, 2010, our registered capital was increase from RMB3,000,000 to RMB5,000,000.

On October 12, 2020, our registered capital was increase from RMB5,000,000 to RMB100,000,000.

Assuming the [**REDACTED**] is not exercised, upon completion of the [**REDACTED**], our share capital will be increased to RMB[**REDACTED**], made up of [**REDACTED**] Domestic Shares and [**REDACTED**] H Shares fully paid up or credited as fully paid up, representing approximately [**REDACTED**]% and [**REDACTED**]% of our share capital, respectively. Save as aforesaid, there has been no alteration in our share capital since our establishment.

3. Restriction of share repurchase

For details of the restrictions on the share repurchase by our Company, please refer to "Summary of Articles of Association" in Appendix VI to this document.

4. Resolutions of our Shareholders passed at our Company's extraordinary general meeting held on May 31, 2021

At the extraordinary general meeting of our Company held on May 31, 2021, among other things, the following resolutions were passed by our Shareholders:

(a) the issue by our Company of the H Shares with a nominal value of RMB1.00 each and such H Shares to be [**REDACTED**] on the Stock Exchange;

(b) subject to the completion of the [**REDACTED**], the Articles of Association has been approved and adopted, which shall only become effective on the [**REDACTED**], and our Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(c) authorizing our Board to handle all relevant matters relating to, among other things, the implementation of issue of H Shares and the [**REDACTED**].

5. Corporate Reorganization

We underwent the Reorganization, for details, please see "History, Reorganization and Corporate Structure". As confirmed by our PRC Legal Advisors, all necessary approvals, filings and registrations from the relevant PRC authorities in respect of the Reorganization have been obtained and completed as of the Latest Practicable Date.

6. Particulars of our subsidiaries

Set out below is certain information of our subsidiaries as of the Latest Practicable Date:

No.	Name of subsidiary	Identity of shareholder(s)	Percentage of the equity interests
1. . .	Lan'an Landscape	Our Company	100%
2. . .	Lushang Design	Our Company	100%
3. . . .	Lushang Tang'an	Our Company	41%
		Jinan Shangxin(1)	10%
		Tang'an Hengye(2)	49%

Notes:

(1) Jinan Shangxin is an employee stock ownership platform of our Company and an Independent Third Party save for its equity interests in Lushang Tang'an;

(2) Tang'an Hengye is an Independent Third Party save for its equity interests in Lushang Tang'an.

7. Change in the registered capital of subsidiaries

Our Company's subsidiaries are set forth in the Accountants' Report. Save for the subsidiaries mentioned in the Accountants' Report and the section headed "History, Reorganization and Corporate Structure", our Company has no other subsidiaries.

There has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

(a) an equity transfer agreement dated January 15, 2021 entered into between Shandong Lushang Property Co., Ltd. (山東省魯商置業有限公司) and our Company, pursuant to which Shandong Lushang Property Co., Ltd. (山東省魯商置業有限公司) agreed to (i) transfer its 100% equity interests in Shandong Lan'an Landscape Engineering Co., Ltd. (山東藍岸園林工程有限公司) to our Company at a consideration of RMB19,710,000; and (ii) transfer its 100% equity interests in Shandong Lushang Architectural Design Co., Ltd. (山東省魯商建築設計有限公司) to our Company at a consideration of RMB18,140,000.

(b) the Deed of Non-competition;

(c) the Deed of Indemnity; and

(d) the [**REDACTED**].

2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
LSFW	55550019	35	Our Company	PRC	November 21, 2021	November 20, 2031
LSFW	55563000	36	Our Company	PRC	November 21, 2021	November 20, 2031

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
LSFW	55557113	37	Our Company	PRC	November 7, 2021	November 6, 2031
LSFW	55541824	39	Our Company	PRC	November 7, 2021	November 6, 2031
LSFW	55563012	40	Our Company	PRC	November 7, 2021	November 6, 2031
LSFW	55567442	41	Our Company	PRC	November 7, 2021	November 6, 2031
LSFW	55544113	42	Our Company	PRC	November 7, 2021	November 6, 2031
LSFW	55550049	43	Our Company	PRC	November 7, 2021	November 6, 2031
LSFW	55545121	44	Our Company	PRC	November 7, 2021	November 6, 2031
LSFW	55544892	45	Our Company	PRC	November 7, 2021	November 6, 2031

As of the Latest Practicable Date, our Group [was granted] a license to use the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
A LSFW 鲁商服务 B LSFW 鲁商服务	305705947	35, 36, 37, 39, 41, 42, 43, 44, 45	Lushang Group	Hong Kong	August 3, 2021	August 2, 2031
鲁商	13077196	35	Lushang Group	PRC	January 14, 2015	January 13, 2025
鲁商	13079397	36	Lushang Group	PRC	March 28, 2016	March 27, 2026
鲁商	13079784	37	Lushang Group	PRC	February 14, 2015	February 13, 2025
鲁商	13079972	39	Lushang Group	PRC	April 7, 2015	April 6, 2025
鲁商	13080050	40	Lushang Group	PRC	February 21, 2015	February 20, 2025
鲁商	13080142	41	Lushang Group	PRC	April 7, 2015	April 6, 2025

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
魯商	13080214	42	Lushang Group	PRC	March 28, 2015	March 27, 2025
魯商	13080376	43	Lushang Group	PRC	December 21, 2014	December 20, 2024
魯商	13080425	44	Lushang Group	PRC	December 21, 2014	December 20, 2024

(b) Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names in the PRC which, in the opinion of our Directors, are material to our business:

Domain Name	Name of Registered Proprietor	Date of Registration	Expiry Date
lushangfuwu.com	Our Company	May 20, 2021	May 20, 2031
lushangfuwu.cn	Our Company	May 20, 2021	May 20, 2031

C. FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company and its associated corporations

Immediately following completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, none of our Directors, Supervisors or chief executives of our Company has any interests or short positions in the Shares, underlying shares and debentures of our Company which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") to be notified to our Company and the Stock Exchange, once our Shares are [**REDACTED**].

Immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, the interests or short positions of our Directors, Supervisors or chief executive of our Company in the Shares, underlying Shares and debentures of the associated corporations of our Company (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code to be notified to our Company once the H Shares are [**REDACTED**] will be as follows:

Interest in associated corporation of our Company

Name	Name of associated corporation	Nature of interest	Number of shares interested	Approximate percentage of shareholding
Mr. Wang Zhongwu	Lushang Development	Beneficial owner	300,000[(1)]	0.03%
Ms. Li Lu	Lushang Development	Beneficial owner	300,000[(2)]	0.03%
Mr. Zhang Tiebo	Lushang Development	Beneficial owner	133,334[(3)]	0.01%
Mr. Shao Meng	Lushang Development	Beneficial owner	5,363[(4)]	0.0005%
Mr. Wang Hongtao	Lushang Development	Beneficial owner	130,000[(5)]	0.01%
Mr. Zhang Xiangqian	Lushang Development	Beneficial owner	73,334[(6)]	0.007%

Notes:

(1) As of the Latest Practicable Date, Mr. Wang was interested in (i) 100,000 shares of Lushang Development; and (ii) 200,000 underlying shares of Lushang Development by virtue of the options granted to him under a share option scheme of Lushang Development.

(2) As of the Latest Practicable Date, Ms. Li was interested in (i) 100,000 shares of Lushang Development; and (ii) 200,000 underlying shares of Lushang Development by virtue of the options granted to her under a share option scheme of Lushang Development.

(3) As of the Latest Practicable Date, Mr. Zhang was interested in 133,334 underlying shares of Lushang Development by virtue of the options granted to him under a share option scheme of Lushang Development.

(4) As of the Latest Practicable Date, Mr. Shao was interested in 5,363 underlying shares of Lushang Development by virtue of the options granted to him under a share option scheme of Lushang Development.

(5) As of the Latest Practicable Date, Mr. Wang was interested in (i) 36,666 shares of Lushang Development; and (ii) 93,334 underlying shares of Lushang Development by virtue of the options granted to him under a share option scheme of Lushang Development.

(6) As of the Latest Practicable Date, Mr. Zhang was interested in 73,334 underlying shares of Lushang Development by virtue of the options granted to him under a share option scheme of Lushang Development.

(b) Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors are not aware of any person (other than our Director or chief executive of our Company) who will, immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Group.

2. Further Information about our Directors and Supervisors

(a) Particulars of Directors' and Supervisors' service contracts and appointment letters

Each of the Directors and Supervisors has entered into a service contract or appointment letter with our Company. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

(b) Others

(i) None of the Directors, Supervisors, or any past Directors of any members of our Group has been paid any sum of money for each of the three years ended December 31, 2021 as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(ii) There has been no arrangement under which a Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind for each of the three years ended December 31, 2021.

(iii) None of the Directors or Supervisors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him/her to become, or to qualify him/her as, a Director or a Supervisor, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Agency fees or commissions received

Save as disclosed in this section, none of the Directors, Supervisors or any of the persons whose names are listed under "—D. Other Information—7. Qualifications and Consents of Experts" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

4. Directors' and Supervisors' remuneration

For each of the three years ended December 31, 2021, the aggregate amount of fees, basic salaries, allowance, discretionary bonus, retirement benefit contribution and share-based payment granted by us to our Directors and Supervisors were approximately RMB0.8 million, RMB0.7 million and RMB1.6 million, respectively.

Under the current arrangements, our Directors and Supervisors are entitled to receive compensation (including fees, basic salaries, allowance, discretionary bonus, retirement benefit contribution and share-based payment) from our Company for the year ending December 31, 2022 under arrangement in force as of the date of this document which is approximately RMB3.7 million in aggregate.

5. Disclaimers

(a) none of our Directors or Supervisors nor any of the parties listed in "—D. Other Information—7. Qualifications and Consents of Experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) save as disclosed in this section, none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are [**REDACTED**] on the Stock Exchange;

(c) none of our Directors or Supervisors nor any of the parties listed in "—D. Other Information—7. Qualifications and Consents of Experts" in this Appendix, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group as a whole;

(d) save for the [**REDACTED**], none of the parties listed in "—D. Other Information—7. Qualifications and Consents of Experts" in this Appendix:

(i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group;

(e) save as disclosed in the document, none of the Directors, their respective associates or Shareholders of our Company (who is interested in more than 5% of the share capital of our Company) has any interests in any of our top five suppliers and top five customers; and

(f) none of the Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

D. OTHER INFORMATION

1. Estate duty

In accordance with the PRC law, the Company and any of our subsidiary is not likely to assume any material liability in respect of estate duty.

2. Tax and Other Indemnities

Our Controlling Shareholders [have entered into] a deed of indemnity with and in favor of each member of our Company (being the contract referred to in paragraph (I) of "—B. Further Information about Our Business—1. Summary of Material Contracts" above) to provide indemnities on a joint and several basis in respect of, among other matters, (i) taxation resulting from income, profits or gains earned, accrued or received during the Track Record Period and up to the [**REDACTED**]; (ii) any claims, penalties or other indebtedness (to the extent that provision has not been made for such claims, penalties or indebtedness in the audited consolidated financial statements of our Group) suffered by any member of our Group as a result of or in connection with the insufficient contribution to social insurance and housing provident funds during the Track Record Period and up to the [**REDACTED**]; and (iii) any actual losses suffered by any member of our Group as a result of or in connection with the title defects on our leased properties during the Track Record Period and up to the [**REDACTED**].

3. Litigation

We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against us that may have a material adverse effect on our business, financial position or results of operations.

4. Sole Sponsor

The Sole Sponsor has applied to the Stock Exchange for the [**REDACTED**] of, and permission to deal in, our H Shares to be issued pursuant to the [**REDACTED**] (including the additional H Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate fee of RMB5 million for acting as the Sole Sponsor for the [**REDACTED**].

5. Preliminary expenses

Our Company has not incurred any preliminary expenses.

6. Promoters

The promoters of our Company are Lushang Innovation and Lushang Development.

Save as disclosed in the section headed "History, Reorganization and Corporate Structure", within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document.

7. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
ABCI Capital Limited.	Licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

Name	Qualifications
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Commerce & Finance Law Offices	Legal advisors to our Company as to the PRC Law
China Index Academy	Industry consultant
Cushman & Wakefield Limited	Independent property valuer

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this document the form and context in which it is respectively included.

8. Interests of experts in our Company

None of the persons named in "—D. Other Information—7. Qualifications and consents of experts" in this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

9. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is 0.13% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

10. Binding effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(b) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2021 (being the date to which the latest audited consolidated financial information of our Group were prepared); and

(ii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

(c) There are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(d) All necessary arrangements [have been made] to enable our H Shares to be admitted into [**REDACTED**] for clearing and settlement;

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system;

(f) Our Company has no outstanding convertible debt securities or debentures;

(g) There is no arrangement under which future dividends are waived or agreed to be waived;

(h) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(i) There is no subsidiary in our Group which is a sino-foreign equity joint venture or which operates as or under a cooperative or contractual joint venture; and

(j) We currently do not intend to apply for the status of sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Foreign Investment Law.

12. Bilingual document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English version shall prevail.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the [**REDACTED**];

(b) the written consents referred to in "Statutory and General Information—D. Other Information—7. Qualifications and Consents of Experts" in Appendix VII to this document; and

(c) a copy of each of the material contracts referred to in "Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts" in Appendix VII to this document.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.lushangfuwu.com**) up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this document;

(c) the report from KPMG in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this document;

(d) the letter, summary of property values and valuation reports relating to the property interest of our Group prepared by Cushman & Wakefield Limited, the texts of which is set out in Appendix III to this document;

(e) the audited consolidated financial statements of our Group for the years ended December 31, 2019, 2020 and 2021;

(f) the material contracts referred to in "Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts" in Appendix VII to this document;

(g) the service contracts referred to in "Statutory and General Information—C. Further Information about Directors, Supervisors and Substantial Shareholders—2. Further Information about Our Directors and Supervisors—(a) Particulars of Directors' and Supervisors' service contracts and appointment letters" in Appendix VII to this document;

(h) the legal opinion issued by Commerce & Finance Law Offices, our PRC Legal Advisor, in respect of our Group's business operations and property interests in the PRC;

(i) the written consents referred to "Statutory and General Information—D. Other Information—7. Qualifications and Consents of Experts" in Appendix VII to this document;

(j) the PRC Company Law, the PRC Securities Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translation; and

(k) the industry report issued by China Index Academy.